

# GOVERNANCE FOR A SUSTAINABLE BUSINESS



## OUR COMMITMENT - CREATING VALUE THROUGH GOOD GOVERNANCE

**The Board firmly supports the Group's long-term value creation process by practicing Ethical business conduct, ingraining consideration of Sustainability into business decisions and managing them with good Governance. This integrated thinking and subsequently the integration process are driven top-down and applied consistently across our Group with proper guidance and strategic supports being accorded to our management team.**



**TAN SRI AHMAD BADRI MOHD ZAHIR**  
Non-Independent Non-Executive Chairman



This RHB Corporate Governance Overview Statement should be read together with its Corporate Governance Report which can be downloaded from the Group's corporate website at [www.rhbgroup.com](http://www.rhbgroup.com) or the Bursa Malaysia announcement web page.

RHB Banking Group's strong enterprise governance fundamentals ensured we remain resilient even during troubled times, as witnessed throughout the COVID-19 pandemic. As we navigate from the pandemic to an endemic, we continue to ensure the Group remains in a strong position and less susceptible to the volatile business environment by being dynamic, agile and forward thinking.

Another milestone to depict the strong pillar in corporate governance was the smooth leadership transition at the top helm with the replacement of the outbound Group Managing Director with an interim Officer-in-Charge or the Principal Officer on 24 January 2022 to take charge of managing the Group until a new Group Managing Director is being appointed.

The process of evaluating and electing the new candidate was undertaken by the Board immediately, with both internal and external candidates being considered for the position. The potential candidates include two identified internal successors, backed by a successful succession plan spearheaded by the Group's human capital framework. The Board's swift response to the change caused minimal disruption

despite sudden movement at the very top 'C-suite' level, ensuring business continuity and smooth strategy execution.

At the end of the year, the Board also oversaw enhancement to the Group's business integration with formulation of the Group's new 5-year strategic plan. The transition from the preceding strategic plan, namely FIT22 is mainly to steer the Group's businesses forward in the upcoming digital banking opportunities for greater financial inclusion and at the same time, embedding sustainability related matters into its business operations and activities that are most important to the stakeholders.

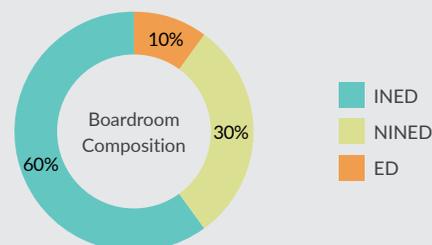
This move is in line with the newly approved sustainability governance framework that showcases establishment of the Group Sustainability Committee, chaired by the Group Managing Director and supported by four working-level sustainability committees across the Group. These efforts by the Board echoed the newly introduced good governance practices per the latest Malaysian Code on Corporate Governance, updated in April 2021 ensuring sustainability related matters are no longer in the periphery and that we are in a position to make positive impacts in the lives of our stakeholders as *Together We Progress*.

### COMPOSITION OF THE BOARD

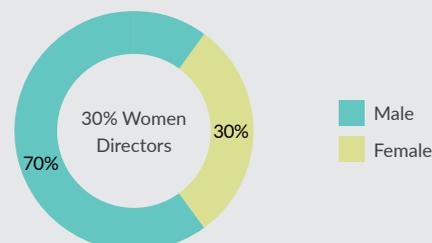
The Board understands and acknowledges the importance of having a well-balanced, diverse, experienced and cohesive group to drive the long-term sustainable success of the Group through ethical, responsible and experienced leadership. During the year, there were six Independent Non- Executive Directors ("INED"), three Non-Independent Non-Executive Directors ("NINED") and one Executive Director ("ED") i.e. the Managing Director/CEO serving on the Board of RHB Bank Berhad.

The existing Board composition provides extensive relevant business experience needed to oversee the efficiency and sustainable operation of the Group's activities where individual Directors bring a diverse range of skills, knowledge and experience (including financial & non-financial, industries and local & international experiences), which are necessary to provide effective governance and oversight of the Group. In our case, board diversity has added value to our discussion and deliberation of the Group's business operations with strong opinions and challenges from the independent and non-independent viewpoints.

#### Boardroom Independence



#### Board Diversity (Gender)



GOVERNANCE FOR A SUSTAINABLE BUSINESS

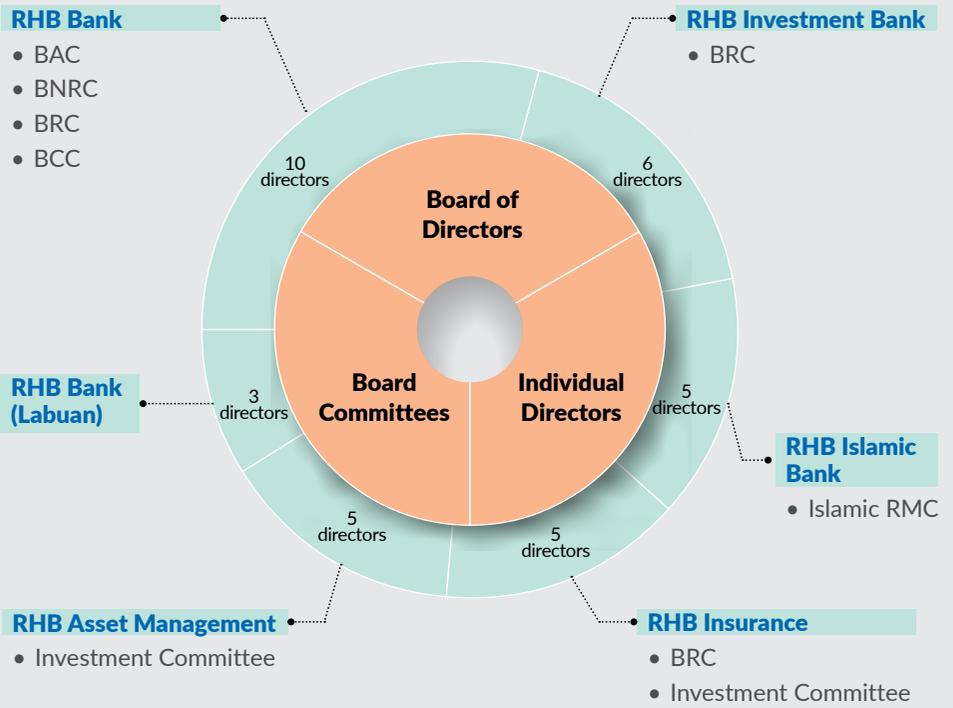
**ANNUAL ASSESSMENT OF BOARD & INDIVIDUAL DIRECTOR'S PERFORMANCE**

Per our Board Charter, we continue to assess the Board members annually to ensure the current boardroom's combined skillset and expertise are balanced and are able to steer the Group's sustainable journey and the Company's agenda.

In line with the requirements of Bank Negara Malaysia's Corporate Governance Policy Document and the Malaysian Code on Corporate Governance, which call for the appointment of an external party on periodic basis to conduct an objective and independent board assessment, we appointed Ernst & Young Consulting Sdn Bhd ("EY") to facilitate our Board Effectiveness Evaluation ("BEE") exercise for year 2020.

EY undertook a comprehensive assessment of the Board, Board Committees and Individual Directors. The questionnaire for each Board member were customized based on the Individual representation in the respective entity's Board and/or Board Committee in 2020. The assessment also included interview sessions with selected Directors and Senior Management officers within the Group to gain more insight for overall evaluation.

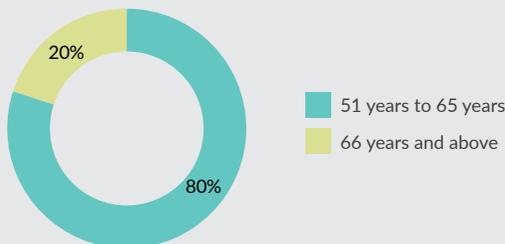
**SCOPE OF BOARD EVALUATION**



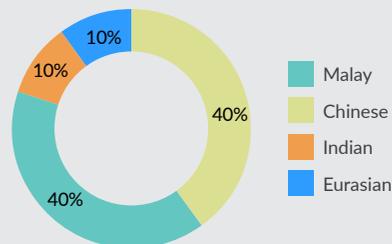
	Directors <sup>^</sup>	Senior Management
Questionnaires	24 Directors completed • Board & Board Committees questionnaires • Individual Directors (self & peer) questionnaires	10 Senior Management completed • Questionnaires for management
Interviews	13 Directors	7 GMC Members

Note: <sup>^</sup> includes common Directors who also serve on subsidiary boards.

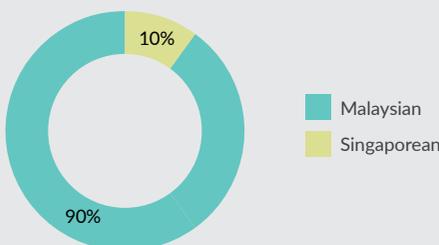
**Age Diversity**



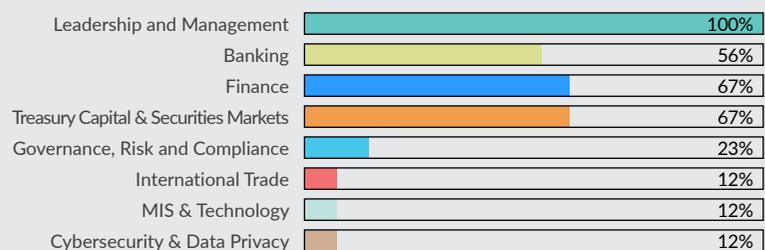
**Ethnicity**



**Nationality**

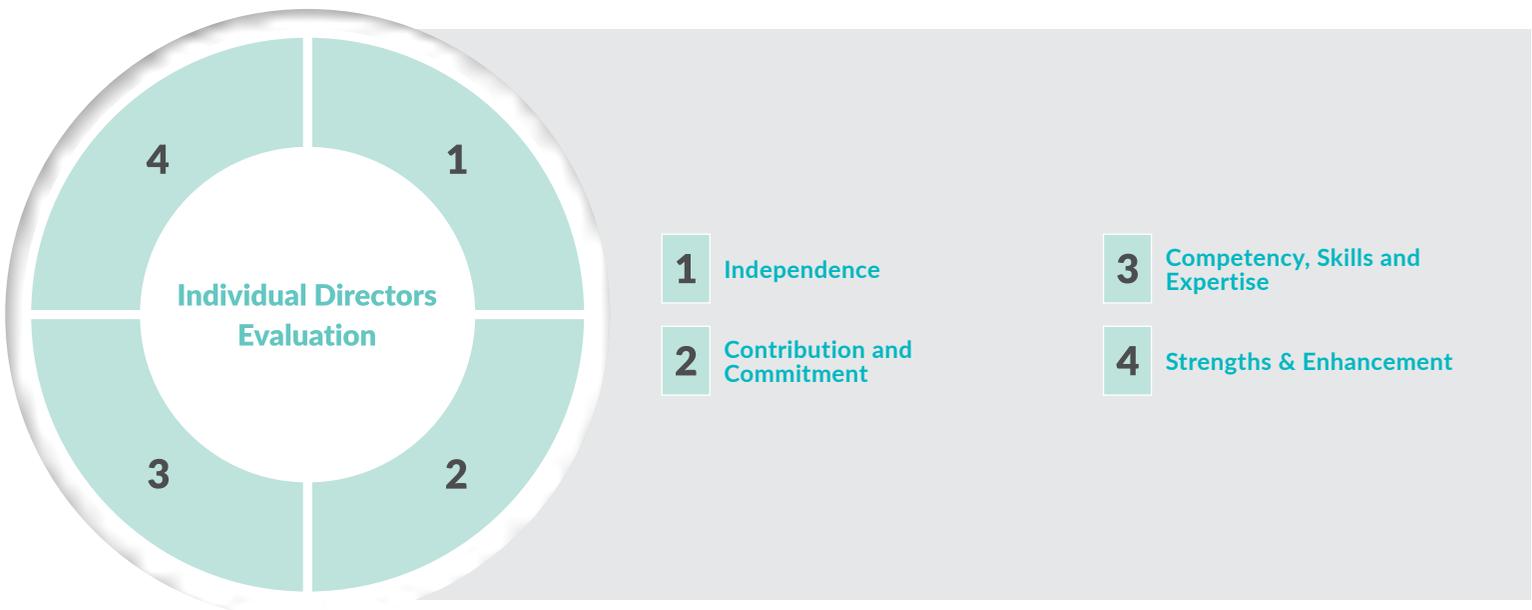
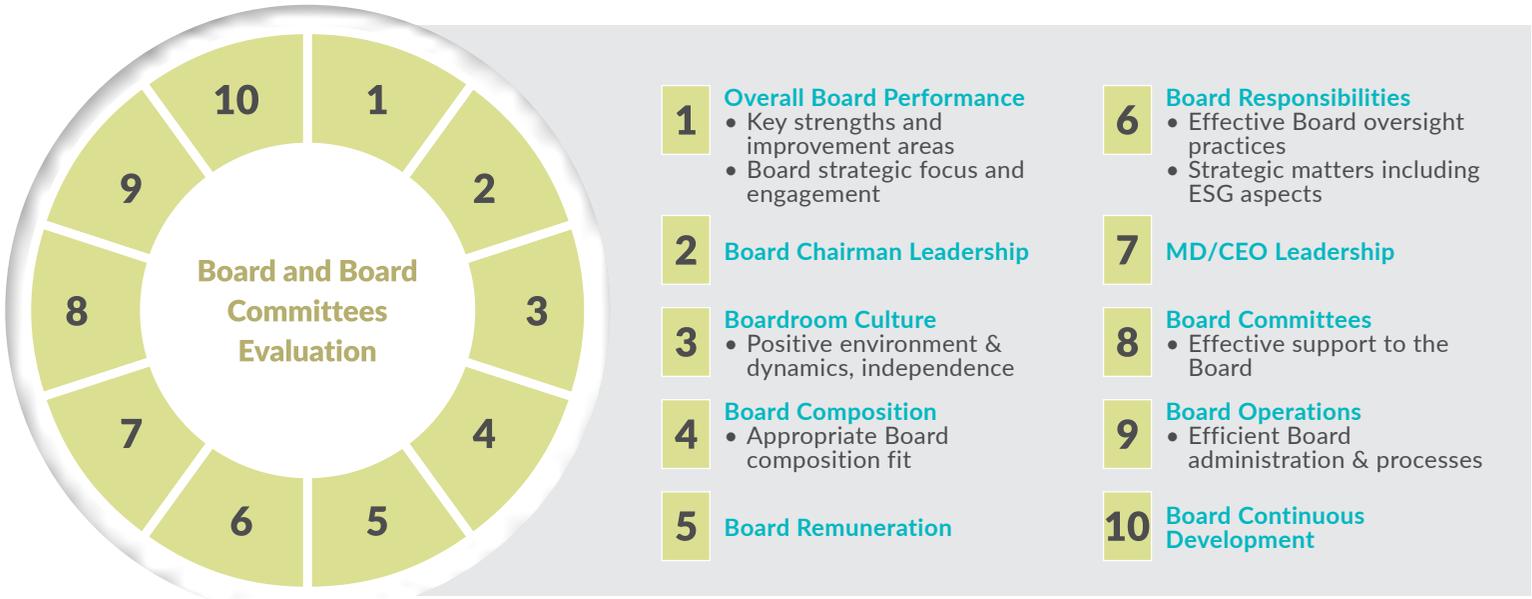


**Combined Board Skills & Experiences**



## GOVERNANCE FOR A SUSTAINABLE BUSINESS

The Board Effectiveness Evaluation (“BEE”) questionnaires were designed based on the principles and governance practices set out in local regulatory standards and requirements, as well as international good practices, which covered the following pertinent areas:



Based on the external consultant’s assessment, the current Board has **positive culture and dynamics** allowing for open deliberation, active participation and strong commitment by its members. It has **good diversity** with appropriate mix of experience and expertise that collectively contribute to board effectiveness, **strong oversight** in areas of governance, compliance, risk management and financial reporting. On areas of improvements, it needs better strategic focus, which includes **incorporation of ESG** related matters and **stronger engagement** with senior management in matters related to strategy.



For detailed information on the BEE for FY2020, kindly refer to Practice 6.1 of RHB Bank Berhad’s Corporate Governance Report 2021.

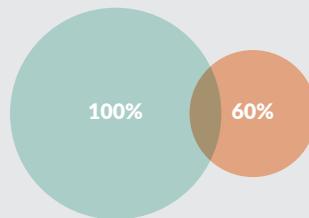
GOVERNANCE FOR A SUSTAINABLE BUSINESS

**BOARD AND BOARD COMMITTEES' MEETING ATTENDANCE IN 2021**

In line with the Group's effort to safeguard our directors and employees during the COVID-19 pandemic, most of the Board and Board Committees' meetings were conducted virtually. The Board and Board Committees continued meeting regularly to carry out their respective duties and responsibilities and we are pleased to disclose that all directors were able to join, participate and contribute in the meetings efficiently during the year with **no absentees** recorded **for RHB Bank Berhad's Board meetings**.

**COMPOSITION OF THE BOARD & BOARD COMMITTEES**

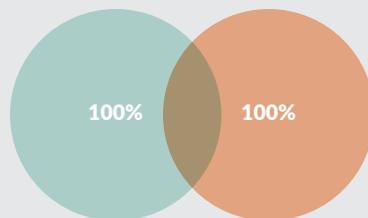
RHB Bank Berhad Board



Meeting Attendance    Composition of Independent Directors

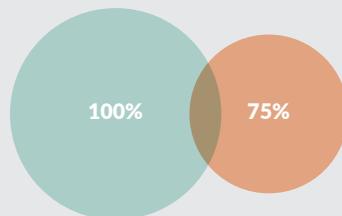
The Board is responsible for the long-term success of the company and delivery of sustainable value to its stakeholders. In discharging its fiduciary duties and leadership functions, the Board sets new strategic direction of the Group and exercises oversight on management.

Board Audit Committee



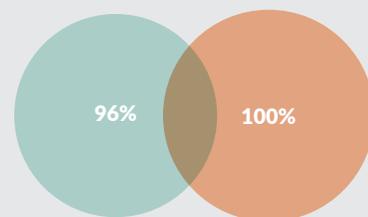
The BAC is responsible for independent oversight over the management of financial reporting and internal control systems. The committee ensures check and balance for entities within the Group and reviews the financial condition as well as the operational performance of the Group. The BAC also oversees the implementation of anti-corruption programmes by the Group's Integrity & Governance division and receives monthly updates on whistleblowing cases.

Board Nominating & Remuneration Committee



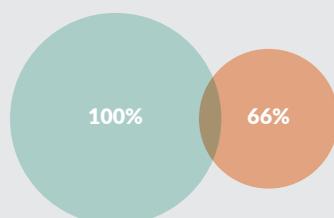
The BNRC supports the Board(s) in reviewing and assessing the appointment, performance and remuneration of the Directors, Board Committee members and key Senior Management officers who include the Group Managing Director ("GMD"), the MD/CEO who reports directly to the GMD, and any person(s) as may be decided by the committee and makes recommendations to the respective Board(s).

Board Risk Committee



The BRC provides oversight and governance of risks for the Group. It oversees Senior Management's activities in managing risk and ensures that the risk management process of each entity within the Group are adequately put in place and functioning. The BRC also ensures that the management of the Group's risks is in accordance with a sustainable risk-return performance management framework.

Board Credit Committee



The BCC has the responsibility of affirming, vetoing or imposing additional conditions on all types of credit applications (including under stock/futures broking) and all types of underwriting applications for amounts above the defined thresholds of the Group Credit Committee ("GCC") and the Group Investment & Underwriting Committee ("GIUC"), of which both reside at the management level.



For detailed information on Board and Board Committees attendance, kindly refer to RHB Bank Berhad's Corporate Governance Report 2021.

## GOVERNANCE FOR A SUSTAINABLE BUSINESS

## BOARD ACTIVITIES &amp; FOCUS DURING THE YEAR

Year 2021 saw the fourth year of RHB's FIT22 strategy in motion and the Group began to be strategically ready itself for a refresh of its strategic plan. The Group will look into further strengthening its brand promise of *Together We Progress* organically and seamlessly to better serve our communities.

## THE BOARD

## Performance and Strategy

- Reviewed and approved the Group's strategic business plan for the year
- Monitored the progress of FIT22 strategic plan
- Reviewed and approved the new strategic plan
- Received updates from various business units locally and abroad on market conditions and business performance
- Discussed on the challenges and opportunities faced by the Group (during the Board off-site session)
- Received updates on the progress of Agile@Scale of working
- Reviewed RHB's response to COVID-19 and assessed the impact of COVID-19 on the Group's business operations and financial performance
- Received progress updates on the Group's digital banking initiatives and IT transformation

## Governance, Sustainability, Risk &amp; Compliance

- Approved the updated Group Anti-Bribery & Corruption Policy & Group Whistleblowing Policy
- Reviewed the Group's risk, compliance and audit reports
- Received various briefing/trainings to equip themselves with latest industry and regulatory developments
- Reviewed the Group's annual Corporate Governance statutory disclosure
- Discussed on the findings and improvement considerations deriving from the annual BEE assessment conducted by an independent consultant (external party)
- Received update on ESG/Sustainability matters and Climate Risk Management
- Received regular updates from supporting Board Committees
- Reviewed half-yearly reports to Malaysian Anti-Corruption Commission ("MACC")
- Received updates on matters relating to integrity, governance, whistleblowing and anti-corruption
- Approved the formation of the Group Sustainability Committee and its supporting committees
- Approved RHB Banking Group's 5-Year (2022 - 2026) Sustainability Strategy and Roadmap
- Received updates on RHB's AML/CFT Capabilities Enhancement (RACE) Programme

CORPORATE GOVERNANCE ("CG") -  
PROGRESS AND MILESTONESIN YEAR  
**2021**

## REFLECTION ON KEY CG BOARD FOCUS AREAS

- Approved RHB Banking Group's 5-year (2022-2026) latest strategic roadmap
- Approved RHB Banking Group's 5-year (2022-2026) Sustainability Strategy and Roadmap
- Continued to monitor and accord the necessary protection for our Human Capital throughout the COVID-19 pandemic
- Continued to assess strategies related to developing and retaining the Group's Human Capital
- Annual Board Effectiveness Evaluation for FY2020
- Approved the updated Group Anti-Bribery & Corruption Policy and Group Whistleblowing Policy to strengthen our existing internal controls
- Oversaw Strategic Succession Planning & Performance Appraisal for key senior management personnel
- Review of Board Remuneration

IN YEAR  
**2022**

## BOARD FOCUS AREAS

- Review of Board Charter
- Conduct of Annual Board Effectiveness Evaluation for FY2021
- Adoption of updated internal Group Policies and Guideline by regional subsidiaries
- Oversight over publication of the Organisational Anti-Corruption Plan ("OACP") for RHB Banking Group
- Performance-based Remuneration linked to ESG metrics
- Recovery & Resolution Planning

## GOVERNANCE FOR A SUSTAINABLE BUSINESS

This is supported by the Group's refreshed purpose statement, *Making Progress Happen for Everyone*, which sees RHB Banking Group reigniting its own corporate identity towards achieving our goals and aspirations. The Board continued its attentive oversight of management to ensure that the Group's businesses are well-managed and controlled by embracing good corporate governance and giving consideration to ESG-related matters in support of the Board's agenda to take the Group's businesses forward.

### GOVERNANCE DASHBOARD

#### Financial

- Approved the yearly operational budget
- Approved contents of the Integrated Report for FY2020
- Approved dividend payment for FY2020/2021
- Reviewed the impact of moratorium to the Group's financial strategies
- Deliberated various matters related to moratorium for its stakeholders
- Received updates related to economics and global financial markets
- Deliberated capital management plan & internal targets, with updates on international & regulatory capital framework
- Received update on Tax related matters

#### People & Culture

- Discussed on talent management and succession planning
- Approved appointment of senior management personnel
- Received update on employees engagement and internal customers satisfaction surveys
- Received reports on COVID-19 impact on employees well-being and performance
- Reviewed and approved revision of employees' remuneration and value proposition, including Long-Term Incentive Plan ("LTIP") for the Group

IN YEAR  
**2023**

#### BOARD FOCUS AREAS

- Succession planning for INEDs
- Climate risk management
- Recovery & Resolution Planning
- Scenario Planning
- Corporate Integrity Pledge
- Conduct of Annual Board Effectiveness Evaluation for FY2022
- Review on the implementation of the action plans set under the OACP

IN YEAR  
**2024**

#### BOARD FOCUS AREAS

- Review of Group Anti-Bribery & Corruption Policy
- Review of Group Whistleblowing Policy
- Conduct of Annual Board Effectiveness Evaluation for FY2023
- Review the progress of key milestones set within the approved OACP

IN YEAR  
**2025/  
2026**

#### BOARD FOCUS AREAS

- Review of OACP
- Conduct of externally facilitated BEE
- Business Integrity Quality Assurance

## GOVERNANCE FOR A SUSTAINABLE BUSINESS

**Ethical & Sound Leadership**

The Board's role is to promote long-term sustainable success of the Group, mainly generating value for all its stakeholders, including shareholders, employees, customers, suppliers and the communities in which the Group operates, while exercising good business judgement in developing strategy, delivering objectives and managing the risks that are faced by the organisation. The Board is also responsible for instilling the right and appropriate culture, values and behaviours throughout the organisation.

The Board views ethical leadership as one of its core responsibility. The Group's ethical culture is guided and led by the tone from the top. The ethical principles and values are driven by the Board through RHB's leadership team and are embedded across the Group. To ensure our messages on this matter is consistent, the Group has in place codes of business ethics and conduct for the Board and employees. These codes convey the minimum requirements that must be met by our people in doing business the RHB Way.

**Driving Our Core Values**

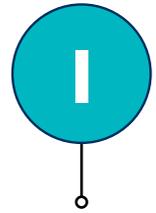
The Group's Core Values remained unchanged as they are pillared to our efforts in creating value for our customers and business partners. Our values define who we are and at RHB, the Board takes P.R.I.D.E in who we are and what we do. The effort to ensure consistent application of values and cultural norms are supported by the tone at the top, the board and senior management, who set, review and drive the application group-wide throughout the whole organisation.

**Professional**

We are committed to maintaining a high level of proficiency, competency and reliability in all that we do.

**Respect**

We are courteous, humble and we show empathy to everyone through our actions and interactions.

**Integrity**

We are honest, ethical and uphold a high standard of governance.

**Our DNA Culture - Cultivate & Nurture:**

At RHB, we understand the value of cultivating and nurturing a corporate culture that is inclusive, customer-centric and productivity driven. A strong corporate culture contributes to the identity and values of our organisation and supports our efforts to attract and retain the right talent, differentiate ourselves from our peers and highlight our corporate competitive advantage and brand identity.

**One RHB**

Demonstrate willingness to put the organisation's needs over personal achievement by fostering teamwork, empowerment and knowledge sharing.

**Results-oriented**

Demonstrate commitment and drive in delivering quality work output, and treat all matters with urgency.

**Customer First**

Demonstrate unwavering passion to engage and interact with customers to meet their needs, and create great experience.

GOVERNANCE FOR A SUSTAINABLE BUSINESS

**APPLICATION OF THE PRACTICES ESPOUSED BY THE MCCG**

RHB Bank Berhad has adopted and applied all Practices as recommended by the Malaysian Code on Corporate Governance except **Practice 8.3 - Step up** which requires *disclosure of detailed remuneration of each member of senior management on a named basis*. Detailed disclosure on the governance practices can be found in the Corporate Governance Report.

**AWARDS & RECOGNITION**



**Dynamic**

We are proactive, responsive and forward thinking.



**Excellence**

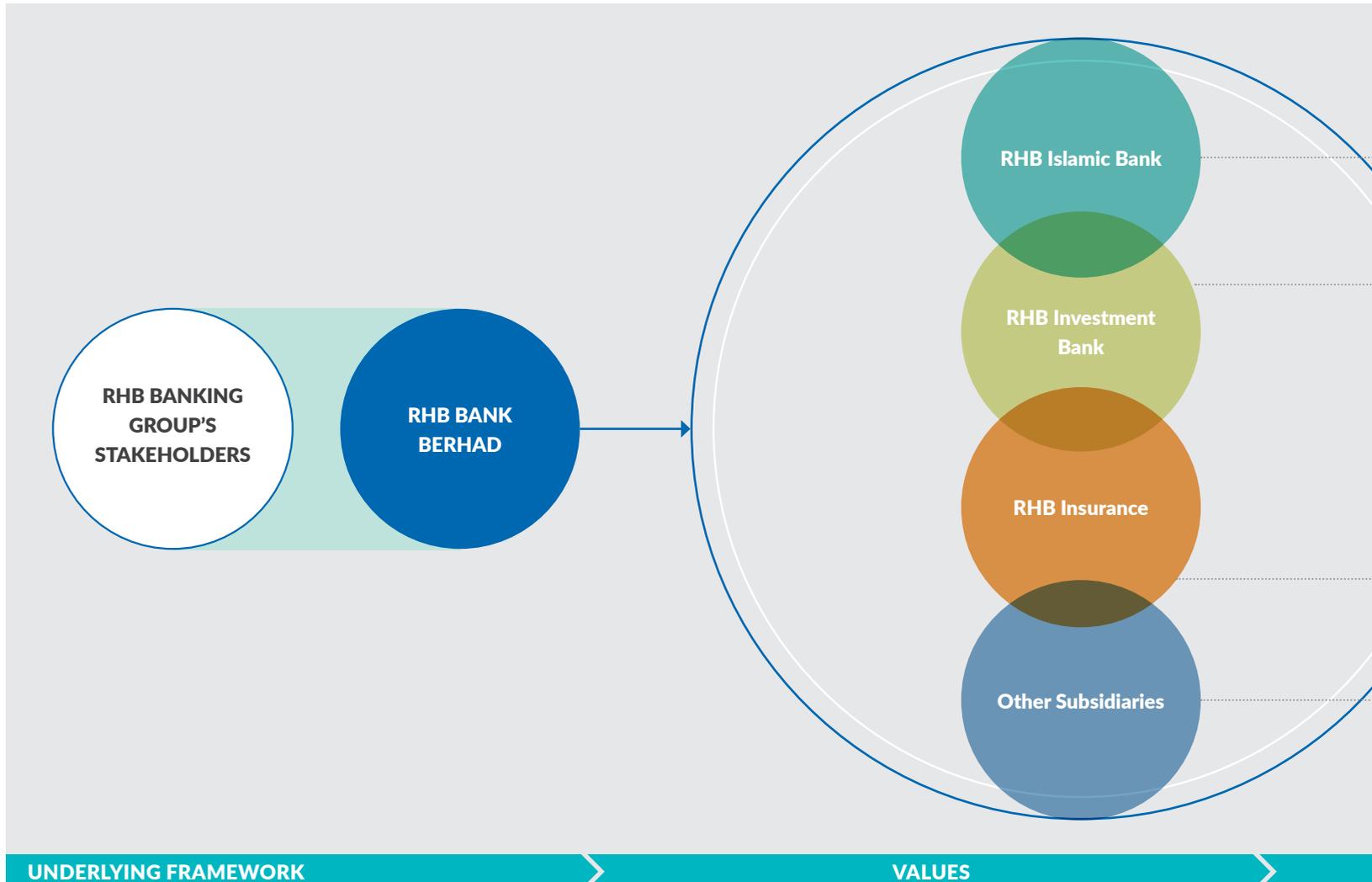
We will continuously achieve high standards of performance and service deliverables.

The cultural components are embedded into our daily working lives and in our interaction with our colleagues, customers and all other stakeholders. The Group's unique personality coupled with a comprehensive performance management scorecard will in turn create a more dynamic and exciting workplace, and will further drive our commitment towards realising our business aspirations.



# Governance Framework

RHB Banking Group operates within a clearly defined governance model which is approved by the Board. This model provides the Group with a clear governance structure which guides the governance practices and authority of decision-making across the Group.



## Board & Senior Management Remuneration

The Board ensures the remuneration package offered promotes the achievement of strategic objectives within the ambient of RHB's cultural components, risk appetite and regulatory compliance. The Board Nominating & Remuneration Committee ("BNRC") has been entrusted with discharging the remuneration strategies, as outlined in its Terms of Reference, which can be referred on RHB corporate website. Detailed information on RHB's remuneration practice can be found per disclosure in Section B of our Corporate Governance Report 2021.

### Decision Making

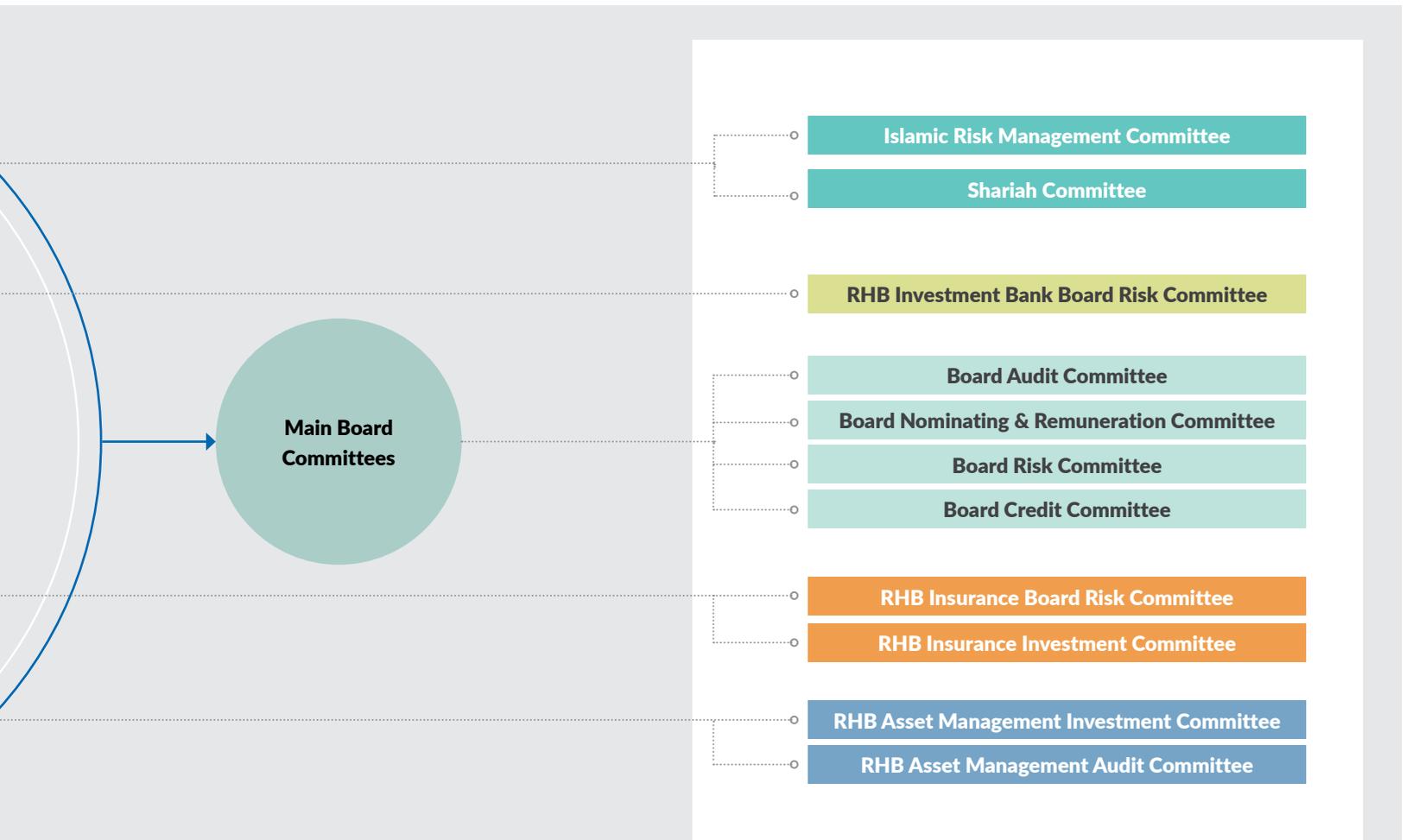
The Board has a formal schedule of matters specifically reserved to it for decision as noted herewith and delegates other responsibilities to Management for day-to-day operations. Decisions made by the Board during deliberations are only approved when there is unanimous support.

### Matters Reserved for the Board

- |  |  |
|--|--|
| i. Business and operating strategies                     | vi. Corporate restructuring/reorganisation     |
| ii. New business plans or changes to existing ones       | vii. Set-up of new subsidiaries                |
| iii. New investments/divestments                         | viii. Joint ventures                           |
| iv. Mergers and Acquisitions                             | ix. Partnerships or strategic alliances        |
| v. Expansion/entry into new markets/geographical regions | x. Acquisitions/disposal of significant assets |
|  | xi. Progress of Business Strategy              |
|  | xii. Senior Officers' Appointment              |

GOVERNANCE FOR A SUSTAINABLE BUSINESS

This delegation of authority is clearly defined within the Terms of Reference (“ToR”) of the respective Board Committees. The ToRs are reviewed periodically by the Board and respective committees to ensure their mandates are carried out in-line with the best practices and regulatory requirements. The composition of the Board Committees are periodically reviewed by the Board and where required, improved with the support of the Board Nominating & Remuneration Committee.



CORPORATE CULTURE

STRATEGY

**Anti-Bribery & Corruption (“ABC”)**

The Board continues to pay heed towards the culture and conduct of our employees. As financial services providers, we are held to a higher moral standard as guardians of public trust on the financial system.

RHB Banking Group operates on a zero tolerance approach towards internal fraud, including bribery and corruption. All employees, customers and associated persons with the Group are expected to conduct their business dealings with utmost integrity and in-line with the Group Anti-Bribery & Corruption Policy. Any wrongdoings or corrupt practices can be reported through the Group’s various whistleblowing channels, including via [speakup@rhbgroup.com](mailto:speakup@rhbgroup.com)

The Board has overseen the establishment of the Group Integrity & Governance division to drive the Group’s anti- bribery and corruption efforts by inculcating good business ethics and promoting integrity in daily workplace conduct. For detailed information on integrity strengthening efforts, kindly refer to the Corporate Integrity & Ethical Business Conduct section within this Integrated Report.

## GOVERNANCE FOR A SUSTAINABLE BUSINESS

# Corporate Governance

## Continuous Professional Development

The Board undertook necessary training programmes to ensure members are well equipped with industry and regulatory developments. Detailed information on the training programmes attended by individual Directors is provided under Section B of our Corporate Governance Report.



## Board Diversity Policy

The Boards of RHB Bank Berhad and its subsidiaries are committed towards maintaining a board composition that embodies diversity. The Group is cognisant of the value arising from having a diverse Board as it is a crucial component in influencing how the Board functions and the dynamics between its members. RHB Bank Berhad currently has 30% women directors serving on its Board. Apart from gender diversity, the Board Diversity Policy also recognizes and emphasizes on diversity in its widest sense, including ethnicity, thought, tenure, age, experience, skills, geographical expertise, educational and professional background.



*Note: In relation to gender diversity for senior management, please refer our Sustainability Report 2021*

## Company's Dividend Policy

Since 2020, the Company also adopted a dividend policy where the dividend pay-out ratio is to be 30% of its net profit at minimum, providing a sustained return to the shareholders as its commitment moving forward.

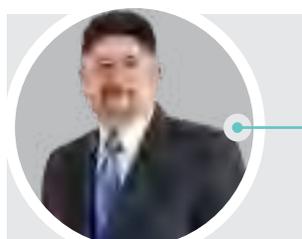
## ROLES AND RESPONSIBILITIES

### Chairman

- Lead the Board in its deliberations
- Preside over the General Meeting(s)
- Ensure effective communication between the Board and its stakeholders
- Communicate regularly with Group Managing Director and other Senior Management officers on the affairs of the Group

### Senior Independent Non-Executive Director

- Act as a sounding board member to the Chairman and be a conduit between the independent and non-independent members of the Board
- Lead the Independent Directors in conducting executive sessions with Senior Management



### Company Secretary & Chief Integrity & Governance Officer

Azman Shah Md Yaman leads the Group's Legal, Secretariat & Governance functions. He is accountable directly to the Board, through the Chairman, on all matters with regards to the formal functioning of the Board. He leads and acts as the guardian to these policies and principles of good governance. Azman is a qualified Advocate & Solicitor of the High Court of Malaya with an LLB (Honors) from the International

# Highlights 2021

## Independence and Fit & Proper Test

- The Chairman of the Board is neither a member of the Board Audit Committee nor the Board Nominating & Remuneration Committee.
- All Independent Non-Executive Directors ("INEDs") have passed the Fit & Proper requirement and have provided their declaration on any possible conflict of interest.

## Board Governance Handbook

The Board had put in place a Board Governance Handbook ("BGH") for quick reference and easy guidance, incorporating code of ethics and business conduct, diversity policy, remuneration policy, etc. Please refer to RHB Bank Berhad's Sustainability Report for additional information on the BGH.



Please refer to RHB Bank Berhad's Sustainability Report for additional information on the BGH.

## Board Meetings

Board meetings for the calendar year in 2022 are scheduled in advance, prior to the start of the new calendar year to ensure proper management of meetings and schedules for the Board. The agenda for each board meeting is also set and disseminated in a timely and efficient manner prior to the meetings to allow directors to prepare ahead of time.

### Independent Non-Executive Director(s)

- Monitor and challenge the performance of the management
- Exercise independent judgment in deliberating and reviewing items brought before the Board and Board Committees

### Group Managing Director

- The Group Managing Director/Chief Executive Officer undertakes the responsibility to execute the Group's overall strategies

Islamic University Malaysia ("IIUM"), a Licensed Company Secretary (LS 0006901) and an affiliate of the Malaysian Institute of Chartered Secretaries & Administrators. Azman also shoulders the responsibility as the Group's Chief Integrity and Governance Officer ("CIGO") within RHB Banking Group. He is a Certified Integrity Officer ("CeIO") accredited by the Malaysia Anti-Corruption Academy ("MACA").

# ACCOUNTABILITY

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the Group's risk management and internal control systems, which are designed to facilitate effective and efficient operations and to ensure the quality of internal and external reporting in compliance with applicable laws and regulations. The Directors and Senior Management are committed to maintaining a robust control framework as the foundation for the delivery of effective risk management. The Directors acknowledge their responsibilities in relation to the Group's risk management and internal control systems, including reviewing their effectiveness.

In establishing and reviewing the risk management and internal control systems, the Directors carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity, the likelihood of a risk event occurring and the costs of control. The process for identification, evaluation and management of the principal risks faced by the Group is integrated into the Group's overall framework for risk governance. The Group is forward-looking in its risk identification processes to ensure emerging risks are identified. The risk identification, evaluation and management process also identifies whether the controls in place result in an acceptable level of risk.

At Group level, consolidated risk report and risk appetite dashboard are reviewed and regularly debated by the executive Group Capital & Risk Committee, Board Risk Committee and the Board to ensure that they are satisfied with the overall risk profile, risk accountabilities and mitigating actions. The report and dashboard provide a monthly view

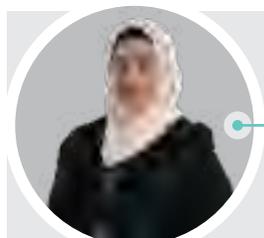
of the Group's overall risk profile, key risks and management actions, together with performance against risk appetite and an assessment of emerging risks which could affect the Group's performance over the life of the operating plan. Information regarding the main features of the internal control and risk management systems in relation to the financial reporting process is provided within the statement on risk management and internal control on pages 154 to 163. The Board concluded that the Group's risk management arrangements are adequate to provide assurance that the risk management systems put in place are suitable with regard to the Group's profile and strategy.

The effectiveness of the risk management and internal control systems is reviewed regularly by the Board and the Board Audit Committee, which also receives reports of reviews undertaken by Group Risk & Credit Management and Group Internal Audit. The Board Audit Committee receives reports from the Group's external auditor, PricewaterhouseCoopers PLT (which include details of significant audit and accounting matters that they have identified), and meet with the external auditor at least twice a year without the presence of Management and Executive Director for private discussions and to ensure that there are no unresolved issues of concern.

The Group's risk management and internal control systems are regularly reviewed by the Board and are consistent with Bursa Malaysia's guidance on Risk Management & Internal Control, and Related Financial and Business Reporting issued by the Malaysian Financial Reporting Council and compliant with the requirements of Bank Negara Malaysia. They have been in place for the year under review and are periodically reviewed and updated.

## GROUP COMPLIANCE

The regulatory environment for financial institutions is increasingly complex and always changing. New laws and regulations continue to evolve which consequently increases regulator's expectations. Any failure to ensure compliance may result in significant financial losses, heavy penalties and reputational consequences.



### Group Chief Compliance Officer

Fazlina Mohamed Ghazalli leads and executes Group-wide compliance strategic plans that enables RHB Banking Group to comply with regulatory requirements. She reports to the Board Risk Committee.

Fazlina has over 20 years of banking experience and was in legal practice prior to starting her career in banking in 2001. Fazlina holds a Bachelor of Laws degree from the University of East Anglia, UK. She is a Chartered Banker and a Certified Professional in Anti-Money Laundering / Combating the Financing of Terrorism ("AML/CFT").

As a prudent financial services provider, the Group is committed to upholding good governance principles and regulatory requirements. These principles are further outlined in the Group's Compliance Management Framework and Policy which serve as an important guide for the Group to enable incorporation of compliance best practices throughout the Group's business.

The Group's compliance function, which acts as a second line of defense, operates on a group-wide basis with an appointed Group Chief Compliance Officer overseeing the compliance risk management of the Group which extends to all entities within Malaysia and its overseas branches and subsidiaries.

## MATERIAL RISK



## CYBERSECURITY

Cybercrime continues to increase and become more sophisticated, more frequent and widespread. As the Group moves towards embracing digitalisation and automation, the threat to information security becomes imminent, more so, due to the current COVID-19 pandemic where digital channels became a necessity.

## ACTION TAKEN

- Continuous monitoring and engagement with business units/IT team to ensure awareness on technology related regulatory requirements and the risk of cyber threats.
- Heightened cyber-risk assessments in relation to the existing systems of the Group including regular reviews on processes and controls to establish the need for any additional security measures.



## PROTECTION OF INFORMATION

The Group has an obligation to ensure that information pertaining to its business and its clients and all activities related to them remain secure, confidential and private.

## ACTION TAKEN

- Implementation of the Group Chinese Wall and Insider Trading Policy ("Chinese Wall Policy") to ensure that there is an information barrier between departments to prevent and/or control the flow of material non-public and price sensitive information.
- Various engagement sessions and development of training tools for employees to better understand the principle behind the Chinese Wall Policy and secrecy provisions of the Financial Services Act 2013 and Islamic Financial Services Act 2013.
- Heightened oversight and monitoring vis-à-vis handling of customer information including ensuring strict observance to BNM's policy on Management of Customer Information and Permitted Disclosures and the Group's Data and Information Management Framework and Policy.



## REGULATORY COMPLIANCE

As regulatory requirements evolve and constantly change, managing non-compliance risk and meeting regulatory standards and expectations has become a daily focus for the Group.

## ACTION TAKEN

Instilling a strong compliance culture across all functions of the Group through the following compliance monitoring framework:

- Implementation of comprehensive and clear compliance policies, circulars and guidelines throughout the Group.
- Frequent compliance reviews and testing to evaluate effectiveness of current processes and close regulatory gaps.
- Timely reporting of compliance matters, findings and corrective measures to the Board.
- Annual compliance risk assessments to identify high risk areas and allocate resources effectively to mitigate such risks.
- Promote adherence to regulatory requirements through regular compliance trainings and awareness programmes.
- Address employee misconduct that resulted in regulatory non-compliance by incorporating a penalty in the final rating of employee's performance evaluation.



## Compliance Amidst COVID-19

As the world continued to fight its battle against the COVID-19 pandemic, the Group continued to operate through the various movement control orders and experienced its own set of challenges. Like many other industries, the Group was forced to adapt and navigate through the new normal and ensure business continuity while maintaining its standards to provide quality services to its customers. Our compliance function on the other hand, remained dedicated to ensure that there is no compromise to the Group's regulatory obligations amidst the uncertainties and focused on strengthening its oversight responsibilities.

## GROUP COMPLIANCE

The following are some of the key initiatives by Group Compliance for 2021 in its effort to remain vigilant amidst the COVID-19 pandemic:

INITIATIVES	OUTCOMES
<ul style="list-style-type: none"> <li>Organised focused compliance clinics where topics were selected based on the outcome of compliance reviews.</li> <li>Optimised the usage of alternative learning platforms such as short explainer videos, webinars, Microsoft Teams to conduct compliance trainings.</li> <li>Issuance of compliance bulletins and regulatory alerts on key compliance issues and development throughout the year.</li> <li>Published educational materials for RHB customers on financial and cyber scams.</li> </ul>	<ul style="list-style-type: none"> <li>Continued accessibility to compliance learning, particularly for employees under remote work arrangement.</li> <li>Increased learning attentiveness and improved understanding by employees on regulatory requirements and what is expected of them resulting in improved compliant behavior.</li> <li>Raised both employees and customer awareness to prevent scams and frauds.</li> </ul>
<ul style="list-style-type: none"> <li>Enhancement of the AML/CFT robotic process automation and the AML Graph Analytics Measurable Metric system to further facilitate the conduct of transaction monitoring/AML investigation.</li> </ul>	<ul style="list-style-type: none"> <li>Productive and efficient AML transaction monitoring and data gathering process which translate into a faster and shorter timeframe in completing AML alert reviews and assessments.</li> </ul>
<ul style="list-style-type: none"> <li>Overall review of policies, circulars and guidelines to ensure that the Group's operational and business processes are updated where required, to cater for the new normal.</li> <li>Performed annual compliance and AML risk assessments.</li> <li>Increased compliance and regulatory reviews to detect procedural gaps vis-à-vis regulatory requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Business continuity while minimising non-compliance risks amidst the new normal.</li> <li>Timely compliance risks identification and solutions to address the same.</li> </ul>
<ul style="list-style-type: none"> <li>Use of technology and system enhancements to meet compliance requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Automated monitoring in the area of employee personal trading.</li> <li>Enhanced surveillance on equity market activities.</li> <li>Improved oversight from shariah compliance perspective vis-à-vis customer on boarding.</li> </ul>
<ul style="list-style-type: none"> <li>The "A Branch Compliance Day Programme" was continued on a wider scope in 2021 in line with the Group's effort to build a positive compliance culture. In 2021, a total of 80 branches benefited from the initiative and exchanged various compliance issues and developments.</li> <li>Launched the Compliance Culture and Behavioral Assessment Survey to better understand staff's perception towards compliance and assess the state of compliance of the Group.</li> <li>Conducted various refresher / re-train the trainer sessions for compliance advocates to ensure that they stay updated vis-à-vis their compliance knowledge.</li> </ul>	<ul style="list-style-type: none"> <li>Minimised communication gap between the compliance team and branch staff, particularly on the challenges faced by them in ensuring compliance.</li> <li>Improved understanding on how compliance is perceived amongst staff. Further, the survey assisted compliance in identifying new focus area for monitoring.</li> <li>Aligned understanding on regulatory and compliance expectation.</li> </ul>

## KEY PRIORITIES FOR 2022

Cultivating a culture of compliance goes beyond just communicating the importance of obeying regulatory requirements to its employees. It requires continuous vigilance and efforts to influence a widespread change. The Group understands this and is always looking out for new strategies to ensure that compliance is embedded as part of everyone's responsibility in the organisation.

The following are our key priorities for 2022:

- Optimise the use of innovative solutions such as data & advanced analytics, artificial intelligence and digital initiatives to enhance and automate regulatory and AML compliance capabilities;
- Continue with the Group's effort to raise staff awareness on compliance requirements;
- Cultivate a self-sufficient, confident and responsible decision-making process at the first line of defence and overseas staff; and
- Continuous development of compliance competency and talents of the future.

The above are by no means an exhaustive list of priorities that the Group has set for 2022. With the uncertainties surrounding the economic environment due to the continuous threat posed by the pandemic, the Group will not underestimate the emergence of new compliance risks and the need to come up with improved strategies to combat the same and protect its stakeholder's interest.

# CORPORATE INTEGRITY AND ETHICAL BUSINESS CONDUCT

**The Board firmly believes the manner in which we conduct our business affairs must embed good practices which are, ethical, honest, fair and transparent.**

During the year, Group Integrity & Governance (“GIG”) division as empowered by the Board had undertaken several initiatives to ensure the Group’s corporate integrity and ethical business conduct are strengthened and reinforced. A new Integrity & Governance Charter was also approved by the Board on 3<sup>rd</sup> September 2021. Pursuant to this, all GIG staff led by the Group’s Chief Integrity & Governance Officer were required to sign a Confidentiality Undertaking to ensure that their access to privileged and confidential information related to whistleblowing and other sensitive matters are adequately governed and protected.

The mandatory e-learning on Anti-Bribery & Corruption module introduced in year 2020 for all the Group’s employees had a completion rate of 99%. During 2021, new employees who joined RHB Banking Group were required to complete this e-learning module as part of their on-boarding programme.

In addition, the Group also embarked on the following initiatives in 2021:

- Strengthened the GIG division by recruiting two new staff during the year to take charge of the Detection & Verification function and also Integrity Strengthening function.
- Established the Information & Complaints Assessment Committee at management level to evaluate all complaints (whistleblowing and non-whistleblowing) received by GIG.
- Established two Functional Manuals covering Complaint Management and Detection & Verification for internal reference to ensure tasks are carried out effectively.
- Obtained access to the Malaysian Anti-Corruption Commission’s integrity vetting system (e-STK) which allows RHB to conduct due diligence on identified high-risk senior officers’ positions prior to their appointment.
- Included Anti-Bribery and Corruption clause within the Current Account & Savings Account (“CASA”)’s standard Terms & Conditions to convey the Group’s stance on bribery and corruption to our customers.
- Undertook annual corruption risk assessment with the results being elevated to the respective Board Committee(s) and the Boards for review and evaluation;
- Conducted a group-wide survey on integrity, governance & corruption to better understand the level of employee understanding on matters related to anti-bribery and corruption, gifts and hospitality and the Group’s whistleblowing avenues and processes.
- Organised relevant townhall and briefing sessions for awareness, as follows:

TRAINING & AWARENESS		
Organised group-wide Corruption Risk Management (“CRM”) and Organisational Anti-Corruption Plan (“OACP”) workshops for various units/departments/divisions to facilitate with the development of RHB Banking Group’s OACP.	CRM & OACP workshops <b>10 Sessions</b>	Business/Functional Representatives <b>168 participants</b>
Conducted a total of <b>65</b> internal training and awareness sessions for a total of <b>4,777</b> participants. These training sessions were designed to create awareness and ensure employees comply with the respective policies and guidelines covering anti-bribery & corruption, gifts and hospitality and whistleblowing within the Group.	Malaysia Operations <b>47 sessions</b> <b>3,323 participants</b>	Overseas Operations <b>18 sessions</b> <b>1,454 participants</b>
Conducted external training and awareness sessions for panel vehicles workshops operators, tow truck owners, adjusters and insurance agents emphasising the Group’s stance on bribery and corruption along with the Group’s expectations of third parties working with the Group.	External Training & Awareness <b>7 Sessions</b>	RHB’s Business Partners <b>1,807 participants</b>

CORPORATE INTEGRITY AND ETHICAL BUSINESS CONDUCT

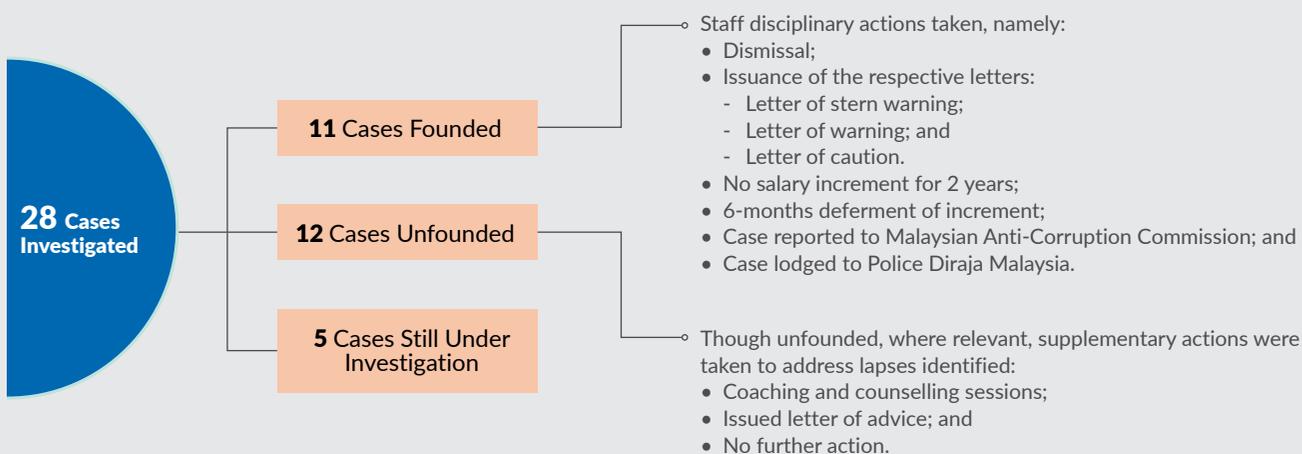
**WHISTLEBLOWING & 'SPEAK-UP'**

The Board Audit Committee (“BAC”) is empowered by Board of RHB Bank Berhad to oversee all complaints (whistleblowing and non-whistleblowing) monitored by Group Integrity and Governance. The Group has in-place a Group Whistleblowing Policy and procedures which were further strengthened during the year by introducing a new primary whistleblowing channel, namely, [speakup@rhbgroup.com](mailto:speakup@rhbgroup.com) and establishing the roles and responsibilities of the Group’s Chief Integrity & Governance Officer.

The Group witnessed an increase in number of whistleblowing cases received from 12 cases in year 2020 to 17 cases in 2021, primarily attributed to additional training and awareness programmes conducted for the Group’s employees and third parties during the year. These programmes allowed the Group’s targeted stakeholders to have better understanding and greater confidence in the Group’s overall whistleblowing processes and procedures.

**The Lowdown on Whistleblowing and Non-Whistleblowing Reports**

	Year 2020	Year 2021	% Y-o-Y
Whistleblowing Cases	12	17	+42%
Non-Whistleblowing Cases	1	11	+1000%
<b>Total Complaint Cases</b>	<b>13</b>	<b>28</b>	<b>+115%</b>
Founded Cases	9	11*	+22%



Note: \* Subject to outcome of ongoing investigation on 5 cases in progress.

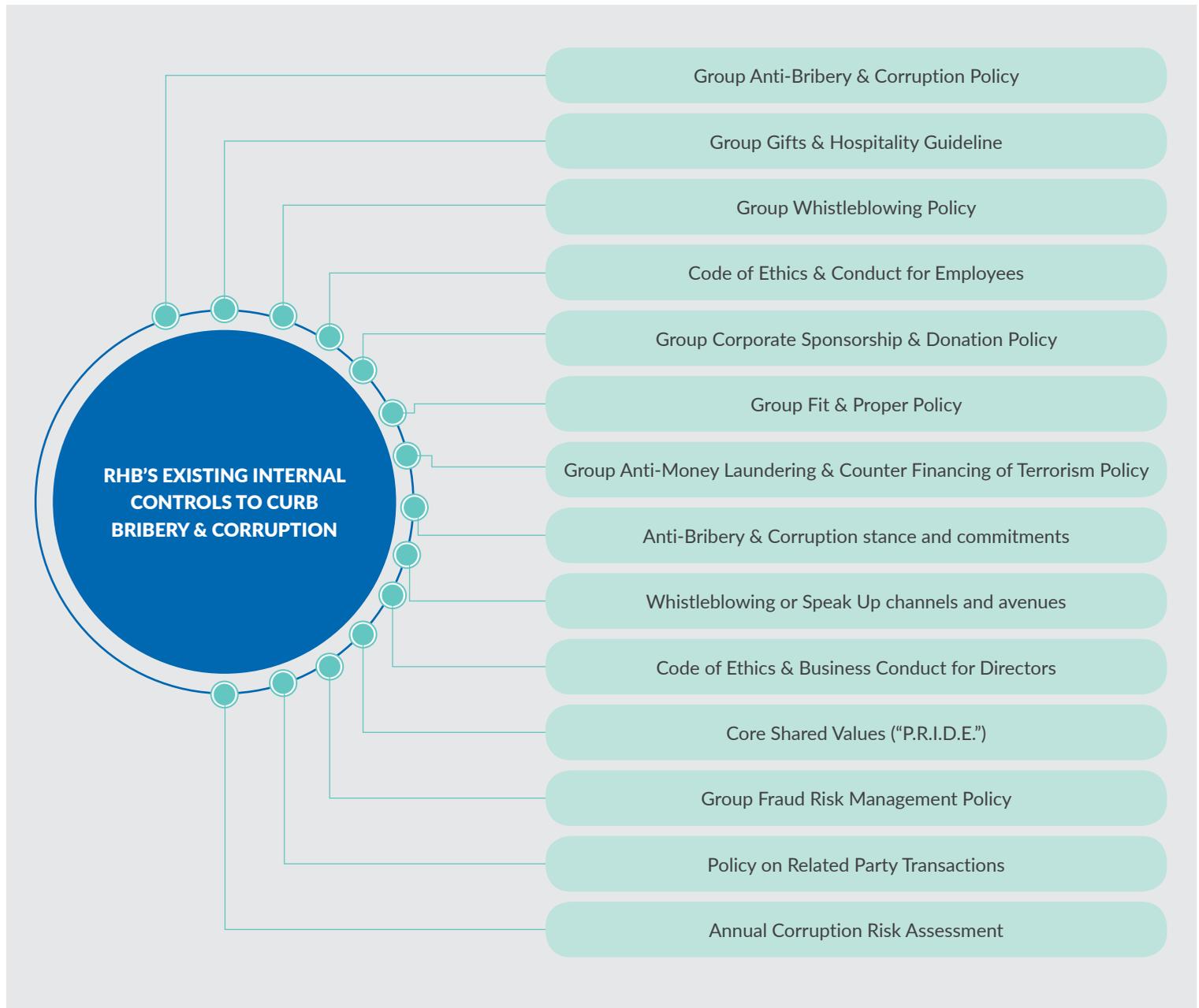
The Board, supported by GIG, will continue to undertake the following activities to ensure the Group continues to uphold a high standard of integrity and ethical business practices:

- Conduct periodic bribery and corruption risk assessment for the Group;
- Continue to conduct training and awareness sessions on the Group’s existing policies and procedures;
- Communicate with both internal and external stakeholders on RHB’s anti-bribery and corruption stance and relevant policies and procedures;
- Continue building capacity and capability for Group Integrity & Governance’s staff to enhance their competency and credibility which include certification of newly recruited staffs as Certified Integrity Officer by Malaysia Anti-Corruption Academy;
- Ensure appropriate attention is given to all whistleblowing and non-whistleblowing reports within the purview of Group Integrity & Governance; and
- Manage all anti-bribery and corruption programs as well as integrity and governance related matters within RHB Banking Group.

## CORPORATE INTEGRITY AND ETHICAL BUSINESS CONDUCT

In ensuring the Group's anti-bribery and corruption efforts are adequate and proportionate, the Group is guided by the following statutory and supervisory requirements:

- The Malaysian Anti-Corruption Commission ("MACC") Act 2009;
- Bursa Malaysia's Main Market Listing Requirements;
- The Guidelines on Adequate Procedures issued by the Prime Minister's Department in December 2018;
- The Guideline for the Management of Integrity and Governance Unit issued by the MACC in 2019; and
- Strategic Plan of Integrity and Governance Unit 2019-2021 issued by MACC.



# STAKEHOLDER COMMUNICATIONS

## INVESTOR RELATIONS

The Group is committed to providing timely and transparent information on corporate strategies and financial data to the investing communities. We consider ongoing engagement and communication with stakeholders as key to building trust and understanding between the Company and its stakeholders.

The Group manages communications with its key financial audiences, including institutional shareholders and financial analysts, fund managers and credit rating agencies through a dedicated investor relations unit. Communication channels include one-on-one meetings, group meetings, conferences and roadshow, conference calls, email and our corporate website.

In addition, presentations and conference calls take place after publishing financial results on Bursa Malaysia. A broad range of public communication channels (including stock exchange news services, corporate website, news wires and news distribution service providers) are used to disseminate news releases.

The company's corporate website provides the latest and historical financial and other information, including financial reports.

**Virtual platform continued to be IR's main communication mode in 2021 as the pandemic situation prolonged**

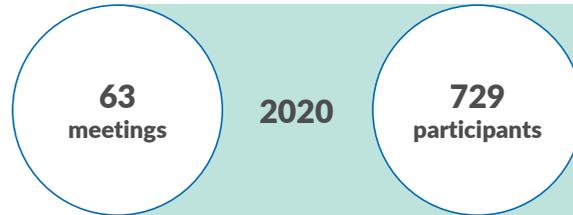
**2021 share price closed slightly lower than a year ago, whilst our 3-year TSR remained at 1<sup>st</sup> rank**

IR conducted:

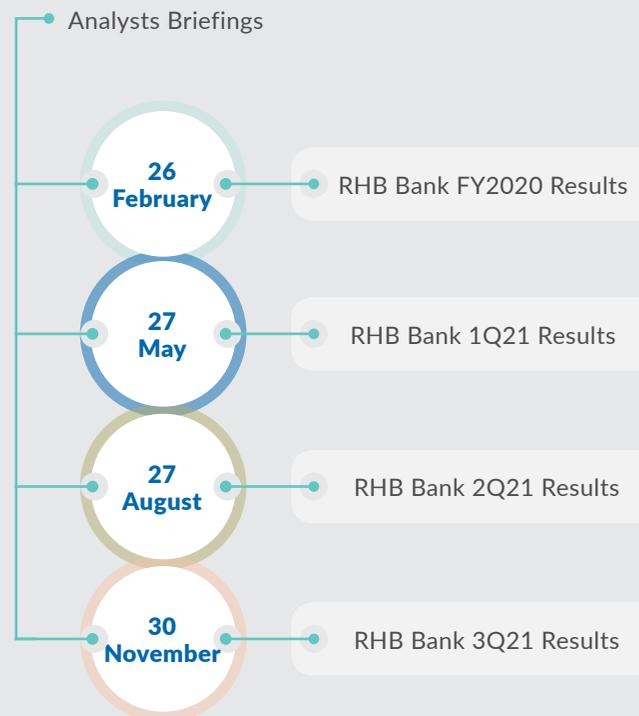
- Analysts Briefings for Financial Results Announcement
- Deal Roadshow for Medium Term Note (MTN) Issuance
- Digital Day

Corporate website: [www.rhbgroup.com](http://www.rhbgroup.com)

Email: [investor.relations@rhbgroup.com](mailto:investor.relations@rhbgroup.com)



## FINANCIAL RESULTS ANNOUNCEMENTS



\* All the analysts briefings in 2021 were conducted through teleconferencing

## ANALYST COVERAGE LIST

- 1 Affin Hwang Investment Bank
- 2 AllianceDBS Research
- 3 AmResearch
- 4 CGS-CIMB Securities
- 5 Citi Investment Research
- 6 CLSA Securities

## ANNUAL GENERAL MEETING

The Board encourages shareholders to attend the annual general meeting, notice of which appears in this Integrated Report, where shareholders have the opportunity to put questions to the Board, management and chairs of the various committees.

STAKEHOLDER COMMUNICATIONS

59 meetings

2021

878 participants

CONFERENCES, BUSINESS STRATEGY UPDATE AND ROADSHOW



\* All the events in 2021 were conducted virtually

- |    |                                     |    |                             |
|----|-------------------------------------|----|-----------------------------|
| 7  | Credit Suisse Securities            | 13 | Maybank Investment Bank     |
| 8  | Hong Leong Investment Bank          | 14 | MIDF Amanah Investment Bank |
| 9  | JP Morgan Securities                | 15 | Nomura Research             |
| 10 | KAF-Seagroatt & Campbell Securities | 16 | TA Securities               |
| 11 | Kenanga Investment Bank             | 17 | UBS Securities              |
| 12 | Macquarie Research                  | 18 | UOB Kay Hian                |

STAKEHOLDER COMMUNICATIONS



## STAKEHOLDER COMMUNICATIONS

## CREDIT RATINGS

## RHB BANK BERHAD

RATING AGENCY	RATING CLASSIFICATION	RATINGS
RAM Rating Services Berhad	Long-Term Financial Institution	AA2
	Short-Term Financial Institution	P1
	Outlook	Positive
Standard & Poor's Rating Services	Long-Term Financial Institution	BBB+
	Short-Term Financial Institution	A-2
	Outlook	Negative
Moody's Investors Service	Long-Term Bank Deposits	A3
	Short-Term Bank Deposits	P-2
	Baseline Credit Assessment	baa2
	Outlook	Stable

## RHB INVESTMENT BANK BERHAD

RATING AGENCY	RATING CLASSIFICATION	RATINGS
RAM Rating Services Berhad	Long-Term Financial Institution	AA2
	Short-Term Financial Institution	P1
	Outlook	Positive

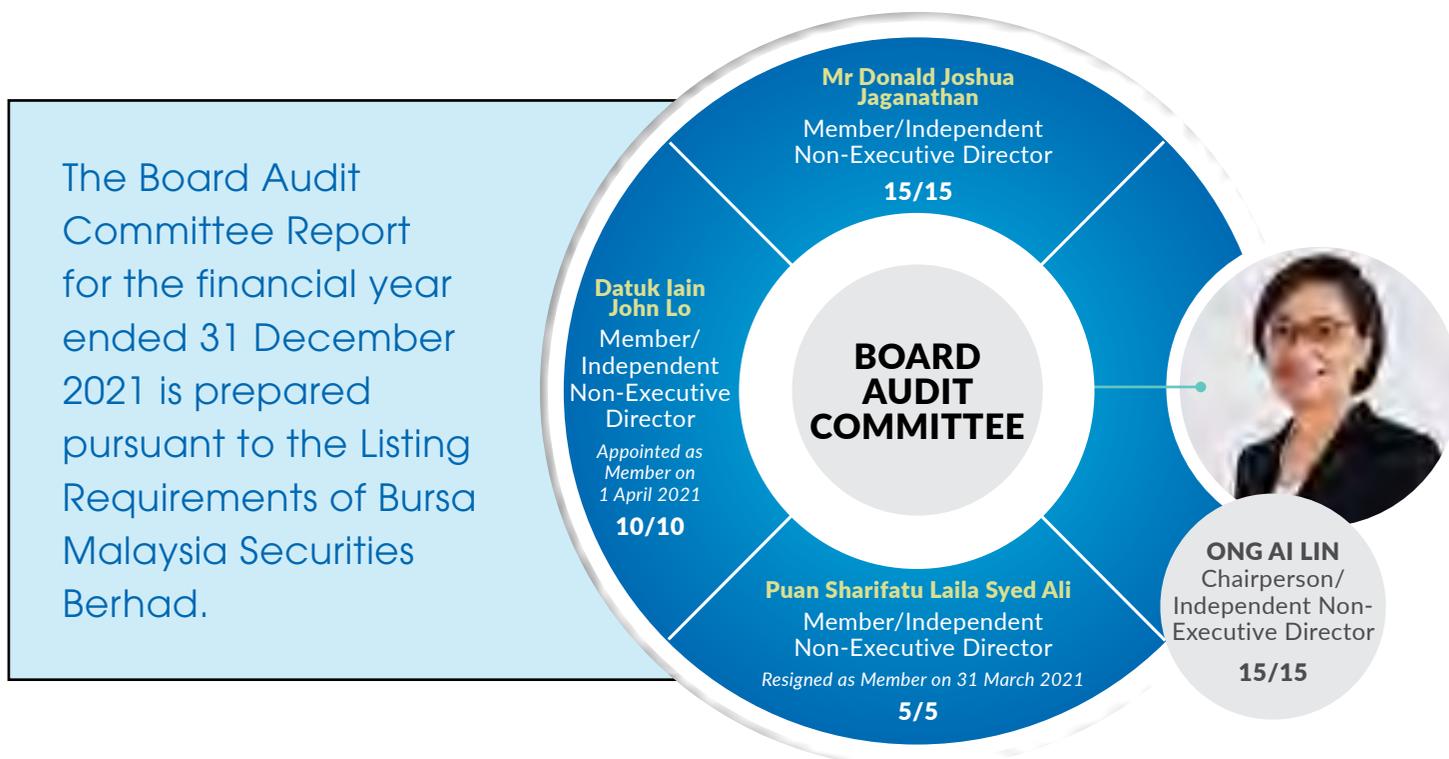
## RHB ISLAMIC BANK BERHAD

RATING AGENCY	RATING CLASSIFICATION	RATINGS
RAM Rating Services Berhad	Long-Term Financial Institution	AA2
	Short-Term Financial Institution	P1
	Outlook	Positive

# BOARD AUDIT COMMITTEE REPORT

## COMPOSITION AND ATTENDANCE OF MEETINGS

A total of fifteen (15) Board Audit Committee (“BAC”) meetings were held during the financial year ended 31 December 2021. The BAC comprises the following members and the details of attendance of each member at the BAC meetings held during the year are as follows:



The BAC undertakes the functions of the Audit Committee of the entities within the Group encompassing RHB Bank, RHB Investment Bank Berhad, RHB Islamic Bank Berhad and RHB Insurance Berhad.

The BAC meetings were also attended by the Group Chief Financial Officer, being the Chairman of the Management Audit Committee (“MAC”) of RHB Bank, the Group Chief Operations Officer and the Group Chief Internal Auditor (“Group CIA”) while the attendance of other Senior Management is by invitation, depending on the matters deliberated by the BAC.

Where required, Management of the relevant functions were also invited to the BAC meeting to provide explanations on control lapses and remediation measures undertaken arising from matters highlighted in the audit reports.

Key matters deliberated at the BAC meetings together with the BAC’s recommendations and decisions are summarised and presented to the relevant Boards, in the same month, by the Chairperson or representative of the BAC. This allows the respective Boards to be timely apprised of significant matters deliberated by the BAC and for the Boards to provide direction, if necessary. Extracts of the minutes of the BAC meetings held were provided to the respective Boards for their information.

### AUTHORITY

The BAC is authorised by the Board to, among others, review and investigate any matters within its terms of reference; have direct communication channels with the external and internal auditors as well as regulators; obtain independent professional advice, if necessary, at the Company’s expense; and access to Management and resources to enable effective discharge of its functions. The full terms of reference, including the authority, duties and responsibilities of the BAC are published on RHB Bank’s website.

## BOARD AUDIT COMMITTEE REPORT

## SUMMARY OF BAC ACTIVITIES IN 2021

The work carried out by the BAC in the discharge of its duties and responsibilities during the financial year are summarised as follows:

## FINANCIAL REPORTING

- a) Reviewed the quarterly unaudited financial results and the annual audited financial statements of RHB Bank and the Group as well as the draft announcements before recommending them for the Board's approval. The review process encompassed the following:
- Reviewed changes in accounting policy and adoption of new or updated accounting standards, and its impact to the financial statements.
  - Reviewed the financial statements and sought explanations from the Senior Management including the Group Chief Financial Officer on any significant changes between the current and corresponding quarter / period to assess their reasonableness.
- b) Discussed with the external auditors on the following matters identified during the statutory audit for the financial year ended 31 December 2021 as highlighted in their Audit Committee Report:
- Significant audit and accounting matters including credit and impairment assessment as well as repayment assistance initiated by the Government due to COVID-19 pandemic;
  - Internal control recommendations;
  - Data auditing;
  - Tax related matters; and
  - Summary of uncorrected misstatements.

## INTERNAL AUDIT

- a) Reviewed and approved the annual audit plan for the financial year 2021 to ensure adequacy of scope, coverage and resources as well as competency of the internal auditors.
- b) Reviewed the audit activities undertaken by Group Internal Audit ("GIA") for the financial year covering the planned audit assignments, investigations, ad-hoc audit projects, review of frameworks, policies and guidelines, products and services and IT project participation.
- c) Reviewed and approved the Balanced Scorecard for the Group CIA. Appraised the performance of the Group CIA and reviewed the appraisals of senior staff members of GIA, and approved the performance rewards for the Group CIA in accordance with the matrix approved by the Board.
- d) Reviewed and deliberated on the updates made to the Internal Audit Charter and recommended the same for approval by the Board of the respective entities.
- e) Reviewed and deliberated on the minutes of all MAC meetings, internal audit reports, audit recommendations, risk & impact and Management's responses to these recommendations as well as the root causes and timely remedial actions taken by Management to improve the system of internal controls and its processes on the areas highlighted.
- f) Reviewed and deliberated on the investigation reports tabled to the BAC and directed the Management to establish and implement the necessary controls to strengthen the internal control system.
- g) Reviewed the reports issued by the regulatory authorities and the Management's response as well as the remedial actions taken by Management in respect of the reported findings to ensure that all matters highlighted in these reports had been adequately and promptly addressed by Management.
- h) Reviewed the minutes of meetings of the Audit Committees of the overseas subsidiaries to the extent permitted by the relevant regulatory authorities to satisfy itself that all matters arising therefrom had been appropriately addressed by these Audit Committees.
- i) Deliberated on the External Quality Assurance Review Report prepared by the independent external assessor and provided guidance and directions to further enhance the effectiveness of the internal audit function.

## BOARD AUDIT COMMITTEE REPORT

## EXTERNAL AUDIT

- a) Reviewed the 2021 audit plan of the external auditors for RHB Banking Group covering the audit strategy, risk assessment and areas of audit emphasis for the year.
- b) Reviewed with the external auditors, the results of their audit together with their recommendations and Management's response to their findings as detailed in the following reports, and provided the BAC's views and directions on the areas of concern where necessary:

Reports issued by External Auditors in 2021	Date tabled to BAC
Audit Committee Report for the financial year 2020	25 January 2021
Internal Control Report for the financial year 2020	23 April 2021
Limited Review of the unaudited financial statements of RHB Bank and RHB Islamic Bank, RHB Investment Bank and RHB Insurance for the financial period ended 30 June 2021	22 July 2021

The BAC further directed the respective MACs to track the audit findings highlighted by the external auditors in their Internal Control Report to ensure timely resolution of all matters by Management.

- c) Met with the external auditors on 25 January 2021 and 22 July 2021 without the presence of Management to enable the external auditors to discuss matters with the BAC privately.
- d) Reviewed the appointment of the external auditors for the provision of non-audit services before recommending them for the Board's approval. Areas that are considered include the external auditors' expertise, adequacy of knowledge and experience required for the services rendered, competitiveness of fees quoted and whether its independence and objectivity would be impaired.

Reviewed on a quarterly basis, the non-audit services rendered by the external auditors and the related fees taking into consideration the fee threshold established under the Group policy to ensure that the external auditors' independence and objectivity were not compromised.

- e) Reviewed the external auditors' performance and independence before recommending them to the Board for reappointment as external auditors for the Group:

- The external auditors have declared in their 2021 audit plan, which was tabled to the BAC in July 2021, that they have maintained their independence for the audit of the financial statements of the Group in accordance with the firm's requirements and with the provisions of the By-Laws on Professional Independence of the Malaysian Institute of Accountants. They have further declared that the non-audit services provided to the Group during the year have not compromised their independence as external auditors of the Group.
- The annual assessment on the external auditors covering the key areas of performance, independence and objectivity in accordance with the BNM Guidelines on External Auditor.
- The performance of the external auditors was also assessed through a survey completed by the Management personnel of the Group based on their dealings with the external auditors covering areas such as the people, meeting the objectives, responsiveness, knowledge of the business and industry, ideas that add value and communications.
- A comprehensive review was also conducted in December 2021 prior to the reappointment of the external auditors to assess its independence and the potential risk of familiarity threat at all the banking entities within the Group. The comprehensive review covered three main categories, i.e. governance and independence, communication and interaction, and quality of services and resources.

The comprehensive review was conducted by Group Finance and independently verified by GIA prior to tabling to the BAC for deliberation.

## GROUP INTEGRITY &amp; GOVERNANCE

- a) Reviewed and deliberated on the proposed establishment of the Information & Complaints Assessment Committee and its Terms of Reference, and the proposed Integrity and Governance Charter and recommended the same for approval by the Board.
- b) Reviewed and endorse the half-yearly report for submission to Malaysian Anti-Corruption Commission on Group Integrity & Governance Unit's core functions.
- c) Reviewed and deliberated on the monthly report from Group Integrity & Governance, particularly in relation to the whistleblowing & non-whistleblowing cases and existing anti-corruption programme, and provided guidance and directions, where necessary.

## BOARD AUDIT COMMITTEE REPORT

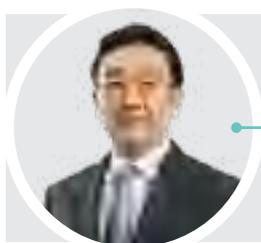
## RELATED PARTY TRANSACTIONS

- a) Reviewed the reports of Related Part Transactions ("RPTs") on a quarterly basis covering the nature and amount of the transactions including any possible Conflict of Interest ("COI") situations in ensuring that the terms and conditions of the transactions are commercially based and at arm's length.
- b) The review covered the aggregate consideration of Recurrent RPTs ("RRPTs") which are individually tracked and monitored against the ceiling set to ensure proper reporting and disclosures in accordance with the regulatory requirements.
- c) The Group has in place an approved policy on RPTs which governs the process of identifying, evaluating, approving, reporting and monitoring of RPTs, RRPTs and potential COI situations as well as outlining the duties and responsibilities of the relevant parties involved in the RPT process.

## TRAINING

During the year, the BAC members have attended various training programmes, conferences and seminars to keep abreast of the latest developments within the banking industry as well as to enhance their knowledge for the discharge of their duties and responsibilities.

The detailed information of mandatory and professional development programmes attended by the BAC members are disclosed in Section B of the Corporate Governance Report available at [www.rhbgroup.com](http://www.rhbgroup.com).

**Group Chief Internal Auditor**

Alex Tan Aun Aun leads the internal audit function of RHB Banking Group and he reports to the BAC. He has more than 25 years of multifaceted experience in the banking business with more than 10 years' experience in internal auditing. He holds a Bachelor of Commerce (Finance) degree from the University of Toronto and is a professional member of Institute of Internal Auditors Malaysia. GIA provides the Board with independent assurance that the risk management systems, internal controls and governance processes of the Group are effective and that its operations are operating as intended.

## INTERNAL AUDIT FUNCTION

RHB Banking Group has an in-house internal audit function, which is guided by its Internal Audit Charter approved by the Board, Bank Negara Malaysia ("BNM") Guidelines on Internal Audit Function of Licensed Institutions and the Institute of Internal Auditors' latest International Professional Practices Framework. GIA's main responsibility, being the third line of defence, is to provide an independent assessment on the adequacy and effectiveness of the Group's risk management, internal control and governance processes implemented by the Management.

The Group CIA reports functionally to the BAC and administratively to the Group Managing Director to maintain GIA's impartiality and objectivity. To further preserve the independence of the internal audit function, the Group CIA's appointment and performance appraisal, as well as GIA's scope of work and resources, are approved by the BAC.

**Internal Audit Charter**

The Internal Audit Charter ("Audit Charter") defines the purpose, authority and responsibility of the internal audit function and is approved by the Board. The approved Audit Charter is published on the Group's intranet portal, which can be viewed by all employees of the Group.

The Audit Charter is reviewed by the Group CIA every two years or as and when necessary to assess whether the GIA's purpose, authority and responsibility, as defined in the Audit Charter, continue to be adequate and relevant to enable the internal audit function to accomplish its objectives.

**Summary of GIA's Activities**

The main activities undertaken by GIA during the financial year are summarised as follows:

- a) Prepared the annual risk-based audit plan for RHB Banking Group which includes the audit objectives and scope, and manpower requirements for each planned auditable unit.
- b) Conducted audits as per the approved audit plan as well as ad hoc reviews and investigations requested by Management, the Board or regulators during the year.

## BOARD AUDIT COMMITTEE REPORT

- c) Areas audited during the financial year encompassed all the business and support pillars including Wholesale Banking, Community Banking, Distribution Channels, Shariah Business, Insurance Business, Overseas Operations, IT Security and Operations, Group Support Functions as well as key areas such as Anti-Money Laundering & Counter Financing of Terrorism, market conduct, customer information secrecy and outsourcing.
- d) Carried out ad-hoc compliance and validation reviews as requested by regulators.
- e) Reviewed the adequacy and effectiveness of the Risk Mitigation Plan implemented by Management to address the Composite Risk Rating (“CRR”) matters highlighted by BNM in their CRR Report.
- f) Monitored and followed up through the respective MACs on the timely rectification of all reported audit findings and the underlying causes highlighted by the internal and external auditors. The status of any outstanding audit findings including requests with justification for extension of rectification timelines are summarised and reported to the BAC on a monthly basis.
- g) Performed root cause analysis and shared the results with the Management for the appropriate actions to be taken to address the identified issues holistically.
- h) Reviewed new or updated framework, policies and guidelines as requested by Management to provide feedback on the adequacy of internal controls to address the relevant risks.
- i) Participated in new IT system or new product development activities to provide recommendations upfront on the relevant control features to be considered by Management.
- j) Assisted the BAC in the annual review exercise on the reappointment of external auditors by assessing its independence and potential risk of familiarity threat at all the banking entities within the Group.
- k) Attended Management meetings as permanent invitee on a consultative and advisory capacity to provide independent feedback where necessary on internal control related matters.
- l) Organised MAC meetings, prepared meeting materials as well as prepared minutes of meetings and summary of key audit findings for submission to the BAC and the Boards of the respective entities.
- m) Prepared the BAC Report and the Statement on Risk Management and Internal Control for approval by the BAC and the Board respectively, and for inclusion in RHB Bank’s Integrated Report for the year 2021.

**Internal Audit Resources**

The Group CIA, in consultation with the BAC and the Group Managing Director, decides on the appropriate resources required for the GIA

taking into consideration the size and complexity of operations of the Group. The primary organisation chart/structure of GIA is reviewed and approved by the BAC annually.

As at 31 December 2021, GIA has 162 auditors (Malaysia: 143) with relevant academic/professional qualifications and experience to carry out the activities of the internal audit function. Total costs of RM32.5 million (Malaysia: RM27.2 million) was incurred to maintain the internal audit function of the Group for the financial year 2021.

**Professional Proficiency**

The Group CIA ensures that the internal auditors are suitably qualified and provided with the necessary trainings and continuous professional development for the purpose of enhancing their audit and relevant technical skills to effectively perform their duties and responsibilities.

The internal auditors are further required to pursue the relevant certification programmes such as those offered by the Institute of Internal Auditors (“IIA”) and Asian Institute of Chartered Banker in order for them to be proficient and competent in the relevant disciplines.

Based on each staff’s Individual Development Plan for the year 2021, the internal auditors attended the relevant technical as well as leadership and management programmes offered by RHB Academy, the Group’s Learning and Development Centre, and external programmes.

**Internal Audit Quality Assurance Review**

To ensure effectiveness of the internal audit function, the Group CIA has developed and maintained a quality assurance and improvement programme that covers all aspects of the internal audit activities. The quality assurance programme assesses the effectiveness of processes within the internal audit function and identifies opportunities for improvement through both internal and external assessments.

The internal assessment is performed according to the approved annual Quality Assurance Review (“QAR”) plan by a QAR team within GIA. The Head of QAR function reports directly to the Group CIA to maintain its independence of the internal audit activities within GIA.

In addition to the internal assessment, external quality assessment is conducted once every five years by qualified external assessor. The appointment of independent external assessor is subject to the Group’s established procurement process and endorsed by the BAC.

The latest external quality assessment was conducted in 2021 where GIA was assessed to be in conformance with all the applicable rules, standards and requirements stipulated in The IIA’s International Standards for the Professional Practice of Internal Auditing, BNM Guidelines on Internal Audit Function of Licensed Institutions, Malaysian Code on Corporate Governance: Principle B – Effective Audit and Risk Management and Bursa Malaysia Listing Requirements – Chapter 15.27 Internal Audit. The results of review were tabled by the independent reviewer to the BAC.

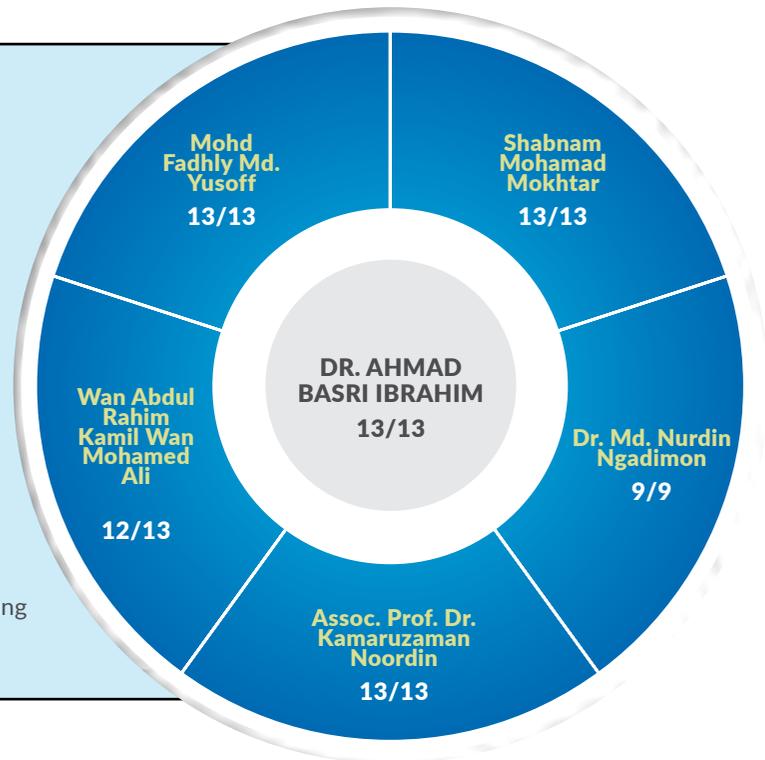
# SHARIAH COMMITTEE REPORT

## COMPOSITION AND ATTENDANCE OF MEETINGS

A total of twelve (12) regular meetings and one (1) special meeting were held as at 31 December 2021. All existing members satisfied the minimum attendance requirement under BNM's Shariah Governance Policy Document, which provides that a Shariah Committee member is required to attend at least 75% of the Shariah Committee meetings held in each financial year. Details of the attendance of each member are as follows:

The Shariah Committee was established under RHB Islamic Bank Berhad ("the Bank" or "RHB Islamic") with the following main objectives:

1. To provide objective and sound advice to the Bank to ensure that its aims, operations, business, affairs and activities are Shariah-compliant.
2. To ensure effective working arrangements are established between the Shariah Committee, the Shariah Advisory Council ("SAC") of Bank Negara Malaysia ("BNM") and that of the Securities Commission ("SC").
3. To ensure the establishment of appropriate procedures leading to prompt compliance with Shariah principles.



## ENGAGEMENT SESSIONS & TRAININGS ATTENDED

### ENGAGEMENT SESSIONS & TRAININGS

As part of the initiatives aimed at maintaining effective communication between the Shariah Committee, the Management and the Board of Directors of RHB Islamic Bank, special in-house training programmes were held as follows:

1. Engagement session between RHB Islamic Bank Board of Directors and Shariah Committee Members held on 5 July 2021 and 8 November 2021.
2. Digital Transformation in Islamic Finance Towards Shariah Compliance by Tan Sri Dr. Mohd. Daud Bin Bakar held on 8 November 2021.

In addition, the Shariah Committee also contributed to the efforts of spreading Shariah knowledge and awareness among RHB Banking

Group staff by sharing insights, expertise and experience through "Shariah Committee Sharing Series" sessions as follows:

1. *Hibah Amanah* by Dr. Ahmad Basri Ibrahim held on 12 March 2021
2. *AI & Fintech Made Easy: Opportunity for Social Finance* by Shabnam Mohamad Mokhtar held on 27 May 2021
3. *Resetting Our Agenda* by Wan Abdul Rahim Kamil Wan Mohamed Ali held on 9 August 2021
4. *Preference Shares: Equity or Debt Instrument* by Dr. Md. Nurdin Ngadimon held on 21 September 2021

Furthermore, one of the Shariah Committee members participated in an online course as follows:

1. Oxford Impact Investing Program, 19 April 2021 to 28 May 2021.

The Shariah Committee members are also enrolled in the Certified Shariah Advisor ("CSA") and Certified Shariah Practitioner ("CSP") programmes organised by the Association of Shariah Advisors in Islamic Finance ("ASAS").

## SHARIAH COMMITTEE'S EFFECTIVENESS ASSESSMENT

In compliance with BNM's Shariah Governance Policy Document, the Shariah Committee undergoes a process of assessing the effectiveness of individual members and the Committee as a whole on a yearly basis. The Shariah Committee's annual assessment exercise is primarily based on a detailed questionnaire that is distributed to the respective Committee members and the permanent invitees to the Shariah Committee meetings. The questionnaire encompasses considerations on the effectiveness of the Committee in discharging its duties and responsibilities, and each individual member's level of skill and competency in the areas of expertise expected of a Shariah Committee member.

The results of the assessment are tabled to RHB Islamic's Board of Directors for approval.

# ADDITIONAL COMPLIANCE INFORMATION DISCLOSURES

## INTEGRITY REPORT

Disclosure on corporate exercises

### 1. Proposed Disposal by PT RHB Sekuritas Indonesia ('RSI') of Its Entire 99.62% Equity Interest in PT RHB Asset Management Indonesia ('RAMI') ('Proposed Disposal')

On 26 July 2021, RHB Bank announced that RSI, a 99% subsidiary of RHB Investment Bank, had on 23 July 2021, entered into Conditional Share Purchase Agreement ('CSPA') with Allianz Global Investors Asia Pacific Limited ('AllianzGI') and PT Asuransi Allianz Life Indonesia ('Allianz Life Indonesia') in respect of the Proposed Disposal.

RAMI, a company incorporated in Indonesia, is a 99.62% subsidiary of RSI. The remaining 0.38% equity interest is held by Daniel Budiman. The principal activity of RAMI is rendering of investment management services in Indonesia.

The Proposed Disposal will entail the disposal by RSI of its entire 98.62% equity interest and 1.00% equity interest in RAMI to AllianzGI and Allianz Life Indonesia respectively.

The Proposed Disposal is conditional upon of inter-alia, the approval of the Financial Services Authority of Indonesia or Otoritas Jasa Keuangan for the fit and proper test of AllianzGI as the new controlling shareholder of RAMI and the candidate for new member(s) of Board of Commissioners of RAMI as proposed by AllianzGI. The last date to fulfil all the conditions precedent for the Proposed Disposal is 8-months from the date of the CSPA which can be mutually extended.

This exercise is part of RHB Banking Group's strategic plan to reprioritise its overseas businesses to focus on niche markets, leveraging the key strengths of its investment banking team in order to meet its customers' needs. Accordingly, RHB Bank has decided to exit from the asset management business and to focus on its stockbroking and investment banking business in Indonesia.

On 31 January 2022, RHB Bank announced that RSI had completed the Proposed Disposal. With the completion of the Proposed Disposal, RAMI is no longer an indirect subsidiary of RHB Bank.

### 2. Proposed Cessation of Business of RHB Hong Kong Limited and its subsidiaries.

On 4 December 2019, RHB Hong Kong Limited ('RHBHK') and its subsidiaries namely RHB Securities Hong Kong Limited, RHB Futures Hong Kong Limited, RHB Finance Hong Kong Limited, RHB Capital Hong Kong Limited, RHB Asset Management Limited, RHB Fundamental Capital Hong Kong Limited, RHB Wealth Management Hong Kong Limited and RHB (China) Investment Advisory Co Ltd decided to cease their business operations ('Cessation').

Pursuant to the Cessation, RHBHK and its subsidiaries have discontinued offering financial services to its existing and potential clients.

## ADDITIONAL COMPLIANCE INFORMATION DISCLOSURES

As at 15 February 2022, the following activities have been/will be carried out by the subsidiaries of RHBHK:

No.	Activities	Subsidiaries of RHBHK
1	In the process of winding up	RHB Securities Hong Kong Limited RHB Futures Hong Kong Limited
2	Has been dissolved upon its deregistration as a legal entity	<u>18 Apr 2019</u> RHB Fundamental Capital Hong Kong Limited  <u>On 17 June 2020</u> RHB (China) Investment Advisory Co Ltd  <u>On 17 March 2021</u> RHB Finance Hong Kong Limited  <u>On 15 October 2021</u> RHB Asset Management Hong Kong Limited RHB Capital Hong Kong Limited
3	In the process of winding up	RHB Wealth Management Hong Kong Limited by 4 January 2022.

### 3. Disposal of RHB International Trust (L) Ltd ("RHBIT")

On 12 March 2021, RHB Bank announced that RHB Bank (L) ("RHBBL") Ltd, a wholly-owned subsidiary of RHB Bank, had on 11 March 2021 completed the disposal of its entire equity interest in its wholly-owned subsidiary, RHBIT to Pacific Trustees Berhad for a cash consideration of approximately USD173,490. With the completion of the disposal, RHBIT has ceased to be a wholly-owned subsidiary of RHBBL.