

“At the heart of every corporate scandal is the failure of the people at different levels of the institution to uphold the highest standards of ethical behaviour and integrity. This is the reason why organisations need to do more than just comply with rules and regulations.”

– Bank Negara Malaysia’s Assistant Governor Encik Donald Joshua Jaganathan’s Opening Remarks at the IERP Annual Conference 2017 on 23 May 2017

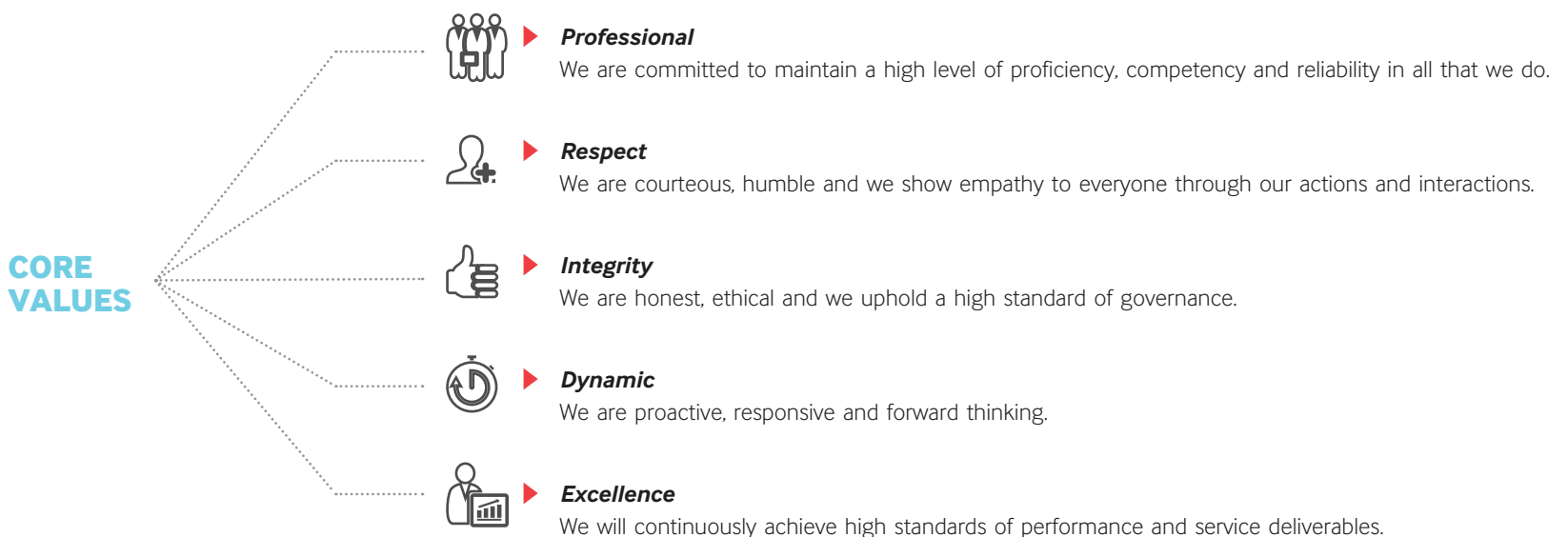
RHB Banking Group (“Group”) firmly supports the anti-corruption efforts of the Government and the Malaysian Anti-Corruption Commission by strengthening its corporate governance and continuously inculcating good ethical business practices among its directors, employees, customers, vendors and other business partners, and in compliance with all relevant laws, inclusive of anti-corruption laws and anti-competition laws. This is part of the Group’s long-term roadmap to ensure its business conduct is free from acts of corruption and internal fraud, and at the same time, to act in the best interests of the Company, its shareholders and other stakeholders. The Group also carries out periodic monitoring on its anti-corruption and anti-fraud programmes to ensure the existing programmes are relevant, effective and efficient to combat such illegal activities. The Group opposes acts of fraud and corruption as they destroy shareholder value, undermine investors’ confidence and are the antithesis of sustainable growth.

CORE VALUES

The Group is committed per its **core values** in its abhorrence to any business practice or activity that requires or encourages any of its employees, representatives or agents to commit any financially fraudulent act or corrupt offence. This commitment is translated into its corporate values and embraced by the employees as RHBians’ common shared values. This process is embedded top down whereby the Company’s core values encourage its Directors, Senior Management and the rest of the employees to have P.R.I.D.E. in upholding the spirit and the letter of legal and regulatory requirements, including preserving integrity and professional ethics. All employees are therefore guided by and committed to the following Group’s core shared values:

INTERNAL CODE, POLICY & GUIDELINES

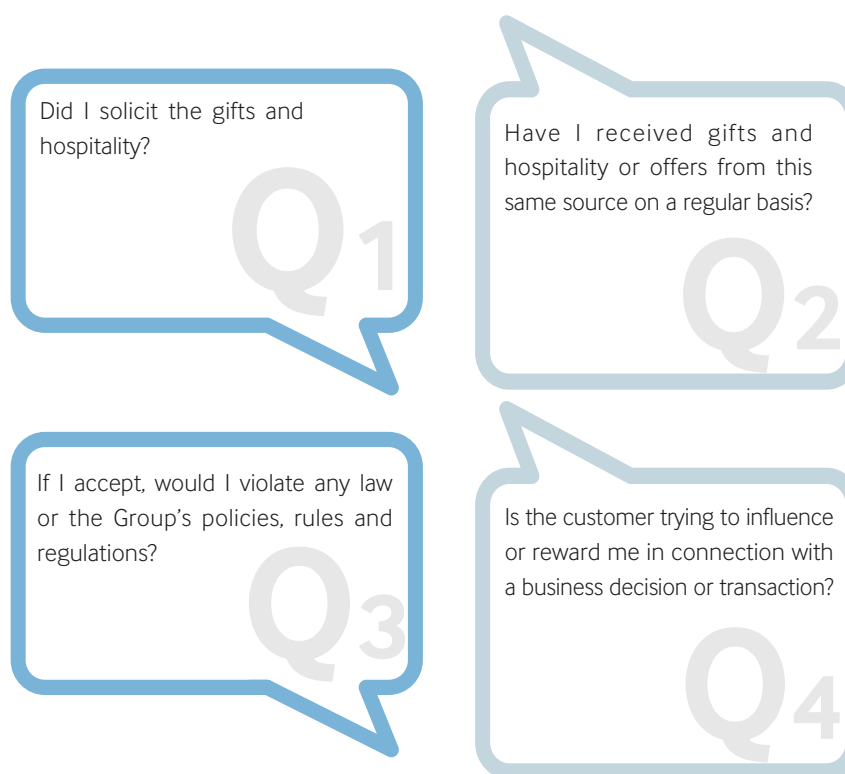
The formulation and continuous enhancement of the Group Whistle Blower Policy, the Group Gifts & Hospitality Guidelines and the Group’s Code of Ethics and Conduct for Employees (“Code”) are reflections of the Board and Senior Management’s enduring commitment to adopting adequate internal controls as part of its comprehensive anti-corruption and anti-fraud programme. These strategic internal documents serve to guide the employees and have been strategically devised as counter measures to combat and prohibit all forms of fraud, bribery and corruption in day-to-day operations.



GIFTS & HOSPITALITY

The main objective of introducing guidance notes on gifts and hospitality is to discourage the Group and its employees from giving and accepting gifts to/ from external parties. Lavish gifts and hospitality are strictly not allowed and are among those categorised as prohibited items. Items which require prior approval from designated Senior Management personnel are those which are not ordinary corporate gifts in nature, are not customary gifts given during festive seasons, and gifts and hospitality (including business entertainment) with values beyond permitted threshold limits. As part of its **transparency** and **accountability** initiatives, any offer or acceptance of gifts and hospitality which requires prior approval, or if it involves lavish gifts, needs to be disclosed and records are centrally maintained for future reference. A copy of completed forms with authorised signatures shall also be forwarded to the Governance, Group Legal & Secretariat for update in the main register.

Employees are expected to exercise good judgement when accepting gifts and hospitality from customers, including third parties. Some gifts and hospitality are permissible, subject to employees observing the Code and the Company's internal policies and guidelines to avoid any conflict of interest. Whenever there is a conflict of interest, ask yourself these four questions:



If your answer is a "YES" = do not accept the gifts and hospitality!

As the established standards of conduct are associated with good **ethical practice**, the guidelines are designed to help employees and business partners understand their respective obligations in upholding corporate integrity in the workplace. Inducement of gifts can be in any form of gratification, e.g. loans, fees, rewards or other advantages (meals, donations, entertainment, courses, vacations, etc.). In other words, where such an excessive offer or acceptance constitutes an intention to serve organisational interests or abuse entrusted power for personal gain, it becomes a criminal act of corruption which is punishable under the relevant laws. The practice of not accepting lavish gifts and hospitality signifies the importance of corporate integrity to the Company. This policy applies to all Group employees and is provided on the Company's intranet, namely 'My1Portal' for their reference.

Corporate sponsorships and donations are allowed as long as the internal guidelines are strictly followed. The sponsorships are financial or other forms of assistance by the Company to eligible organisations, societies or groups to further its corporate responsibility or enhance its business rapport and business relationship with the recipients, while donations are contributions in kind or money for charity or social responsibility programmes. Activities which, and organisations who promote unhealthy lifestyle and discriminate on the basis of gender, race or religion, and those involving political contributions in nature, however are **ineligible** for these corporate sponsorships and donations.

CORPORATE INTEGRITY STATEMENT

PROCUREMENT STATEMENT

RHB Banking Group is committed to conduct business with P.R.I.D.E. to protect the Group's interests in the procurement of goods and services. As a testament of its commitment, the Group adheres to a transparent procurement process. Its mission is to implement best practices and achieve economies of scale in the procurement of goods and services for the Group.

The Group's procurement team takes **pride** in ensuring that such goods and services represent the best value, quality service and timely delivery with proper compliance of internal controls, policies and procedures while ensuring all confidential information construed in accordance with the laws of Malaysia and the law of the respective countries are held in strict confidence.

The team is committed to providing the highest level of customer service, and conducting business with high ethical standards, fairness and transparency, while welcoming qualified, responsible and diverse range of suppliers. RHB Banking Group adheres strictly to the procurement guidelines and procedures on the Group's domestic and overseas operations.

RHB Bank's procurement activities are based on **open** and **fair trade**. The Group welcomes all potential suppliers who meet its business requirements. Selection of suppliers is done objectively based on the results of our evaluations on the product's quality, cost efficiency, timely delivery and stability of supplies. In selecting new suppliers, the Company takes into consideration a comprehensive range of requirements including quality, cost, delivery lead time, supply consistency, environmental awareness, and compliance to legal and regulatory requirements. We assess the supplier's performance through a set of criteria which is reviewed periodically. The Group Procurement provides guidance and seeks improvements in areas where the performance of the business or functional units within the Company and the Group are not in accordance with the acceptable standards of the organisation.

Every year, RHB Banking Group holds several engagement sessions with its staff and suppliers nationwide. This engagement session is to:

- Ensure all staff have a good understanding of the Group procurement governance spirit and intent
- Ensure all staff have a good understanding of the Group procurement procedure and processes
- Prepare a platform to share changes made to procurement procedure and processes
- Ensure all suppliers have a platform to raise issues or opinions for future improvement
- Build strategic engagement to ensure the Group is always on top of the latest market trend of products and services with best value
- Ensure strategic sourcing of goods and services through forward planning
- Provide an environment for both parties to realise the importance of sustaining good work/business relationships

Topics covered in the engagement sessions, among others, were on the goods and services tax, supplier performance, payment related matters and contract renewal. Participants had the opportunity to obtain clarification on any procurement issue. The engagement sessions were supported by other functional units including Group Finance, Group Property Management and Group Administration.

SPEAK UP

In RHB Banking Group, employees are encouraged to "Speak Up" (technically known as "whistle blowing") regarding any violations against internal and regulatory requirements. Whistle blowing is a formal dedicated channel for an employee to **escalate any wrongdoings** committed by other employee(s) in the Group and serves as a discreet platform to combat fraud and corruption. A Group Whistle Blower Policy was introduced in 2007 and revised in 2014, with the following objectives:

- To encourage and facilitate disclosures of improper conduct
- To protect persons making such disclosures from any detrimental or retaliatory acts
- To provide for the matter disclosed to be investigated and dealt with in accordance with the prescribed actions and to provide for the remedies connected therewith.

Whistle blowing or Speaking Up basically applies to the following types of **misconduct** and **violations**:

- Any fraudulent, unlawful civil or criminal act
- Any act of dishonesty, corruption, abuse of power or authority for personal financial gain, or for any unauthorised or ulterior purpose
- Any breach of the codes of ethics including the Group's Code of Ethics and Conduct for Employees; violation of internal policies, procedures and guidance; or violation of laws, rules and regulations governing the business and operations of the Group
- Any malpractice or misdeeds, or unethical and unlawful activity with regards to privileged information, material non-public information, market manipulation, rogue trading, market rigging, credit fraud, forgery, misappropriation of funds and/or assets, and any other unprofessional conduct that is a violation of laws, rules, regulations and the codes of ethics
- Any creation of unethical, questionable or misleading financial records, or dissemination of misleading and/or false financial records.

In RHB Banking Group, the objectives of the Group Whistle Blower Policy, using appropriate approved formal channels to designated recipients, are as follows:

- To encourage all employees to raise their concerns and report in good faith any corporate malpractice or wrongdoing, without fear of retaliation or discrimination;

- To enable the Management to be informed of any unlawful conduct, unethical occurrences, corruption or questionable practices at an early stage; and
- To nurture a culture of accountability, integrity and transparency.

ETHICS & INTEGRITY RESOURCE PORTAL AND TRAINING

The Group's employees may refer to the vast resources available on My1Portal. This Group intranet portal, which is accessible to employees across various entities, holds local and international guidance notes and knowledge material regarding ethics and integrity. This material includes newspaper cuttings and comics which capture snapshots and case studies of governance matters and corruption as well as videos, slides and written reports.

The Group via its RHB Academy offers "Ethics at Work" courseware under Harvard ManageMentor platform and "Introduction to Ethics in Banking" classroom training by Asian Banking School to all its employees.

In addition, the Group provides e-learning courseware to all its employees (accessible 24 hours) on "Gifts and Hospitality" as a timely commitment to ensure such an important message reaches everyone in the organisation. This use of advanced technology for distance learning training programmes is made available to all employees as an additional learning experience and also to cater to those who cannot enrol in the normal classroom training on the subjects of ethics and integrity.

Throughout the e-learning courseware, the employees are guided by five key principles, namely:

1. Say NO to Corruption;
2. UNDERSTAND internal Guidelines and the relevant Code, Policy & Procedures;
3. CONSULT your supervisor or relevant personnel;
4. Proper RECORD KEEPING on any gifts and hospitality that are lavish in nature or that require prior approval; and
5. REPORT any unethical business conduct or violation of any internal and regulatory requirement via designated whistle blowing channels.

AWARENESS & KNOWLEDGE SHARING SESSIONS

As part of the Group's efforts in cascading down the importance of **upholding integrity** and **combating internal fraud and corruption**, various awareness sessions on the internal guidelines on gifts & hospitality and whistleblowing policy & escalation channels, including briefing and training sessions to the new on-boarding employees and directors, are conducted. The objectives of these communication sessions are to ensure that the right message is transmitted to all employees across the organisation and for them to internalise the requirements on offering and accepting gifts and hospitality.

In 2017, Group Human Resources, Group Compliance, Group Operational & Technology Risk Management and Group IT Security from time to time also issued communications to employees through emails to reinforce the Company's core values and the importance of integrity in the workplace, to guide them on how to deal with banking secrecy and personal data and to safeguard those data from phishing and intrusion activities from malware and threats from other cyber-attacks, especially on unlawful disclosure of customers' confidential information and to remind them to adhere strictly to and comply with the requirements set down by the internal policies and guidelines.

During the year, information on scam alerts and fraud cases were shared through morning briefing sessions and e-mails. What the employees should do or done differently when encounters such fraud incidences were also illustrated to them as part of the guidance and awareness initiatives. Knowledge sharing with the employees on **red flags** of possible mule bank account activities enabled them to understand and identify certain patterns of alarming transactions, while guidance on how to deal with potential suspects or suspicious transactions enabled them to avoid and prevent unintentional tipping-off incidents.

In addition, external experts were brought in to create awareness and share most recent trends and modus operandi on 'Anti-Bribery & Corruption' (in May 2017) and 'Cyber-Threat: Latest Trends & Preventive Measures' (in September 2017) as part of the continuous awareness initiatives. The abovementioned periodic communications and awareness programmes serve as reminder to the Group's employees to carry out their duties responsibly and with the highest level of integrity as **custodians of public funds**.

POSITIVE OUTCOMES

As a result of the continuous emphasis on P.R.I.D.E. principles in the workplace to uphold corporate integrity, the Group received positive feedback and appreciation from the public, especially for the **honesty** and **exemplary characteristics** shown by the employees to its customers and other stakeholders. One example of such positive outcomes in the current year that enriched the organisation, customers, industry and community, is the following external recognitions:

In its efforts to promote greater veracity, disclosure and accountability, RHB Banking Group has been acknowledged for good governance and transparency, following recognition from various respected external parties. One of the accolades was RHB being accorded with the "Excellence Award for Corporate Governance Disclosures" at the Minority Shareholder Watchdog Group ("MSWG")-ASEAN Corporate Governance Transparency Index, Findings and Recognition 2017 in Kuala Lumpur, Malaysia and being ranked Top 6 among the Malaysian Public Listed Companies for three consecutive years since 2015. The awards given recognise good governance practices and quality of disclosures by Malaysian public listed companies, benchmarked against the Organisation for Economic Co-operation & Development's ("OECD") principles of corporate governance.