

## 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”.**

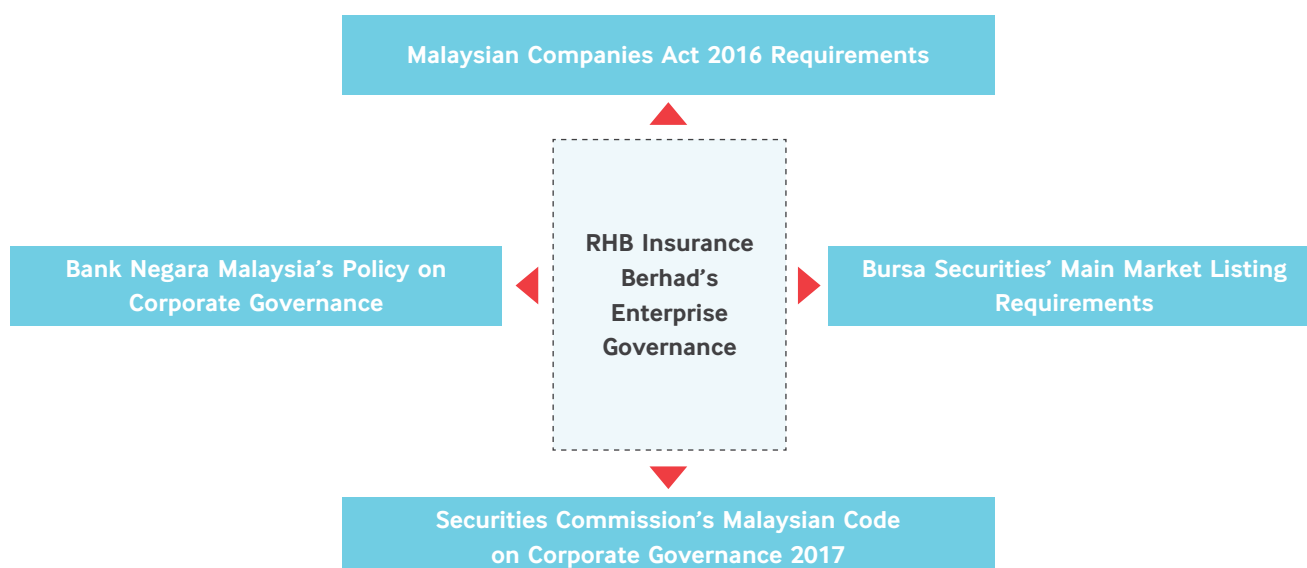
– Bank Negara Malaysia’s Governor Tan Sri Muhammad Ibrahim’s Remarks  
at the National PSA Conference 2017 on 15 August 2017

---

### ENTERPRISE GOVERNANCE

The Board of RHB Insurance Berhad (“RHB Insurance” or “Company”) fully supports adoption of best practices in good corporate governance beyond regulatory requirements. RHB Insurance recognises that enterprise governance, which is a balancing act of steering the RHB Banking Group’s (“Group”) 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 of the Group.

The Company continuously strives to stimulate and sustain value creation by subscribing to the principles set out in the following essential requirements and practices:



## CORPORATE GOVERNANCE – Commitment to Conformance

The Group 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 Group, 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 Group's enterprise risk management framework.

The continuous enhancement in the Group'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 Group's business partners. These efforts were recognised by reputable and independent third parties' assessments which have currently positioned the holding company, RHB Bank Berhad ("RHB Bank"), 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 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 Minority Shareholder Watchdog Group 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 Minority Shareholder Watchdog Group 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 **11<sup>th</sup>** among Malaysia's Top 100 Public Listed Companies 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 to promoting the Group's financial services in the areas 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.

## STATEMENT ON CORPORATE GOVERNANCE

### BUSINESS GOVERNANCE – *Commitment to Performance*

The Group aspires to become amongst the Top 3 **Multinational Financial Services Group**, in terms of performance by 2022. This vision commits the Group to deliver complete solutions to its customers 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 Group, walking hand-in-hand with its internal and external stakeholders, towards achieving sustainable operations as the Group 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.

The Board of RHB Insurance 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 EES considerations matters is laid out in its holding company's Sustainability Report 2017.

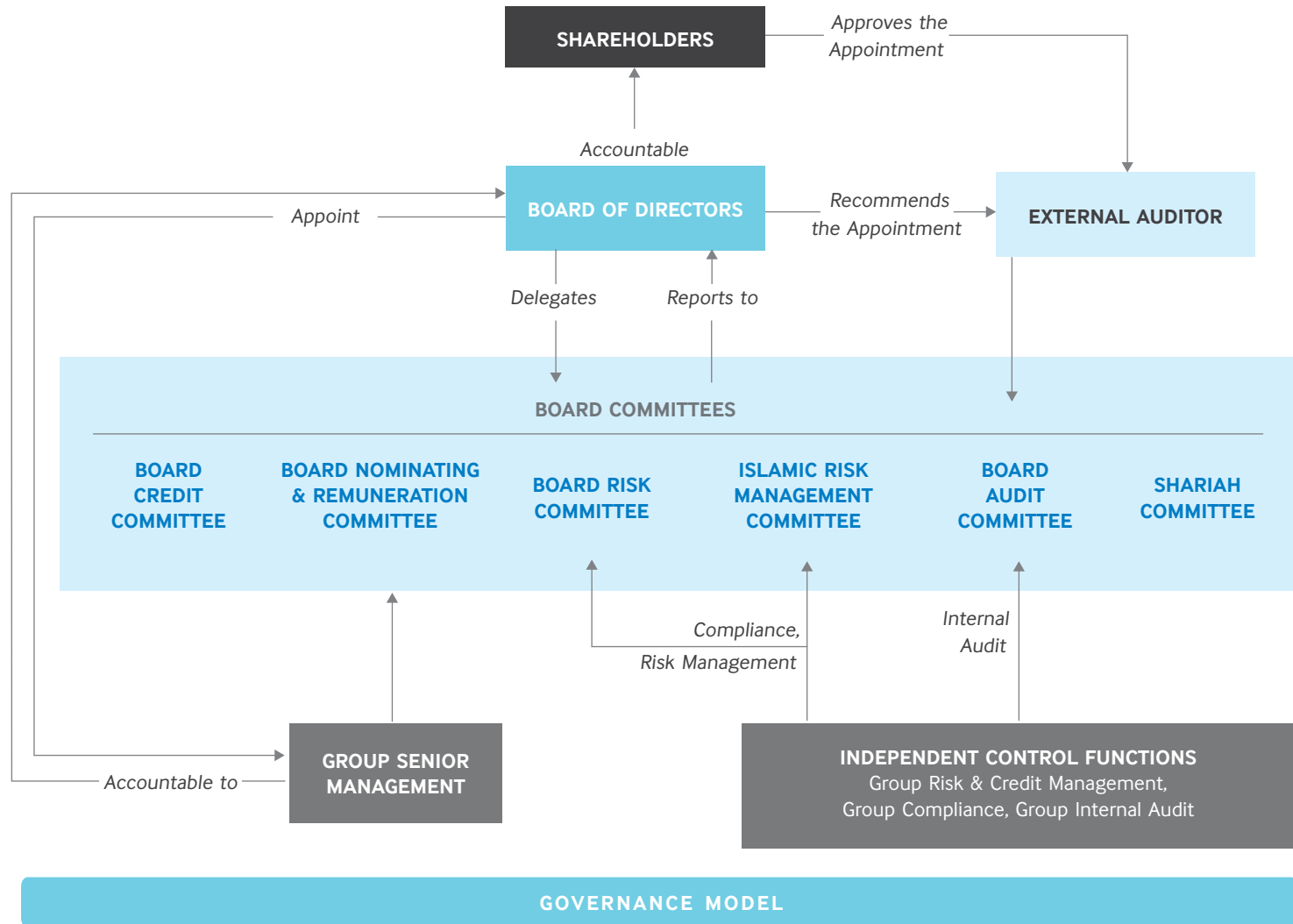
Excellence in **business governance** is essential towards attaining stakeholders' confidence in the Group's sustainable operations. The Group, through its journey in adopting integrated reporting for the past three years, aims to achieve this goal of communicating effectively to stakeholders, matters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

### 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.

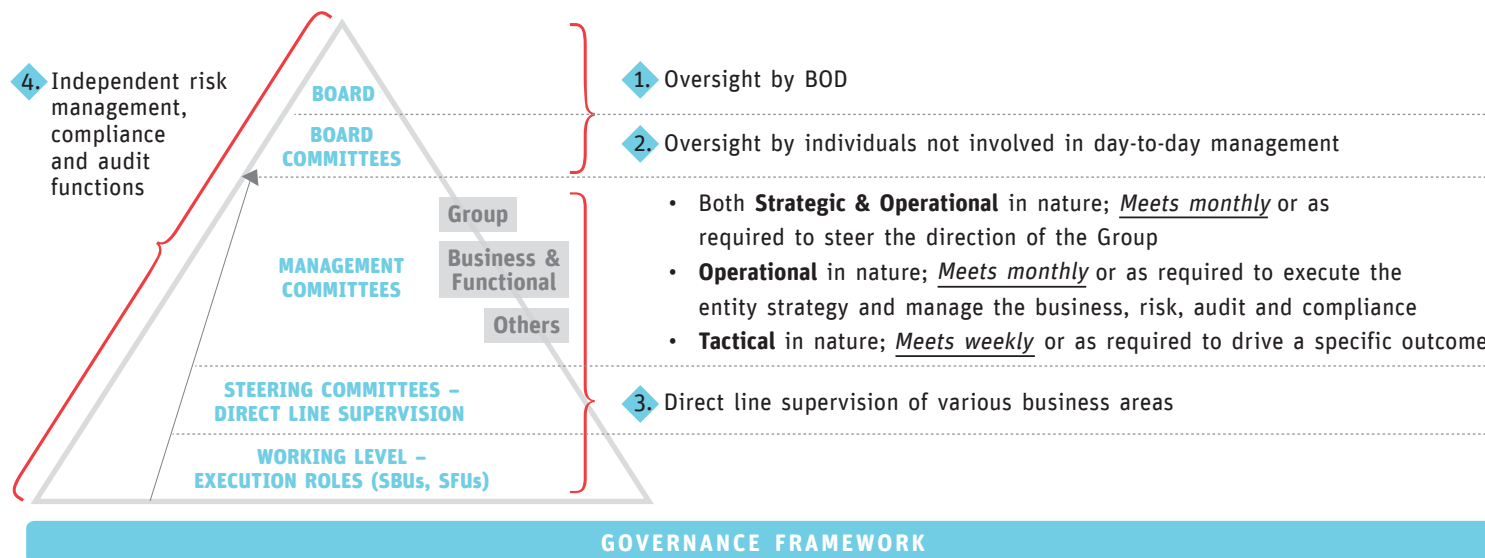
## GOVERNANCE MODEL &amp; FRAMEWORK



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.

## STATEMENT ON CORPORATE GOVERNANCE

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 oversight operating across the Group's business and functional activities. These include amongst others; direct supervision, Senior Management, independent parties comprising risk management, compliance and internal audit, Group Managing Director ("Group MD"), Managing Directors ("MDs"), 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 (*moving forward to be known as the "Constitution"*), 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 Terms of References ("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 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 Committees.
- Provide oversight and direction on human resource (HR) matters and operations, and recommend to the Boards for approval of remuneration and HR strategies.

The BNRC comprises five NEDs, of whom three are INEDs and two are NINEDs, representing the respective entities within the Group. The BNRC is chaired by YBhg Tan Sri Saw Choo Boon, the Senior INED of RHB Bank. The composition of the BNRC consisting 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. Similar composition was recorded throughout the calendar year of 2017 from 1st January until the retirement of Mr Ong Seng Pheow, an INED of the Company effective 19 November 2017. The vacancy on the BNRC was then filled-in by YBhg Tan Sri Dr Rebecca Fatima Sta Maria, also an INED effective 15 February 2018.

### **Board Audit Committee**

The Board Audit Committee (“BAC”) comprises three INEDs representing RHB Bank 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 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 36 to 41 of RHB Insurance’s Annual Report 2017.

### **Common Investment Committee**

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

## STATEMENT ON CORPORATE GOVERNANCE

### 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 Insurance. 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 Secretary facilitates 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*

For newly appointed Directors, an induction programme will be organised by the Management of the Group to brief on the functions and areas of responsibility of various divisions. This enables the new NEDs to familiarise themselves with the Group's operations and organisational structure and also helps them to establish effective channels of communication and interaction with Management.

In addition, the new NEDs will receive a comprehensive Director's induction kit to assist them in building a detailed understanding of the Group's operations, its longer-term direction and statutory obligations. Pursuant to the requirement of Bank Negara Malaysia, all Directors are required to complete the Financial Institutions Directors' Education ("FIDE") programme within one year of appointment. 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.

### *Director's Training*

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

Name of Director(s)	Training Programme Attended	Training Scope & Description
Abdul Aziz Peru Mohamed	Peer-2-Peer (P2P) Lending and Crowdfunding/ Crowdsourcing by Group Chief Operations Officer	<ul style="list-style-type: none"> <li>Alternative Funding Models</li> <li>Licensed P2P Operators</li> <li>Licensed Equity Crowdfunding Operators</li> <li>Regulatory Framework</li> <li>Market Potential</li> </ul>
	Cryptocurrency and Blockchain Technology by Neuroware	<ul style="list-style-type: none"> <li>Cryptocurrency including BitCoin</li> <li>Blockchain Technology</li> <li>Potential Use Cases in the Financial Services Industry</li> </ul>
	Islamic Banking by 2030: Impact of Digital Economy, Fintech & Sustainability as Forces of Change by SHAPE	<ul style="list-style-type: none"> <li>Digital Economy Era</li> <li>Fintech and its Impact</li> <li>Sustainability &amp; Social Responsibility Investment (SRI)</li> </ul>
	Fintech: Opportunities for the Financial Services Industry in Malaysia by FIDE Forum	<ul style="list-style-type: none"> <li>Current Status &amp; Approach in Fintech Adoption Among Malaysian Financial Institutions (FI)</li> <li>Opportunities for FI-Fintech Collaboration under Regtech Sandbox</li> <li>Key Areas &amp; Issues for Board's Consideration</li> </ul>
	Board In The Digital Economy by SIDC	<ul style="list-style-type: none"> <li>The Rise of Globalised Digital Economy</li> <li>Board's Navigation in the Digital Economy Wave</li> </ul>
	Malaysian Code on Corporate Governance: Expectation and Implications by SIDC	<ul style="list-style-type: none"> <li>The New Approach &amp; Key Features</li> <li>Board Leadership and Effectiveness</li> <li>Effective Audit and Risk Management</li> <li>Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders</li> </ul>
	Shariah Awareness Programme by Amanie Group	<ul style="list-style-type: none"> <li>Global Perspectives in the Islamic Financial Industry</li> <li>Critical Success Factors and Critical Failure Factors</li> </ul>

Name of Director(s)	Training Programme Attended	Training Scope & Description
Abdul Aziz Peru Mohamed (continue)	Bankruptcy (Amendment) Act 2017 by Messrs. Shook Lin & Bok	<ul style="list-style-type: none"> <li>• Salient Features of the Insolvency Act 1967</li> <li>• Moratorium under the Bankruptcy Act 1967 &amp; the Insolvency Act 1967</li> <li>• Protection of Social and Commercial Guarantors</li> <li>• Automatic Discharge of Bankrupts</li> </ul>
	Integrating An Innovation Mindset with Effective Governance by Bursa Malaysia & MINDA	<ul style="list-style-type: none"> <li>• The Nature of Innovation</li> <li>• Biggest Business Risks in Most Enterprise Risk Management Assessment</li> <li>• Enabling Value-Creating Change for Effective Governance</li> </ul>
	The Essence of Independence by Bursa Malaysia & ICLIF	<ul style="list-style-type: none"> <li>• The Concept of Director Independence</li> <li>• Roles, Responsibilities &amp; Obligations of Independent Director</li> <li>• 'Conflict of Interest' Situations</li> <li>• Regulator's Role</li> </ul>
Datuk Haji Faisal Siraj	Peer-2-Peer (P2P) Lending and Crowdfunding/ Crowdsourcing by Group Chief Operations Officer	<ul style="list-style-type: none"> <li>• Alternative Funding Models</li> <li>• Licensed P2P Operators</li> <li>• Licensed Equity Crowdfunding Operators</li> <li>• Regulatory Framework</li> <li>• Market Potential</li> </ul>
	Islamic Banking by 2030: Impact of Digital Economy, Fintech & Sustainability as Forces of Change by SHAPE	<ul style="list-style-type: none"> <li>• Digital Economy Era</li> <li>• Fintech and its Impact</li> <li>• Sustainability &amp; Social Responsibility Investment (SRI)</li> </ul>
	Malaysian Code on Corporate Governance: Expectation and Implications by SIDC	<ul style="list-style-type: none"> <li>• The New Approach &amp; Key Features</li> <li>• Board Leadership and Effectiveness</li> <li>• Effective Audit and Risk Management</li> <li>• Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders</li> </ul>
	Shariah Awareness Programme by Amanie Group	<ul style="list-style-type: none"> <li>• Global Perspectives in the Islamic Financial Industry</li> <li>• Critical Success Factors and Critical Failure Factors</li> </ul>
Jahanath Muthusamy	Peer-2-Peer (P2P) Lending and Crowdfunding/ Crowdsourcing by Group Chief Operations Officer	<ul style="list-style-type: none"> <li>• Alternative Funding Models</li> <li>• Licensed P2P Operators</li> <li>• Licensed Equity Crowdfunding Operators</li> <li>• Regulatory Framework</li> <li>• Market Potential</li> </ul>
	FIDE Core Programme Module A & B	<ul style="list-style-type: none"> <li>• Understanding of the role of the board</li> <li>• Equip directors with tools and strategies</li> <li>• Responsibility of the board for promoting a strong risk control culture</li> <li>• Explore plausible and extreme stress scenario</li> </ul>
	Companies Act 2016: Changes and Implications to Company Directors	<ul style="list-style-type: none"> <li>• Duties &amp; Responsibilities as a Company's Director/Officer under New Act</li> <li>• Understanding of Key Amendments and New Compliance &amp; Disclosure Requirements</li> <li>• Creation of A Conducive Corporate Governance Ecosystem</li> </ul>
	Islamic Banking by 2030: Impact of Digital Economy, Fintech & Sustainability as Forces of Change by SHAPE	<ul style="list-style-type: none"> <li>• Digital Economy Era</li> <li>• Fintech and its Impact</li> <li>• Sustainability &amp; Social Responsibility Investment (SRI)</li> </ul>



## STATEMENT ON CORPORATE GOVERNANCE

Name of Director(s)	Training Programme Attended	Training Scope & Description
Jahanath Muthusamy (continue)	Shariah Awareness Programme by Amanie Group	<ul style="list-style-type: none"> <li>• Global Perspectives in the Islamic Financial Industry</li> <li>• Critical Success Factors and Critical Failure Factors</li> </ul>
Tan Sri Saw Choo Boon	Peer-2-Peer (P2P) Lending and Crowdfunding/ Crowdsourcing by Group Chief Operations Officer	<ul style="list-style-type: none"> <li>• Alternative Funding Models</li> <li>• Licensed P2P Operators</li> <li>• Licensed Equity Crowdfunding Operators</li> <li>• Regulatory Framework</li> <li>• Market Potential</li> </ul>
	Cryptocurrency and Blockchain Technology by Neuroware	<ul style="list-style-type: none"> <li>• Cryptocurrency including BitCoin</li> <li>• Blockchain Technology</li> <li>• Potential Use Cases in the Financial Services Industry</li> </ul>
	Islamic Banking by 2030: Impact of Digital Economy, Fintech & Sustainability as Forces of Change by SHAPE	<ul style="list-style-type: none"> <li>• Digital Economy Era</li> <li>• Fintech and its Impact</li> <li>• Sustainability &amp; Social Responsibility Investment (SRI)</li> </ul>
	Promoting Prosperity By Improving Women’s Rights by The World Bank	<ul style="list-style-type: none"> <li>• Women, Business and the Law</li> <li>• Improving Women’s Economic Rights</li> </ul>
	Board Excellence: How to Engage and Enthuse Beyond Compliance with Sustainability by Bursa Malaysia	<ul style="list-style-type: none"> <li>• Environmental, Social and Governance (“ESG”) Landscape &amp; Global Institutional Investors’ Expectation on the Role of Board</li> <li>• Climate Competency Oversight</li> <li>• Hot Button Issues In Investment Processes</li> </ul>
	National Conference: Companies Act – From Policies to Implementation by Companies Commission of Malaysia	<ul style="list-style-type: none"> <li>• Duties &amp; Responsibilities as a Company’s Director/Officer under New Act</li> <li>• Understanding of Key Amendments and New Compliance &amp; Disclosure Requirements</li> <li>• Creation of A Conducive Corporate Governance Ecosystem</li> </ul>
	Fraud Risk Management Workshop by Bursa Malaysia	<ul style="list-style-type: none"> <li>• Financial Misstatement Fraud</li> <li>• Cybercrimes – Data Analytics &amp; Computer Forensics</li> <li>• The Role of the Board &amp; Board Committees in Risk Management Programme’s Design &amp; Implementation</li> <li>• Fraud Control Programme</li> </ul>
	Business Ethics and Integrity: Key to Sustainability in the Digital Economy by Federation of Malaysian Manufacturers	<ul style="list-style-type: none"> <li>• Ethics &amp; Integrity in Digital Business</li> <li>• Cybersecurity Challenges</li> <li>• Ransomware Threats &amp; Integrity</li> <li>• Building Business Trusts</li> <li>• Best Practices &amp; ASEAN Perspectives on Corporate Integrity &amp; Ethics</li> </ul>
	National Convention on Good Regulatory Practice (GRP) by Malaysia Productivity Corporation	<ul style="list-style-type: none"> <li>• Bringing People Involvement Through Public Engagement</li> <li>• Behavioural Changes Towards GRP Sustainability</li> </ul>
	ASEAN Economic Conference	<ul style="list-style-type: none"> <li>• Winning in ASEAN – Turning Diversity into Strength</li> <li>• Finding Your Niche in ASEAN</li> <li>• Digital Connectivity between ASEAN and the World</li> </ul>
Digital Products	<ul style="list-style-type: none"> <li>• The advantage of selling digital products</li> <li>• Online Scams</li> </ul>	

Name of Director(s)	Training Programme Attended	Training Scope & Description
Kong Shu Yin	Briefing on Blockchain Technology and Potential Use Cases in Financial Services	<ul style="list-style-type: none"> <li>Blockchain is the technology that enables distributed ledger</li> <li>The concept of distributed ledger can be used in various areas of banking business such as remittance, payments, invoice financing &amp; etc</li> </ul>
	RHB Leadership Talk: "Leadership Pipeline"	<ul style="list-style-type: none"> <li>Leadership</li> </ul>
	RHB Digital Academy and Megatrends Workshop	<ul style="list-style-type: none"> <li>Digital – Technical &amp; Functional</li> </ul>
	Malaysian Code on Corporate Governance: Expectation and Implications by SIDC	<ul style="list-style-type: none"> <li>The New Approach &amp; Key Features</li> <li>Board Leadership and Effectiveness</li> <li>Effective Audit and Risk Management</li> <li>Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders</li> </ul>
	Leadership Customer Experience Hack Session	<ul style="list-style-type: none"> <li>Leadership</li> </ul>
	Workplace by Facebook: "Senior Leadership Engagement"	<ul style="list-style-type: none"> <li>Leadership – Business Communication</li> </ul>
	Senior Management Direction Setting Workshop	<ul style="list-style-type: none"> <li>Leadership – Business Knowledge</li> </ul>
	Bankruptcy (Amendment) Act 2017 by Messrs Shook Lin & Bok	<ul style="list-style-type: none"> <li>Salient Features of the Insolvency Act 1967</li> <li>Moratorium under the Bankruptcy Act 1967 &amp; the Insolvency Act 1967</li> <li>Protection of Social and Commercial Guarantors</li> <li>Automatic Discharge of Bankrupts</li> </ul>
	Talk on Asia-Pac & Emerging Markets: Learning From Global Economic Disruptions in the Next Five Years	<ul style="list-style-type: none"> <li>Technical &amp; Functional</li> </ul>
	Agile Leadership Workshop	<ul style="list-style-type: none"> <li>Leadership</li> </ul>
Ong Seng Pheow <i>(Resigned on 19 November 2017)</i>	Cryptocurrency and Blockchain Technology by Neuroware	<ul style="list-style-type: none"> <li>Cryptocurrency including BitCoin</li> <li>Blockchain Technology</li> <li>Potential Use Cases in the Financial Services Industry</li> </ul>
	Islamic Banking by 2030: Impact of Digital Economy, Fintech & Sustainability as Forces of Change by SHAPE	<ul style="list-style-type: none"> <li>Digital Economy Era</li> <li>Fintech and its Impact</li> <li>Sustainability &amp; Social Responsibility Investment (SRI)</li> </ul>
	Workshop on Forensic Accounting and Digital Forensics by Alliance IFA	<ul style="list-style-type: none"> <li>What Bankers Need to Know</li> <li>Benefits of Forensic Accounting Techniques</li> <li>Understanding of Fraud Schemes</li> <li>Computer Forensic Skills &amp; Digital Evidence</li> </ul>
	Malaysian Code on Corporate Governance: Expectation and Implications by SIDC	<ul style="list-style-type: none"> <li>The New Approach &amp; Key Features</li> <li>Board Leadership and Effectiveness</li> <li>Effective Audit and Risk Management</li> <li>Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders</li> </ul>

## STATEMENT ON CORPORATE GOVERNANCE

Name of Director(s)	Training Programme Attended	Training Scope & Description
Ong Seng Pheow (Resigned on 19 November 2017) (continue)	Bankruptcy (Amendment) Act 2017 by Messrs Shook Lin & Bok	<ul style="list-style-type: none"> <li>• Salient Features of the Insolvency Act 1967</li> <li>• Moratorium under the Bankruptcy Act 1967 &amp; the Insolvency Act 1967</li> <li>• Protection of Social and Commercial Guarantors</li> <li>• Automatic Discharge of Bankrupt</li> </ul>
Tuan Haji Md Ja'far Abdul Carrim (Demised on 19 October 2017)	Briefing on Blockchain Technology and Potential Use Cases in Financial Services	<ul style="list-style-type: none"> <li>• Blockchain is the technology that enables distributed ledger</li> <li>• The concept of distributed ledger can be used in various areas of banking business such as remittance, payments, invoice financing, &amp; etc</li> </ul>
	Islamic Banking by 2030: Impact of Digital Economy, Fintech & Sustainability as Force of Change by SHAPE	<ul style="list-style-type: none"> <li>• Digital Economy Era</li> <li>• Fintech and its Impact</li> <li>• Sustainability &amp; Social Responsibility Investment (SRI)</li> </ul>
	Cyber Fraud For Board	<ul style="list-style-type: none"> <li>• Cyber Fraud</li> </ul>
	FIDE Forum Invitation – 2nd Distinguished Board Leadership Series & 6th Annual General Meeting	<ul style="list-style-type: none"> <li>• The role that the board plays in assessing the adequacy of such a remuneration policy, including key questions that boards should ask to ensure that the remuneration policy is sufficiently robust to meet regulatory requirements while attracting the right talent to the FI</li> <li>• Key issues and challenges in implementing such a remuneration policy</li> <li>• Pragmatic steps and quick tips in managing the challenges that arise from the implementation of such a remuneration policy</li> </ul>
	Fintech: Opportunities for the Financial Services Industry in Malaysia by FIDE Forum	<ul style="list-style-type: none"> <li>• Current Status &amp; Approach in Fintech Adoption Among Malaysian Financial Institutions (FI)</li> <li>• Opportunities for FI-Fintech Collaboration under Regtech Sandbox</li> <li>• Key Areas &amp; Issues for Board's Consideration</li> </ul>
	Malaysian Code on Corporate Governance: Expectation and Implications by SIDC	<ul style="list-style-type: none"> <li>• The New Approach &amp; Key Features</li> <li>• Board Leadership and Effectiveness</li> <li>• Effective Audit and Risk Management</li> <li>• Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders</li> </ul>
	Cryptocurrency & Blockchain Technology, Viewpoints of An Entrepreneur	<ul style="list-style-type: none"> <li>• Key issues and challenges, as well as opportunities and threats of cryptocurrencies and blockchain technology</li> <li>• Possible strategy for your business models</li> </ul>

## 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 <sup>1</sup> Meeting	BAC <sup>2</sup> Meeting	BTC <sup>3</sup> Meeting	CIC <sup>4</sup> Meeting
Encik Abdul Aziz Peru Mohamed	Chairman*/Independent Non-Executive Director	2 March 2012	13/13 (100%)	NA	NA	NA	1/1 (100%)
YBhg Datuk Haji Faisal Siraj	Non-Independent Non-Executive Director**	1 January 2008	12/13 (92%)	NA	NA	NA	4/5 (80%)
Mr Jahanath Muthusamy	Senior Independent Non-Executive Director^	1 November 2016	13/13 (100%)	NA	NA	NA	NA
YBhg Tan Sri Saw Choo Boon <sup>&gt;</sup>	Independent Non-Executive Director	1 October 2017	3/3 (100%)	6/6 (100%) [Chair]	12/13 (92%)	NA	NA
Mr Kong Shu Yin	Managing Director	13 March 2011	13/13 (100%)	NA	NA	NA	NA
Mr Ong Seng Pheow <sup>v</sup>	Chairman/Independent Non-Executive Director	1 January 2008	11/11 (100%)	6/6 (100%)	9/11 (82%)	2/2 (100%)	5/5 (100%)
Tuan Haji Md Ja'far Abdul Carrim <sup>#</sup>	Non-Independent Non-Executive Director	11 August 2009	10/10 (100%)	NA	NA	NA	NA

### Notes:

\* Re-designated on 19 November 2017.

\*\* Re-designated on 1 January 2018.

^ Re-designated on 1 January 2018.

> Appointed on 1 October 2017.

v Resigned on 19 November 2017.

# Demised on 19 October 2017.

1-4 Abbreviations used denote various main Board Committees.

3 Board Technology Committee was dissolved on 1 May 2017.

NA Not Applicable

## STATEMENT ON CORPORATE GOVERNANCE

### REMUNERATION GOVERNANCE

The Company's Managing Director/Chief Executive Officer is not paid a Director's fee nor is he entitled to receive any meeting attendance allowance for the Board meetings that he attends. As the only Executive Director on the Board of the Company, his remuneration, which includes salary and bonus, comprised short term or long term incentives, in cash or benefits-in-kind, is derived from the Company.

The Managing Director's sustainable remuneration package also includes performance bonus, in line with the Group's retention policy and risk-based approach. His Key Performance Indicators and remuneration are approved by the Board.

The details on the aggregate remuneration of the Directors of the Company (comprising remuneration received and/or receivable from the Company during the financial year ended 2017) are, as follows:

Name of Company's Executive Director	Salary and Bonus (RM'000)	Other Emoluments (RM'000)	Benefits-in-kind (RM'000)	Total (RM'000)
<b>Managing Director ("MD")</b> Kong Shu Yin	1,594	285	7	1,886
Name of Company's Non-Executive Directors ("NEDs")	Directors' Fees* (RM'000)	Other Emoluments** (RM'000)	Benefits-in-kind (RM'000)	Total (RM'000)
Abdul Aziz Peru Mohamed	139	25	–	164
Datuk Haji Faisal Siraj	135	22	–	157
Jahanath Muthusamy	135	21	–	156
Tan Sri Saw Choo Boon <sup>&gt;</sup>	34	17	–	51
Ong Seng Pheow <sup>v</sup>	150	84	31	265
Tuan Haji Md Ja'far Abdul Carrim <sup>#</sup>	108	15	–	123
<b>Sub Total (NEDs)</b>	<b>701</b>	<b>184</b>	<b>31</b>	<b>916</b>
<b>Grand Total (MD + NEDs)</b>	<b>2,295</b>	<b>469</b>	<b>38</b>	<b>2,802</b>

#### Notes:

> Appointed on 1 October 2017.

v Resigned on 19 November 2017.

# Demised on 19 October 2017.

\* Based on proposed new fees, subject to shareholders' approval.

\*\* Include Board Committees' allowances and meeting allowance.

Further information on the total remuneration of the Directors received and/or receivable from the Company is available under Note 24 to the Financial Statements on page 83 of this Annual Report 2017.

Additionally, the remuneration structure of RHB Insurance's NEDs in the Company for 2017 per BNM Policy disclosure requirement is laid out as follows:

No.	NEDs' Remuneration Scheme	Aggregated Amount of the NEDs' Remuneration	
		Unrestricted/Non-Deferred (RM'000)	Restricted/Deferred (RM'000)
A. Fixed-Type Remuneration			
	i. Cash-based <ul style="list-style-type: none"> <li>• Fixed Fees <ul style="list-style-type: none"> <li>– Directors' Fees<sup>1</sup></li> <li>– Board Committees' Allowances<sup>2</sup></li> <li>– Chairmen's premium<sup>3</sup></li> </ul> </li> </ul>	748	Nil
	ii. Shares & share-linked instruments	Nil	Nil
	iii. Others <ul style="list-style-type: none"> <li>• Benefits-in-kind<sup>4</sup></li> <li>• Emolument <ul style="list-style-type: none"> <li>– Farewell Pot<sup>5</sup></li> </ul> </li> </ul>	31  Nil	Nil  8
B. Variable-Type Remuneration			
	i. Cash-based <ul style="list-style-type: none"> <li>• Meeting Attendance Allowance<sup>6</sup></li> </ul>	111	Nil
	ii. Shares & share-linked instruments	Nil	Nil
	iii. Others <ul style="list-style-type: none"> <li>• Directors' &amp; Officers' Liability Insurance<sup>7</sup></li> </ul>	35	Nil

**Notes:**

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

**1) Directors' Fees**

The Non-Executive Chairman and NEDs are entitled to annual Directors' fees. As part of a periodical review to ensure the Group remains competitive against its peers and with the heightened responsibilities and accountabilities required for Directors per current requirements under the Companies Act 2016, the Financial Services Act 2013 and the Malaysian Code on Corporate Governance 2017, it is recommended that the Directors' fees per annum (p.a.) at Board level be revised as follows:

Description	Existing (RM)	Proposed (RM)
Non-Executive Chairman	150,000.00 p.a.	170,000.00 p.a.
Non-Executive Directors	120,000.00 p.a.	135,000.00 p.a.

**2) Board Committees' Allowances**

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

**3) Chairmen's Premium**

NEDs who sit on 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) Benefits-in-kind**

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

**5) Emoluments**

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

**6) Meeting Attendance Allowance**

NEDs are also entitled to meeting attendance allowances when they attend any Board/Board Committees' meetings. Total allowances are subject to number of Board/Board Committees sittings and number of meetings attended by each Company's NED.

**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.

All the NEDs' remuneration, including the fees, allowances, benefits in-kind and other emoluments will be subject to the shareholders' approval during the Company's AGM on a yearly basis. When the NEDs' remuneration matters were presented before the Company's directors during the AGM, the Board members (save for Mr Kong Shu Yin, being the MD) declared their interests in respect of the above proposal. The interested Directors abstained from voting in respect of their direct and/or indirect shareholdings (if any) on the resolution relating thereto.

## 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

- (i) 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.
- (ii) The Corporate Scorecard for the Chief Executive Officer and the management team has been developed early of the year to measure their on-going performance against corporate objectives and goals set.
- (iii) The 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 among the Top 3 Multinational Financial Services Group in terms of performance by **2022**".
- (iv) The Board and the senior management have concurred that the Company'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.
- (v) The Board assumes overall responsibility for promoting sustainable growth and financial soundness of the Company. 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

- (i) The Board of RHB Insurance comprises five members, with a majority of Independent Directors, i.e. an Independent Non-Executive Chairman, one NINED, one Senior INED, an INED and the MD.
- (ii) The MCCG 2017 recommends a limit on the tenure of Independent Director, i.e. up to a cumulative term of 9 years of service. Accordingly, the Company has amended its existing Internal Guidelines to adhere strictly to the 9 years cap for tenure of its own Independent Directors.
- (iii) Per its latest internal guidelines requirement, an Independent Director, Mr Ong Seng Pheow who was serving the Group and the Company more than 9 years (he held directorships in the Group and the Company since 2006 and 2008 respectively) had retired from the Group and resigned from the Company effective 19 November 2017.
- (iv) Current Independent Directors of the Company account for majority 60% of the Board, exceeding Bank Negara Malaysia (BNM)'s existing requirement of at least half (50%).
- (v) Currently, there is no Independent Director who is serving for more than 9 years tenure on the Board.
- (vi) 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.

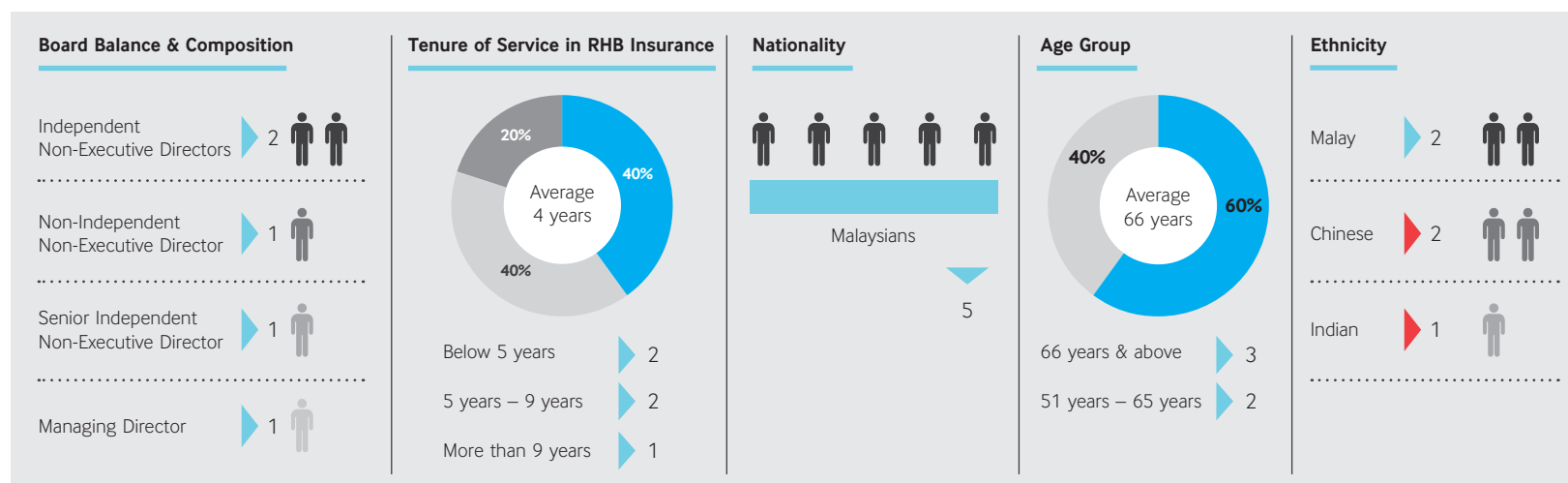


Diagram: Board Composition

### III. Remuneration

- (i) Policies and procedures, including the nomination framework for the directors and senior management are reviewed regularly to ensure the remuneration levels are:
  - (a) Commensurate with the responsibilities, risks and time commitment; and
  - (b) Market-competitive and sufficient to attract and retain quality people but yet not excessive.
- (ii) The total remuneration for all the directors, including both executive and NEDs, 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.

The remuneration structure and package for the NEDs are approved by the shareholders at the Company's AGM.

The remuneration of the Company's Executive Director, i.e. the MD is determined independently by the BNRC and not decided at the management level.

- (iii) The Company has established a remuneration framework for key Senior Management, consisting a competitive integrated pay and benefit structure, which rewards corporate and individual performance in line with their performance and contributions to the organisation:
  - (a) Detailed remuneration package for Key Senior Management is disclosed before the Board of Directors of the Company pursuant to BNM's Policy on Corporate Governance.
  - (b) 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.



## STATEMENT ON CORPORATE GOVERNANCE

### PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

#### I. Audit Committee

- (i) The Company's Board Audit Committee ("BAC") comprises only Independent Directors:
  - (a) There is a Senior Independent Director among the three BAC members.
  - (b) All members of the BAC have diverse skills set and are financially literate. They possess necessary financial background, knowledge and experience to review financial and non-financial reporting processes and matters deliberated before the committee.
  - (c) One of the BAC members is currently 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).
- (ii) During financial year ended 2017, the BAC members undertook several relevant training programmes per disclosure in the Board Audit Committee Report of RHB Bank's Annual Report 2017, including workshop on Forensic Accounting and Digital Forensics.

#### II. Risk Management and Internal Control Framework

- (i) 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.
- (ii) 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.
- (iii) The Board conducts annual review on the Company's risk management and internal control framework to ensure effective checks and controls in the organisation.
- (iv) 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.
- (v) 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.

---

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

#### I. Communication with Stakeholders

- (i) Communication and engagement with the Company's stakeholders are made continuously through various platforms and media other than general meeting(s), including roadshows and via electronic means such as corporate website, corporate email and social media such as the Group's Official Facebook, Corporate Instagram, My1Portal (Intranet) and the Group's Workplace by Facebook.
- (ii) Insurance and other related queries can be directed to its customer service and respective parties, as disclosed on the corporate website and in its Annual Report.
- (iii) The Company annually discloses two main corporate reporting, namely its Annual Report and Financial Report/Audited Financial Statements.

#### II. Conduct of General Meetings

- (i) The Notice of the AGM contained details of resolutions approved by the shareholders at the last AGM with accompanying explanatory notes was duly issued on 31 March 2017. A revised Notice of AGM was subsequently issued on 7 April 2017 in conjunction with the declaration of 24 April 2017 as a national public holiday in relation to the coronation of Sultan Muhammad V as the 15th Yang di-Pertuan Agong.
- (ii) All Directors of the Company attended the 38th AGM held last year on 25 April 2017.
- (iii) The Company's general meetings have always been held in the same state as its Registered Office for its shareholders' convenience to attend and able to participate.
- (iv) All the Company's shareholders are entitled to appoint representatives or proxy/proxies to vote on their behalf in their absence at the general meeting.

---

**Note:**

*This Corporate Governance Statement and the disclosures in this report have been approved by the Board on 3 May 2018.*