

STATEMENT ON CORPORATE GOVERNANCE

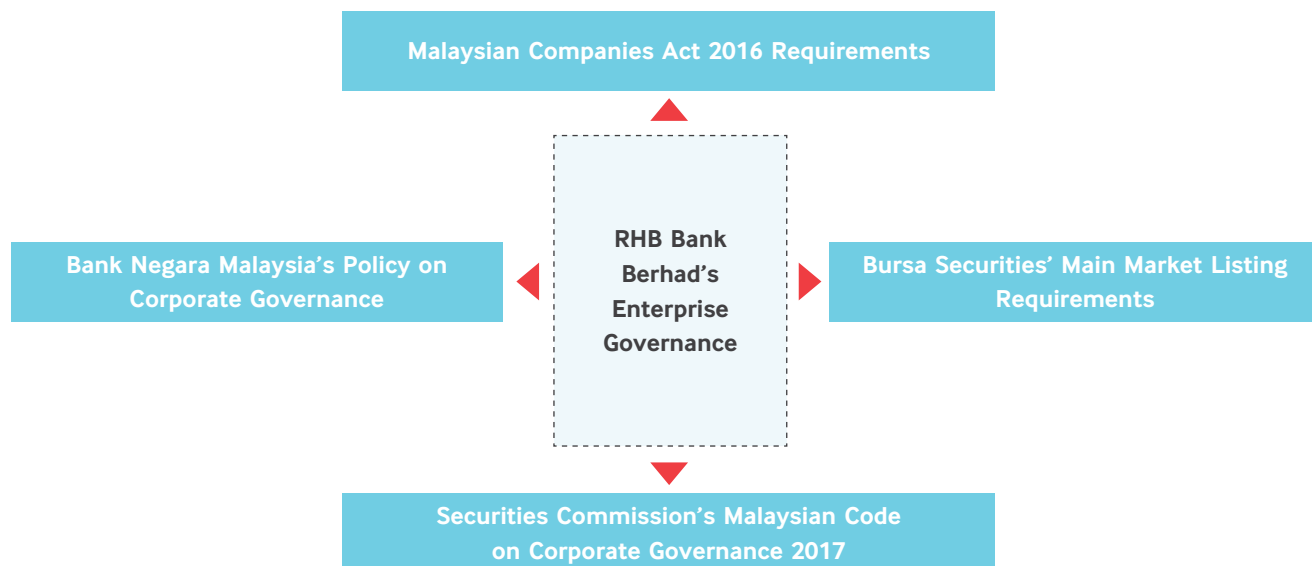
“In these times, moral courage, integrity and transparency will be more important than ever. We must be brave enough to pursue the right course of action, doing the right thing, unpopular as they may be in the short-term. We must also be accountable for our decisions. This requires that we engage and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

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

ENTERPRISE GOVERNANCE

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

Under RHB Bank Berhad’s Enterprise Governance umbrella, the Company continuously strives to stimulate and sustain value creation by subscribing to the principles set out in the following essential requirements and practices:



STATEMENT ON CORPORATE GOVERNANCE

CORPORATE GOVERNANCE – Commitment to Conformance

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

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

During 2017, the Group also received the following recognitions:

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

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

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

MSWG - ASEAN
CORPORATE GOVERNANCE RECOGNITION
2017



FTSE4Good

2016

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

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



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

ASEAN

Corporate Governance

Scorecard

2015

- Top 50 ASEAN Public Listed Companies

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

BUSINESS GOVERNANCE – *Commitment to Performance*

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

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

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

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

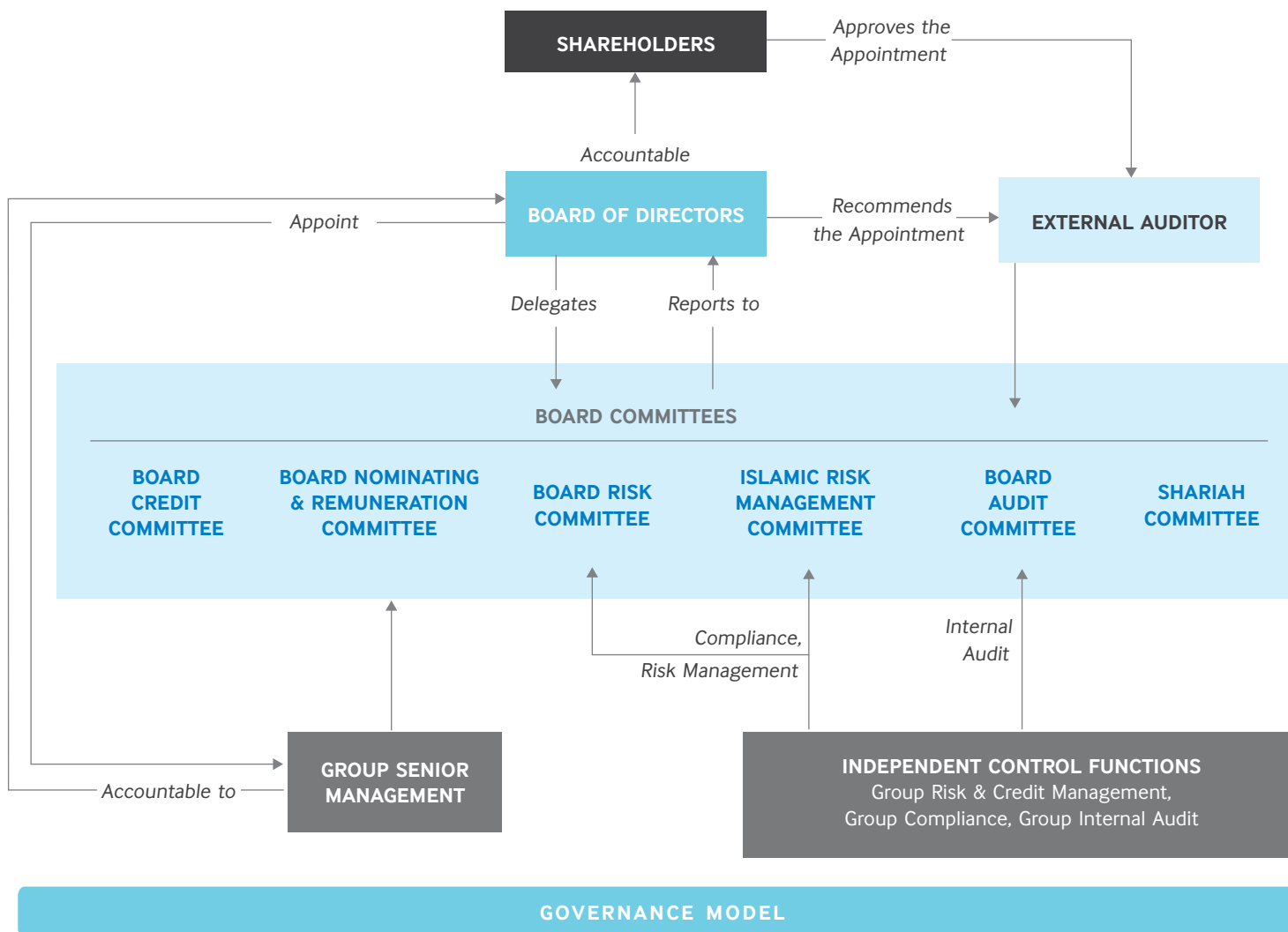
ORGANISATIONAL CULTURE

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

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

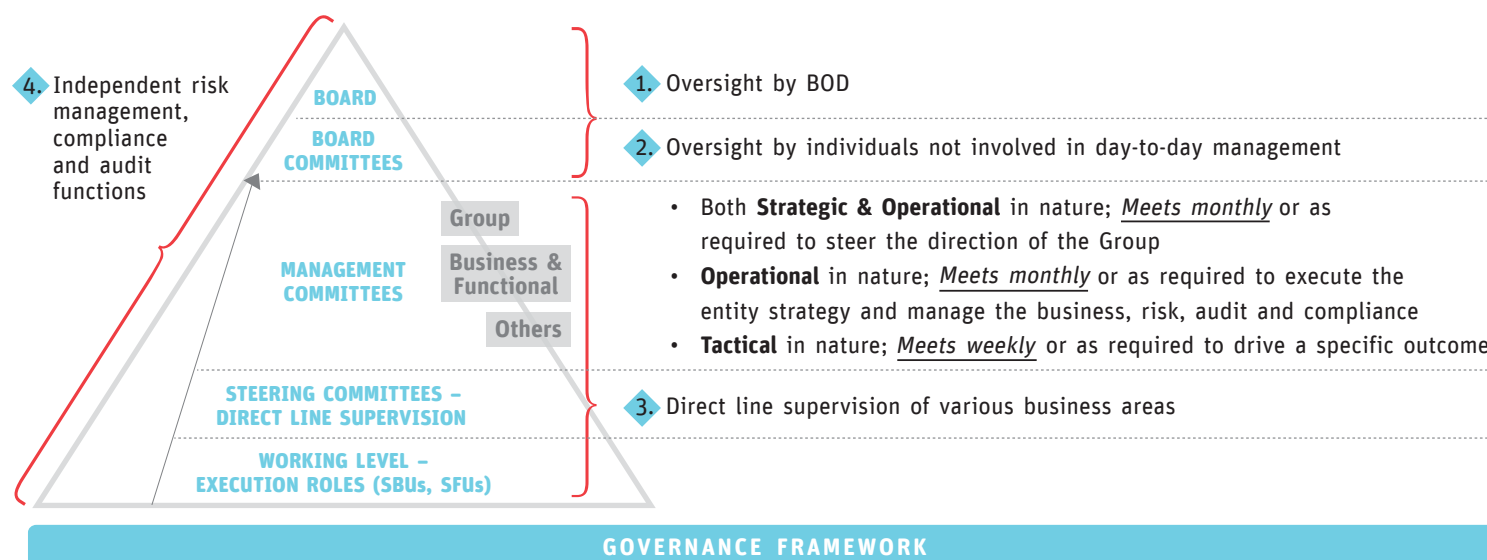
STATEMENT ON CORPORATE GOVERNANCE

GOVERNANCE MODEL & FRAMEWORK



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

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



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

BOARD GOVERNANCE MANUAL

The main documents governing the Board are the Company's Memorandum & Articles of Association (*also known as the "Constitution" under Companies Act 2016*), the Board Charter and the Code of Ethics and Business Conduct for Directors. The Board is also guided by the Approval Framework on Directors' Expenses, the Boardroom Diversity Policy, Policy and Guidelines on Fit and Proper for Key Responsible Persons, Guidelines on Tenure of Non-Executive Directors' Appointment, Procedures for Independent Professional Advice and also Procedures on Directors' In-House Orientation & Continuing Education Programme. All these frameworks, policies, procedures and processes serve as guidance to the Board in discharging their duties effectively, efficiently and responsibly.

BOARD COMMITTEES

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

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

Board Nominating & Remuneration Committee

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

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

STATEMENT ON CORPORATE GOVERNANCE

The BNRC comprises five Non-Executive Directors (“NEDs”), of whom three are Independent Non-Executive Directors (“INEDs”) and two are Non-Independent Non-Executive Directors (“NINEDs”), representing the respective entities within the Group. The BNRC is chaired by YBhg Tan Sri Saw Choo Boon, the Senior Independent Non-Executive Directors (“SINED”) of RHB Bank Berhad. The composition of the BNRC consisting of majority Independent Directors, complies with the Bursa Malaysia Listing Requirements, Malaysian Code on Corporate Governance 2017 and Bank Negara Malaysia’s Policy Document on Corporate Governance 2016.

Board Risk Committee

The Board recognises the importance of a sound system of risk management and internal control to ensure good corporate governance and to safeguard shareholders’ investments as well as the Company’s and the Group’s assets. A Group Risk Management Framework has been established to provide a holistic overview of the risk and control environment of the Group, as well as to set out strategic progression of risk management towards becoming a value creation enterprise. Detailed disclosures on the features, adequacy and effectiveness of this framework are available in the Statement on Risk Management & Internal Control on pages 33 to 39 of this Annual Report.

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

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

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

The BRC comprises a **majority** of Independent Directors and currently having four NEDs, of whom three are INEDs and one NINED, representing the respective entities within the Group. The BRC is chaired by YBhg Tan Sri Saw Choo Boon, the SINED of RHB Bank Berhad.

Board Audit Committee

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

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

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

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

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

The BAC also emphasises the internal audit function by increasing the objectivity and independence of the internal auditors and provides a forum for discussion that is, among others, independent of the Management. Additionally, the BAC reviews the quality of the audits conducted by internal and external auditors as well as the Group's financial condition and performance. This enhances the perceptions held by stakeholders (including shareholders, regulators, creditors and employees) of the credibility and objectivity of financial reports. Detailed disclosures on BAC's governance structure and primary activities are available on pages 40 to 45 of this Annual Report.

Board Credit Committee

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

Common Investment Committee

The Common Investment Committee ("CIC") comprises 4 members namely one NINED and three INEDs, representing the respective business entities within the Group. It mainly oversees the investment aspects of RHB Insurance Berhad, RHB Asset Management Sdn. Bhd. and RHB Islamic International Asset Management Berhad.

Shariah Committee

The Shariah Committee resides at RHB Islamic Bank Berhad ("RHB Islamic Bank") assists the Board and the Management in governing Islamic business activities and Shariah-based operations within RHB Banking Group.

The Shariah Committee is housed at RHB Islamic Bank and comprises five (5) qualified local Shariah scholars.

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

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

BOARD TRAINING AND DEVELOPMENT

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

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

Learning Process for New Director

Two new NEDs were appointed in the FYE 2017. The newly appointed Company's NEDs attended an induction programme organised by the Management to provide them with the key information of the industry as well as an overview of the Group's business and operations. During the induction programme, they were briefed by Senior Management on their respective functions and areas of responsibility. This enables the new NEDs to familiarise themselves with the Group and gives an opportunity for them to build close liaison with Management.

In addition, the new NEDs received a comprehensive Director's induction kit to assist them in building an in-depth understanding of the Group's operations, its longer-term direction and statutory obligations. Pursuant to the requirement of the Securities Commission of Malaysia, directors are required to complete the Capital Market Director Programme ("CMDP") conducted by Securities Industry Development Corporation ("SIDC") with the aim to enhance board effectiveness by helping directors understand their roles, responsibilities and fiduciary duties. It is also aimed at raising the standards of professionalism among directors by advocating a culture of integrity and ethical awareness.

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

STATEMENT ON CORPORATE GOVERNANCE

Director's Training

During the year, the Directors of RHB Investment Bank attended the following training programmes, conferences and seminars:

Name of Director(s)	Training Programme Attended	Training Scope & Description
YBhg Tan Sri Azlan Zainol	Peer-2-Peer (P2P) Lending and Crowdfunding/ Crowdsourcing by Group Chief Operations Officer	<ul style="list-style-type: none"> • Alternative Funding Models • Licensed P2P Operators • Licensed Equity Crowdfunding Operators • Regulatory Framework • Market Potential
	Cryptocurrency and Blockchain Technology by Neuroware	<ul style="list-style-type: none"> • Cryptocurrency including BitCoin • Blockchain Technology • Potential Use Cases in the Financial Services Industry
	Bank Negara Malaysia (BNM)'s Annual Report 2016/ Financial Stability and Payment Systems Report 2016 by BNM	<ul style="list-style-type: none"> • Global Landscape 2017 • Malaysian economy • Private investment • Malaysia's macroeconomic fundamentals
	Islamic Banking by 2030: Impact of Digital Economy, Fintech & Sustainability as Forces of Change by SHAPE	<ul style="list-style-type: none"> • Digital Economy era • Fintech and its Impact • Sustainability & Social Responsibility Investment (SRI)
	Compliance Conference by Bank Negara Malaysia	<ul style="list-style-type: none"> • Role of Compliance in Supporting the Integrity of Regulatory Frameworks • Social & Economic Consequences from Compliance Lapses • Public Confidence & Trust Nexus
	Exclusive Workshop for Nomination Committee and Members: Board Selection by FIDE Forum	<ul style="list-style-type: none"> • Board Talent Challenges • Engagement with Potential Directors • Leadership Profiling Exercise
	Malaysian Code on Corporate Governance: Expectation and Implications by SIDC	<ul style="list-style-type: none"> • The New Approach & Key Features • Board Leadership and Effectiveness • Effective Audit and Risk Management • Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders
	Banking Conference – China's Banking Industry: Opportunities for Growth by AICB	<ul style="list-style-type: none"> • The Future of Malaysia and China Relations • The Changing Chinese Economy and Its Global Impact • Accessing Financing for SMEs – The China Experience • Insights from Chinese and Foreign Industry Leaders on Doing Business in China • Impact of Fintech in Banking, with Special Focus on China and Malaysia
	Shariah Awareness Programme by Amanie Group	<ul style="list-style-type: none"> • Global Perspectives in the Islamic Financial Industry • Critical Success Factors and Critical Failure Factors
	Bankruptcy (Amendment) Act 2017 by Messrs. Shook Lin & Bok	<ul style="list-style-type: none"> • Salient Features of the Insolvency Act 1967 • Moratorium under the Bankruptcy Act 1967 & the Insolvency Act 1967 • Protection of Social and Commercial Guarantors • Automatic Discharge of Bankrupt

Name of Director(s)	Training Programme Attended	Training Scope & Description
Mr Chin Yoong Kheong	Peer-2-Peer (P2P) Lending and Crowdfunding/ Crowdsourcing by Group Chief Operations Officer	<ul style="list-style-type: none"> • Alternative Funding Models • Licensed P2P Operators • Licensed Equity Crowdfunding Operators • Regulatory Framework • Market Potential
	Cryptocurrency and Blockchain Technology by Neuroware	<ul style="list-style-type: none"> • Cryptocurrency including BitCoin • Blockchain Technology • Potential Use Cases in the Financial Services Industry
	Islamic Banking by 2030: Impact of Digital Economy, Fintech & Sustainability as Forces of Change by SHAPE	<ul style="list-style-type: none"> • Digital Economy era • Fintech and its Impact • Sustainability & Social Responsibility Investment (SRI)
	Malaysian Code on Corporate Governance: Expectation and Implications by SIDC	<ul style="list-style-type: none"> • The New Approach & Key Features • Board Leadership and Effectiveness • Effective Audit and Risk Management • Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders
	Shariah Awareness Programme by Amanie Group	<ul style="list-style-type: none"> • Global Perspectives in the Islamic Financial Industry • Critical Success Factors and Critical Failure Factors
	Investment Outlook 2017 by Mo Ji Chief Economist Asia (ex Japan) of Amundi Hong Kong	Annual economic and market outlook for 2017
	Credit Suisse 2017 Market outlook Seminar	Annual economic and market outlook for 2017
	Inheritance Tax in the UK by J Farrington Financial Limited.	Inheritance Tax in the UK
	Dialogue with the Ministry of Energy, Green Technology and Water by KeTTHA and SPAN	Dialogue between government policy makers and stakeholders
	1st Distinguished Board Leadership Series Talk on "Making Boards Effective in a Changing World" by Professor Jeffrey Sampler by FIDE	Practical application of key concepts of strategic agility in board-level decision making pertaining to corporate strategy, risk management and organisational culture
	Onboarding session for commissioner of MCMC.	Onboarding session
	RHB Market Insights Forum 2017 on "Understanding the Business of Tomorrow" by RHB Asset Management Sdn Bhd	Changes to capital market dynamics and the prospects of the 4th industrial revolution
	7th IWA-ASPIRE Conference 2017 on "Breaking Boundaries – Developing A Better Water Future for Asia Pacific Region" by International Water Association	Challenges of water reforms in developing countries and the political role in water reforms

STATEMENT ON CORPORATE GOVERNANCE

Name of Director(s)	Training Programme Attended	Training Scope & Description
YBhg Tan Sri Ong Leong Huat @ Wong Joo Hwa	Cryptocurrency and Blockchain Technology by Neuroware	<ul style="list-style-type: none"> • Cryptocurrency including BitCoin • Blockchain Technology • Potential Use Cases in the Financial Services Industry
	Exclusive Workshop for Nomination Committee and Members: Board Selection by FIDE Forum	<ul style="list-style-type: none"> • Board Talent Challenges • Engagement with Potential Directors • Leadership Profiling Exercise
	Annual Palm & Lauric Oil Conference	<ul style="list-style-type: none"> • Palm oil industry • Crude Palm Oil Future • Options on Crude Palm Oil Futures (OCPO) market
Mr Patrick Chin Yoke Chung	Cryptocurrency and Blockchain Technology by Neuroware	<ul style="list-style-type: none"> • Cryptocurrency including BitCoin • Blockchain Technology • Potential Use Cases in the Financial Services Industry
	Board In Digital Economy by SIDC	<ul style="list-style-type: none"> • The Rise of Globalised Digital Economy • Boards navigating in the Digital Economy Wave
Mr Yap Chee Meng	FIDE Core Programme Module A and B	<ul style="list-style-type: none"> • Understanding of the role of the board • Equip directors with tools and strategies • Responsibility of the board for promoting a strong risk control culture • Explore plausible and extreme stress scenario
	Creating Sustainable Growth Training by SATS Ltd	
	Oil Market/LNG Market Briefing by Temasek Group	
	IA Technical Briefing by Keppel Corporation	
	Global Air Cargo Briefing by SATS Ltd	
	Singapore Real Estates Briefing by Keppel Corporation	
	Global Financial Training by Keppel Corporation	
	Asia Pacific Country Briefings by SATS Ltd.	
YBhg Tan Sri Dr Rebecca Fatima Sta Maria	Peer-2-Peer (P2P) Lending and Crowdfunding/ Crowdsourcing by Group Chief Operations Officer	<ul style="list-style-type: none"> • Alternative Funding Models • Licensed P2P Operators • Licensed Equity Crowdfunding Operators • Regulatory Framework Market Potential
	Cryptocurrency and Blockchain Technology by Neuroware	<ul style="list-style-type: none"> • Cryptocurrency including BitCoin • Blockchain Technology • Potential Use Cases in the Financial Services Industry
	Islamic Banking by 2030: Impact of Digital Economy, Fintech & Sustainability as Forces of Change by SHAPE	<ul style="list-style-type: none"> • Digital Economy era • Fintech and its Impact • Sustainability & Social Responsibility Investment (SRI)

Name of Director(s)	Training Programme Attended	Training Scope & Description
YBhg Tan Sri Dr Rebecca Fatima Sta Maria (continue)	Capital Market Director Programme by SIDC: – Module 1 – Module 2A – Module 2B – Module 3 – Module 4	<ul style="list-style-type: none"> • Directors as Gatekeepers of Market Participants • Business Challenges and Regulatory Expectations • Risk Oversight and Compliance – Action Plan for Board of Directors • Current and Emerging Regulatory Issues in the Capital Market
	Workshop on Forensic Accounting and Digital Forensics by Alliance IFA	<ul style="list-style-type: none"> • What Bankers Need to Know • Benefits of Forensic Accounting Techniques • Understanding of Fraud Schemes • Computer Forensic Skills & Digital Evidence
Datuk Nozirah Bahari	Peer-2-Peer (P2P) Lending and Crowdfunding/ Crowdsourcing by Group Chief Operations Officer	<ul style="list-style-type: none"> • Alternative Funding Models • Licensed P2P Operators • Licensed Equity Crowdfunding Operators • Regulatory Framework Market Potential
	Islamic Banking by 2030: Impact of Digital Economy, Fintech & Sustainability as Forces of Change by SHAPE	<ul style="list-style-type: none"> • Digital Economy era • Fintech and its Impact • Sustainability & Social Responsibility Investment (SRI)
	Capital Market Director Programme (CMDP): – Module 1 – Module 2A – Module 2B – Module 3 – Module 4	<ul style="list-style-type: none"> • Capital Market in Malaysia • Good Corporate Governance • Stakeholders' Management
	Board In Digital Economy by SIDC	<ul style="list-style-type: none"> • The Rise of Globalised Digital Economy • Boards navigating in the Digital Economy Wave
	Shariah Awareness Programme by Amanie Group	<ul style="list-style-type: none"> • Global Perspectives in the Islamic Financial Industry • Critical Success Factors and Critical Failure Factors
	RAM Sustainability Impact Rating by Datuk Seri Dr. K.Govindan, Group CEO of RAM Holdings Berhad	<ul style="list-style-type: none"> • Sustainable Finance • Green Finance • RAM Sustainability Rating Framework
YBhg Dato' Darawati Hussain	Capital Market Director Programme (CMDP): – Module 1 – Module 3 – Module 4	<ul style="list-style-type: none"> • Capital Market in Malaysia • Good Corporate Governance • Stakeholders' Management

STATEMENT ON CORPORATE GOVERNANCE

BOARD COMPOSITION AND ATTENDANCE

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

Company's Director	Position/ Independent Status	Date of Board appointment	Attendance of Meetings					
			Board Meeting	BNRC ¹ Meeting	BRC ² Meeting	BAC ³ Meeting	BCC ⁴ Meeting	BTC ⁵ Meeting
YBhg Tan Sri Azlan Zainol	Chairman/Non-Independent Non-Executive Director (NINED)	27 June 2016	14/14 (100%)	6/6 (100%)	NA	NA	NA	NA
Mr Chin Yoong Kheong	Senior Independent Non-Executive Director (SINED)	1 August 2016	14/14 (100%)	NA	11/12 (92%)	NA	NA	2/2 (100%) (Chair)
YBhg Tan Sri Ong Leong Huat (Q Wong Joo Hwa)	Non-Independent Non-Executive Director (NINED)	20 November 2012	14/14 (100%)	6/6 (100%)	NA	NA	29/31 ^Q (94%)	NA
Mr Patrick Chin Yoke Chung	Non-Independent Non-Executive Director (NINED)	2 August 2007	14/14 (100%)	NA	12/12 (100%)	NA	36/38 (95%) (Chair)	NA
Mr Yap Chee Meng	Independent Non-Executive Director (INED)	1 August 2016	13/14 (93%)	NA	NA	NA	NA	NA
YBhg Tan Sri Dr Rebecca Fatima Sta Maria	Independent Non-Executive Director (INED)	6 December 2016	14/14 (100%)	NA	NA	13/13 (100%) [Chair]	NA	NA
YBhg Datuk Nozirah Bahari	Independent Non-Executive Director (INED)	2 January 2017	13/14 (93%)	NA	NA	NA	NA	NA
YBhg Dato' Darawati Hussain	Independent Non-Executive Director (INED)	1 September 2017	4/4 [#] (100%)	NA	NA	NA		NA

Notes:

- 1-5 Abbreviations used denote various main Board Committees.
 5 Board Technology Committee was dissolved on 1 May 2017.
^Q Appointed on 1 March 2017.
[#] Appointed on 1 September 2017.

REMUNERATION GOVERNANCE

The Board is mindful that fair remuneration is critical to attract, retain and motivate Directors with the relevant experience and expertise required to lead the Company and the Group. The BNRC has been entrusted with discharging the remuneration strategies (as outlined in its terms of reference).

The Group has also established a common reference incorporating the Non-Executive Directors' ("NED") Remuneration Framework. It is aimed at applying the general principles for the remuneration of NEDs to ensure that remuneration levels are commensurate with the responsibilities, risks and time commitment of Boards/Board Committees. The level of remuneration reflects the level of responsibility undertaken by the particular NED concerned within the Company and the Group. It also takes into consideration practices within the industry and is reviewed at least once every two years.

No.	Non-Executive Directors' Remuneration Scheme	Unrestricted/Non-Deferred	Restricted/Deferred
A. Fixed-Type Remuneration			
i.	Cash-based	<ul style="list-style-type: none"> • Fixed Fees <ul style="list-style-type: none"> – Directors' Fees¹ – Committee Allowances² – Chairmen's premium³ for various entities & committees • Emoluments⁴ 	Nil
ii.	Shares & share-linked instruments	Nil	Nil
iii.	Others	Benefits-in-kind ⁵	Farewell Pot ⁴
B. Variable-Type Remuneration			
i.	Cash-based	Meeting Attendance Allowance ⁶	Nil
ii.	Shares & share-linked instruments	Nil	Nil
iii.	Others	Directors' & Officers' Liability Insurance ⁷	Nil

Notes:

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

1) Directors' Fees

NEDs are entitled to annual Directors' fees, which are subject to shareholders' approval at the Annual General Meeting ("AGM") of the Company. As part of a periodical review to ensure the Group remains competitive against its peers and with the heightened responsibilities and accountabilities under the Companies Act 2016, the Financial Services Act 2013, the Capital Markets & Services Act 2007 and the Malaysian Code on Corporate Governance 2017, Management has recommended that the Group Directors' Fees structure to be revised from RM150,000.00 to RM170,000.00 per annum for the Non-Executive Chairman and from RM120,000.00 to RM135,000.00 per annum for each of every NED retrospective from 1 January 2017. The above proposal is subject to the approval of the shareholder at the forthcoming 2018 Annual General Meeting of the Company.

2) Board Committee Allowances

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

3) Chairmen's Premium

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

4) Emoluments

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

5) Benefits-in-kind

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

6) Meeting attendance allowance

NEDs are also entitled to meeting attendance allowances when they attend the Board/Board Committee meetings.

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

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

The information on the total remuneration of the Directors from the Company and from the subsidiaries is available under Note 32 to the Financial Statements on pages 134 to 136 in the accompanying Financial Statements 2017 Report.

The Group has also established a remuneration framework for key Senior Management, consisting of a competitive integrated pay and benefit structure, which rewards corporate and individual performance in line with contributions to the organisation. Key Senior Management Officers are defined per terms of reference of the BNRC.

STATEMENT ON CORPORATE GOVERNANCE

A summary of the Company's Corporate Governance Practices during Financial Year Ended 2017 vis-à-vis the Malaysian Code on Corporate Governance 2017 ("MCCG") is laid out, as follows:

Herewith are snapshots of the Company's corporate governance practices during year 2017 disclosed vis-à-vis the 3 Principles set out in the MCCG namely (i) Board Leadership and Effectiveness, (ii) Effective Audit and Risk Management, and (iii) Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

- The roles and responsibilities of the Board of Directors ("the Board") are incorporated in the Board Charter, including strategy setting, management of the company, risk management and succession planning.
- The Corporate Scorecard for the CEO and the management team has been developed early of the year to measure their on-going performance against corporate objectives and goals set.
- RHB Banking Group has set its Strategy Statement, Vision, Aspirations and Brand Promise. Its 3-year accelerated programme namely **I.G.N.I.T.E. 2017** has ended and replaced by a 5-year transformation programme called **F.I.T. 22** to support its Vision: "To be amongst the Top 3 Multinational Financial Services Group in terms of performance by **2022**".
- The Board and the senior management have concurred the Group's strategic aims, including its Strategic Priorities, Focus Areas and Strategic Initiatives to be achieved by 2022, and set the organisational core shared Values, namely P.R.I.D.E. and internal Codes of Ethics & Conduct for Directors and Employees in building the right working and behavioural culture among the workforce to ensure that the company's strategic aims and goals are met.
- The Board assumes overall responsibility for promoting sustainable growth and financial soundness of the Company and its subsidiaries. This includes the following:
 - (a) Governing the Company's and the Group's business conduct and operations
 - (b) Risk Management
 - (c) Talent Development and Succession Planning
 - (d) Effective Communication
 - (e) Internal Control

II. Board Composition

As a licensed financial institution, RHB Investment Bank's Board is expected to comprise a majority of independent directors per the new BNM Policy on Corporate Governance and Malaysian Code of Corporate Governance ("MCCG") 2017 recommendation:

- For 2017, the Company's Board comprises a majority of independent directors (62.5%).
- In addition, the MCCG 2017 also recommends a limit on the tenure of Independent Director i.e. up to a cumulative term of nine (9) years of service. Accordingly, the Company has amended its existing Internal Guidelines to adhere strictly to the nine (9) years cap for tenure of its own Independent Directors.
- Currently, there is no Independent Director who is serving for more than nine (9) years tenure on the Board.

Generally the Company comprises 37.5% women representation on the Board of Directors and 32% among the Group Senior Management:

- The Company's Board remains vigilant in search for the right talent and suitable skill-set, and succeeded in securing three women directors on the Board within the past two (2) years.
- During calendar year 2017, the Company welcomed another **two women director** on the Board, namely YBhg Datuk Nozirah Bahari and YBhg Dato' Darawati Hussain. They joined YBhg Tan Sri Dr Rebecca Fatima Sta Maria, the existing **woman director** on the Board of the Company.
- As a very diverse Board in terms of age, educational background, ethnicity, experience, nationality and so forth, existing Board members are able to offer in-depth deliberation during Board meetings which would be beneficial for the Company's sustainable performance and operation.
- Similarly, the Company expects diversity at senior management level able to provide constructive debates, differing ways of deliberating same ideas and preparing a talent pipeline for future board candidacy, hence reaps the benefits arising from gender diversity agenda.

III. Remuneration

Policies and procedures, including the nomination framework for the directors and senior management are reviewed regularly to ensure the remuneration levels are:

- (i) Commensurate with the responsibilities, risks and time commitment; and
- (ii) Market-competitive and sufficient to attract and retain quality people but yet not excessive.

The total remuneration for all the directors, including both executive and non-executive directors, is disclosed in the Company's Annual Report on named basis, with breakdown of each remuneration components (i.e. fees, salary and bonus, benefits in-kind and other emoluments) received and receivable, including remuneration received/receivable at the Company's level and also at the Group's level:

- The remuneration structure and package for the Non-Executive Directors are approved by the shareholders in the Company's annual general meeting.

The Company has established a remuneration framework for key Senior Management, consisting of a competitive integrated pay and benefit structure, which rewards corporate and individual performance in line with their performance and contributions to the organisation:

- Detailed remuneration package for Key Senior Management is disclosed before the Board of Directors of the Company pursuant to BNM Policy on Corporate Governance.
- There is also incorporation of penalty in the final rating of their pay-for-performance scheme for any material non-compliance with legal and regulatory requirements.

PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Company's Board Audit Committee ("BAC") comprises only Independent Directors:

- There is a Senior Independent Director among the three BAC members.
- All members of the BAC have diverse skills set and are financially literate. They possess the necessary knowledge and experience to review financial and non-financial reporting processes and matters deliberated before the committee.
- One of the BAC members is an associate of the Institute of Chartered Accountants in England and Wales (ICAEW), a member of the Malaysian Institute of Accountants (MIA) and a Certified Information System Auditor (CISA).

During FYE2017, the BAC members undertook several relevant training programmes per disclosure in the Board Audit Committee Report of this Annual Report, including workshop on Forensic Accounting and Digital Forensics.

II. Risk Management and Internal Control Framework

- The Board has established relevant frameworks and policies to ensure that the risk management and internal controls across the organisation are managed effectively within the risk appetite and risk principles set by the Board.
- The Company's Risk Management Framework put emphasises on 5 fundamental principles based on the risk governance structure, ownership, function, strategy and linkage to capital allocation.
- The Board conducts annual review on the Company's risk management and internal control framework to ensure effective checks and controls in the organisation.
- Details of the features of the Company's risk management and internal control framework, which include the governance, culture, processes and assessment of the risks and controls are disclosed under the Statement on Risk Management and Internal Control ("SORMIC") in the Annual Report.
- The control environment, the control activities and other control aspects implemented within the organisation, are also laid out in the SORMIC, with objectives to achieve operational effectiveness and efficiency, reliable financial reporting and compliance with laws, regulations and policies.

STATEMENT ON CORPORATE GOVERNANCE

PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Communication with Stakeholders

- Communication and engagement with the Company's stakeholders are made continuously through various platforms and media other than general meeting(s), including roadshows, analyst briefings, press conferences and via electronic means such as corporate website, corporate email, and social media.
- The Company's products, services & other-related queries can be directed to its customer service and respective parties, as disclosed on the corporate website and in its Annual Report.
- The Company annually discloses two main corporate reporting, namely its Annual Report and Financial Report/Audited Financial Statements.

Note:

This Corporate Governance Statement and the disclosures in this report have been approved by the Board on 23 April 2018.