

Corporate Governance

The Board of Directors of the Company (“Board”) is fully committed to ensuring that the Company continues to maintain the highest standards in corporate governance, with a view to continuously enhance the value of stakeholders.

The Board provides guidance and oversight of the Group’s strategic agenda and its operations and acknowledges its overriding responsibility to act diligently and responsibly, in accordance with applicable legislations and regulations in serving the interests of shareholders, as well as its customers, employees and the community at large.

The Company subscribes to and conforms to the principles and recommendations of the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”), save for the exception to the following recommendations, which are explained further under the caption on Board Composition and Tenure, respectively in this statement hereinbelow –

- the board must comprise a majority of independent directors where the chairman of the board is not an independent director.
- the tenure of an independent director should not exceed a cumulative term of nine (9) years.

BOARD OF DIRECTORS

Roles and Responsibilities of the Board

- Reviewing and approving the strategic business plans of the Group as a whole and that of the individual operating units. This encompasses the annual budget, medium term aspirations, new investments/divestments as well as mergers and acquisitions.
- Overseeing the conduct of the business to ascertain its proper management including setting clear objectives and policies within which senior executives are to operate.

- Identifying and approving policies pertaining to the management of all risk categories including but not limited to, credit, financial, market, liquidity, operational, legal and reputational risks.
- Reviewing the adequacy and the integrity of internal controls and management information systems, including systems for compliance with applicable laws, rules, regulations, directives and guidelines.
- Serving as the ultimate approving authority for all significant financial expenditure.

Chairman and Group Managing Director

The roles of the Chairman and Group Managing Director remain separate and are clearly distinct. The Chairman of the Board is non-independent and non-executive.

The Chairman plays an important leadership role within the Group and is involved in:

- Chairing the meetings of Shareholders and the Board;
- Monitoring the performance of the Board and the mix of skills and effectiveness of individual Board members’ contribution; and
- Maintaining on-going dialogue with the Chief Executive Officers of the various major subsidiaries and providing appropriate mentoring and guidance.

The Board delegates the authority and responsibility for managing the everyday affairs of the Group to the Group Managing Director and through him and subject to his oversight, to other Senior Management. The Board monitors the management and performance of the Group Managing Director on behalf of the shareholders.

Board Composition

The Board is chaired by a Non-Independent Non-Executive Director and currently comprises twelve (12) Directors, four (4) of whom are Independent Non-Executive Directors. The Board continues to achieve a balance of skills, knowledge, experience and perspective among its Directors.

Recommendation 3.5 of the MCCG 2012 provides that the board should comprise a majority of Independent Directors if the Chairman is not an Independent Director.

Notwithstanding that the Board consists of majority of Non-Independent Non-Executive Directors, the Board strongly believes that all the Directors act in the best interest of all stakeholders.

Selection of Directors:

Board Independence

The Independent Non-Executive Directors are from varied business backgrounds. Their experience enables them to exercise independent judgment and objective participation in the proceedings and decision-making processes of the Board.

Decision-making on key issues regarding the Company and its subsidiaries are fully deliberated by the Directors. Board decisions are made taking into account the views of the Independent Non-Executive Directors, which carry substantial weight.

They fulfill their roles in ensuring that strategies proposed by the Management are fully discussed and examined as well as ensuring that the interest of shareholders and stakeholders of the Company are safeguarded.

Independence

In accordance with the criteria as specified under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”), the Group Nomination and Remuneration Committee and the Board establish whether or not a Non-Executive Director may have a relationship with AmBank Group which could affect their decision-making.

Re-election at Next Annual General Meeting

The Company’s Articles of Association permits the Board to appoint a person to be a Director of the Company at any time, but the person must seek re-election by shareholders at the next Annual General Meeting (“AGM”).

Tenure

The Articles of Association provides that all Directors must retire at least once in three years and may be re-elected at the AGM.

Recommendation 3.2 of the MCCG 2012 states the tenure of an independent director should not exceed a cumulative term of 9 years. This is in line with the existing policy of the Company which states that an Independent Non-Executive Director shall serve up

to a maximum of nine (9) years and any exception to the same will be subject to the recommendation of the Group Nomination Committee and the approval of the Board of Directors.

In this respect, the Board, with the recommendation of the Group Nomination Committee has approved the continuation of the tenure of Y Bhg Tan Sri Datuk Clifford Francis Herbert and Y Bhg Tan Sri Datuk Dr Aris Othman whose service on the Board reached nine (9) years on 15 April 2013 and 31 March 2013 respectively. Both Directors have demonstrated their independence and exercise of objective judgement. The Group Nomination Committee and the Board are confident that both Directors will continue to uphold their independent participation and judgement notwithstanding their length of service.

Selection of Directors



Performance Evaluation

Performance evaluations are conducted annually and cover the Board, each Director and the Board Committees. The framework used to assess the Directors is based on the expectation that they are performing their duties in a manner which should create and continue to build sustainable value for shareholders and in accordance with duties and obligations imposed upon them under the law and guidelines issued by the regulatory authorities.

Directors’ Training & Development Needs

The Board recognised the importance of training and development needs of the Directors which play a vital role in helping the Directors to update and enhance their skills and knowledge with the aim for the Directors to discharge their duties effectively and efficiently.

The Group’s Learning and Development Centre undertakes the role as the training co-ordinator to manage and co-ordinate the Directors’ training requirements, which covers the following:-

- Regulatory
 - Pursuant to the listing requirements of Bursa Malaysia, a newly appointed Director is required to attend the Mandatory Accreditation Programme (“MAP”) within four (4) months of his/her appointment.
 - The new Directors participate in the induction programme which allows the Directors to meet with AmBank Group senior executives and other key staff members and be accustomed with the Group’s governance framework, financial management and business operations.

Corporate Governance

- The Group has adopted the FIDE programme as a core training for its Directors. The FIDE programme is a governance programme which focus on roles, responsibilities and key issues faced by the boards of financial institutions to ensure effective corporate governance, constructive strategy review, robust risk management, strong internal controls and accurate financial reporting and proactive stakeholder engagement.

- Electives

Upon completion of the FIDE Core Program, Board Members are eligible to attend Elective Programs organised by ICLIF, as follows –

- FIDE Electives Programs
 - Technical Programs
 - Governance Programs
 - Soft Skills Programs
- Non-FIDE half-day programs
 - Compliance & Anti Money Laundering/Anti Terrorism Financing (“AML/ATF”)
 - Corporate Governance
 - Risk Management

- Enrichment

Overall, the training programs are conducted with the objective:-

- To support continuous learning for Board Members
- To keep abreast with current development in the marketplace
- To get updates on new statutory and regulatory requirement

Seminars, conferences and training courses attended by the Directors during the financial year included among others, the following areas –

Board Competency

Mandatory Accreditation Programme

Corporate Governance

FIDE: Core Programme Module A and Module B

FIDE Elective Program – Nomination and Remuneration Committee

Fraud Detection & Prevention – A Necessity, Not a Choice

Risk Management/Legal and Regulatory Framework

Anti-Money Laundering for Board of Directors

Financial Services Act, 2013 and Islamic Financial Services Act, 2013

Operational Risk Management Workshop
Data Protection Act and Competition Act

Level and Make-Up of Remuneration: Remuneration Framework

The remuneration framework is designed to ensure that the Group continues to attract and retain Directors and other Senior Management staff with appropriate skills and experience to manage the Group successfully. The Board determines the remuneration of Non-Executive Directors, Executive Directors, and other Senior Management staff of the Group, with the interested Directors abstaining from discussions with respect to their remuneration.

Access to Directors

The Management is able to consult the Directors as required on a regular basis. Employees and shareholders have access to Directors through the Chairman, the Senior Independent Non-Executive Director and the Group Company Secretary.

Access to Information

In the discharge of their duties, all Directors have complete and unrestricted access to information pertaining to the Group.

The advice and services of the Group Company Secretary are readily available to the Board in matters of governance and in complying with statutory duties, including compliance with the Main Market Listing Requirements of Bursa Malaysia.

In order to assist Directors in fulfilling their responsibilities, each Director has the right to seek independent professional advice regarding his responsibilities at the expense of the Group. In addition, the Board and each Board Committee, at the expense of the Group, may obtain professional advice that they require to assist in their work.

Group Company Secretary

The Group Company Secretary reports directly to the Board and is the source of guidance and advice to the Directors on areas of corporate governance, relevant legislations, regulations and policies, besides ensuring compliance with the Main Market Listing Requirements of Bursa Malaysia and other regulatory requirements.

The Group Company Secretary attends Board and Board Committees meetings and is responsible for the accuracy and adequacy of records of the proceedings of Board and Board Committees meetings and resolutions.

Board Meetings

The Board meets a minimum of ten (10) times per year, wherein Board reports are circulated prior to the meetings, allowing the Directors to review further information that may be required. Additional Board meetings are convened whenever necessary. The Senior Management team of the subsidiaries are invited to attend Board meetings to provide presentations and detailed explanations on matters that have been tabled.

Twelve (12) Board meetings were held during the financial year ended 2014 (“FY2014”). The attendance of every Board member at the meetings of the Board and the various Board Committees is as set out below:

Number of Meetings Attended in FY2014

	Board of Directors	Audit and Examination Committee	Group Risk Management Committee	Group Information Technology Committee	Group Nomination and Remuneration Committee
Tan Sri Azman Hashim	12 (Chairman)	N/A	N/A	N/A	N/A
Dato’ Azlan Hashim	9	5	N/A	2	N/A
Tun Mohammed Hanif bin Omar	11	N/A	N/A	N/A	9
Tan Sri Datuk Clifford Francis Herbert	7	5	4 (Chairman)	N/A	7 (Chairman)
Tan Sri Datuk Dr Aris Osman @ Othman	12	7 (Chairman)	7	N/A	10
Dato’ Rohana binti Mahmood	12	N/A	N/A	3	10
Dato’ Gan Nyap Liou @ Gan Nyap Liow	10	6	N/A	3 (Chairman)	10
Shayne Cary Elliott	8	N/A	N/A	N/A	N/A
Mark David Whelan	11	N/A	7	N/A	N/A
Gilles Planté	11	7	N/A	N/A	9
Soo Kim Wai	12	N/A	N/A	N/A	10
Ashok Ramamurthy	12	N/A	N/A	3	N/A
Number of meetings held in FY2014	12	7	7	3	10

Notes:

1. All attendances reflect the number of meetings attended during the Directors’ tenure of service.
2. N/A represents non-committee member.

Board Committees

The Board delegates certain responsibilities to the Board Committees. The Committees that assist the Board are as follows:

1. Group Nomination and Remuneration Committee
2. Audit and Examination Committee
3. Group Risk Management Committee
4. Group Information Technology Committee

The criteria for the membership are based on a Director’s skills and experience, as well as his ability to add value to the Board Committee.

The Group Managing Director, the Chief Executive Officers and other Senior Management staff are invited to attend the relevant Board Committee meetings.

Group Nomination and Remuneration Committee

The Committee comprises seven (7) members, all of whom are Non-Executive Directors with a majority of Independent Directors and chaired by an Independent Non-Executive Director. The Committee is responsible for:

- Regularly reviewing the board structure, size and composition, as well as making recommendation to the Board of the Company with regard to any changes that are deemed necessary.
- Recommending the appointment of Directors to the Board and Committees of the Board as well as annually review the mix of skills, experience and competencies that Non-Executive and Executive Directors should bring to the Board.

Corporate Governance

- On an annual basis, assessing the effectiveness of the Board as a whole and the Committees as well as the contributions of the Chairman and each Director to the effectiveness of the Board.
- Recommending to the Board the framework/methodology for the remuneration of the Directors, Chief Executive Officers and other Senior Management staff with the relevant experience and expertise needed to assist in managing the Group effectively. The services of consultants are utilised to review the methodology for rewarding Executive Directors and Management staff according to the Key Performance Indicators required to be achieved.
- To implement Executives' Share scheme (the "Scheme") in accordance with the By-Laws of the Scheme as approved by the Shareholders of the Company.
- To provide oversight of the Group's long term IT strategic plans and budgets.
- To establish and monitor the overall performance, efficiency and effectiveness of IT services including performance metrics.
- To review the adequacy and utilisation of the Group's IT resources including computer hardware, software, personnel and other IT related investments.
- To advise the Board on IT related issues; and
- To review and approve allowed deviations under BNM guidelines.

There were three (3) meetings held during FY2014.

RISK MANAGEMENT

Group Risk Management Committee

The Group Risk Management Committee oversees the adequacy of risk management within the Group.

The membership of the Committee comprises three (3) members, all of whom are Non-Executive Directors and is chaired by an Independent Non-Executive Director. The responsibilities of the Committee include the review and evaluation of:

- Senior Management's activities in managing risk;
- High-level risk exposures and portfolio composition;
- The Company/Group's major risk strategies, policies and risk tolerance standards; and
- The overall effectiveness of the risk management and control infrastructure.

There were seven (7) meetings held during the FY2014.

ACCOUNTABILITY AND AUDIT

Audit and Examination Committee

The Audit and Examination Committee ("AEC") is responsible for the oversight and monitoring of:

- The Group's financial reporting, accounting policies and controls;
- The Group's Internal Audit functions;
- Compliance with regulatory requirements;
- The appointment, performance evaluation, transfer and dismissal of the Chief Internal Auditor; and
- The appointment, scope of work and evaluation of the external auditor.

It is the Board's policy that at least one (1) member of the AEC shall have an accounting qualification or experience in the field of finance. The AEC meets regularly with the external auditor and Group Internal Audit.

The AEC met seven (7) times during the FY2014.

Financial Controls

Responsibility Statement

The Board of Directors is required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the Group and its state of affairs, results and cash flows at the end of the financial year. Following discussions with the statutory external auditors, the Directors are of the view that the appropriate accounting policies are consistently applied and supported by reasonable as well as prudent judgments and estimates, and that all accounting standards which they consider applicable have been followed during the preparation of the financial statements.

The Committee met ten (10) times during FY2014.

Group Information Technology Committee

Group Information Technology Committee ("GITC") comprises four (4) members, two (2) of whom are Independent Non-Executive Directors. The Committee is responsible to provide governance for Information Technology and to ensure that the overall strategic IT direction is aligned with the Group's business objectives and strategy. GITC's key responsibilities include the following:

The Board of Directors is responsible for ensuring that the Group keeps accounting records which are disclosed with reasonable accuracy, and for ensuring that the financial statements comply with the Companies Act, 1965.

The Board and Board Committees have the general responsibility for taking such steps to safeguard the assets of the Group.

The Group's Statement on Risk Management and Internal Control is set out on pages 56 to 57 of this Annual Report.

Audit and Examination Committee ("AEC") Report

Terms of Reference

The functions of the AEC are as follows:

- 1) To provide independent oversight of the Company/Group's financial reporting and internal control system, and ensuring checks and balances within the Company/Group.
- 2) To serve as an independent and objective party in the review of the financial information of the Company/Group that is presented by the Management to the Board and Shareholders.
- 3) To review the quarterly results and year-end financial statements of the Company/Group to ensure compliance with accounting standards and legal requirements, and to ensure fair and transparent reporting and prompt publication of the financial accounts.
- 4) To determine that the Company/Group has adequate established policies, procedures and guidelines, operating and internal controls, and that they are being complied with and are operating effectively in promoting efficiency and proper conduct, and protecting the assets of the Company/Group.
- 5) To evaluate the adequacy and effectiveness of the Management control systems of the Company/Group through the review of the reports of both the external and internal auditors that highlight internal accounting, organisational and operating control weaknesses, and to determine that appropriate corrective actions are being taken by the Management.
- 6) To review and approve the scope of audits, audit plans and audit reports of both the external and internal auditors.
- 7) To ensure through discussions with the external and internal auditors that no restrictions are being placed by the Management and employees on the scope of their examinations.
- 8) To ensure that audit of specialised areas is adequate by directing the engagement of external experts to carry out the review, if required and ensure that the terms and scope of the engagement, the working arrangement with the internal auditors and reporting requirements are clearly established.
- 9) To ensure the adequacy and appropriateness of the scope, functions and resources of the internal audit and that they have the necessary authority to carry out their work.
- 10) To establish a mechanism to assess the performance and effectiveness of the internal audit function.
- 11) To direct and supervise any special project or investigation considered necessary.
- 12) To review any related party transaction and conflict of interest situation that may arise within the Company/Group including any

transaction, procedure or course of conduct that raises questions of management integrity.

- 13) To review and approve the Internal Audit Charter of the Company.
- 14) To prepare when deemed necessary, periodic reports to the Board summarising the work performed in fulfilling the Committee's primary responsibilities.
- 15) To review the annual appointment of the external auditors, or resignation or removal of external auditors, to approve the provision of non-audit services by external auditors, to negotiate and approve the annual audit fees or special audit fees and/or non-audit service fees.
- 16) To review the appointment, performance evaluation, transfer and dismissal, and remuneration of the Chief Internal Auditor.

Summary of Key Activities

The following is a summary of the main activities carried out by the Committee during the year:

Internal Audit

- Reviewed and approved the Group Internal Audit's annual audit plan, including its resource needs, and its assessment of the risk levels of the various auditable areas to ensure that audit emphasis was given on critical risk areas.
- Reviewed Group Internal Audit's achievement of its key strategic initiatives undertaken to improve the efficacy, effectiveness and profile of Group Internal Audit.
- Reviewed the adequacy and effectiveness of the system of controls, reporting and risk management to ensure there is a systematic methodology in identifying, assessing and mitigating risk areas.

Corporate Governance

- Reviewed reports of Group Internal Audit (including internal investigations, follow up on resolution of issues raised in reports issued by Regulators, external auditors and other external parties) and considered Management's response and accordingly directed Management to take the necessary remedial action. The Committee also followed-up on resolution of major issues raised in the reports and requested for separate presentations by Management where necessary.
- After each Audit & Examination Committee meeting, a summary of Internal Audit reports deliberated at the meeting is tabled to the Board of Directors.
- Reviewed the progress of Group Internal Audit in completing its audit plan and assessed the performance of Group Internal Audit and the Group Internal Auditor.
- Reviewed and approved the appointment of an external party to conduct a Quality Assurance Review on the Internal Audit function.
- Reviewed the annual audited financial statements of the Group with the external auditor prior to submission to the Board for approval.
- Compliance with the following regulatory requirements was ensured :
 - Provisions of the Companies Act 1965, Financial Services Act 2013 and the Islamic Financial Services Act 2013
 - Capital Markets And Services Act 2007
 - Securities Commission Act 1993
 - Main Market Listing Requirements of Bursa Malaysia Securities Berhad
 - Applicable accounting standards in Malaysia
 - Other relevant regulatory requirements
- Reviewed the Statement on Risk Management and Internal Control.

External Audit

- Reviewed the appointment of the external auditor and their independence and effectiveness for statutory audit, audit-related and non audit-related services.
- Reviewed/Approved their audit plan, annual audit fees and scope of work for audit and non-audit assignments.
- Reviewed the external auditor's results and report as well as the Management's consequent responses to the findings of the external auditor.

Financial Results

- Reviewed the quarterly results and financial statements of the Group before recommending them to the Board of Directors for approval.

auditing function is conducted on an AmBank Groupwide basis to ensure consistency in the control environment and the application of policies and procedures.

Group Internal Audit focuses its efforts on performing audits in accordance with the audit plan, which is prioritised based on a comprehensive risk assessment of all activities undertaken by the Group. The structured risk assessment approach ensures that all risk-rated areas are kept in view to ensure appropriate audit coverage and audit frequency. The risk-based audit plan is reviewed annually taking into account the changing financial significance of the business and risk environment. The AEC reviews and approves Group Internal Audit's annual audit plan.

Group Internal Audit also performs investigations and special review, and participates actively in major system development activities and project committees to advise on risk management and internal control measures.

The AEC approves the annual audit work plan, and a risk-based audit approach is used to ensure that the higher risk activities in each business unit are audited each year.

The audit activities can be summarised as follows:

- Scheduled and mandatory audits
- Systems development life-cycle review of major IT infrastructure projects
- Unscheduled and special focus reviews

The main objective of the audit reviews is to assess the adequacy and effectiveness of risk management and systems of internal controls in the following areas:

- Retail Banking
- Islamic Banking
- Wholesale Banking
- Investment Banking
- General Insurance
- Life Insurance

Related Party Transactions

- Reviewed related party transactions and the adequacy of the Group's procedures in identifying, monitoring, reporting and reviewing related party transactions.
- Reviewed quarterly reports on recurrent related party transactions of a revenue and trading party transactions of a revenue and trading nature ("RRPTs").

Internal Audit

Internal Audit Function

Group Internal Audit function operates under a charter from the AEC that gives it unrestricted access to review all activities of the Group. The Head of Group Internal Audit reports to the AEC. The internal

- Family Takaful Business
- Funds & Asset Management
- Asset & Liabilities Management
- Other Non-Financial Institutional and Overseas Operations
- Support Functions

Group Internal Audit plays an active role in ensuring compliance with the requirements of Regulatory Authorities. Group Internal Audit also works collaboratively with the External Auditor, Risk Management Department and Group Regulatory Compliance to ensure maximum reliance and avoid duplication of effort.

There is an effective process for ensuring prompt resolution of audit issues. Group Internal Audit tables regular updates to the AEC on the progress of significant issues until such issues are satisfactorily resolved.

For the financial year, total costs incurred on the Group internal audit function amounted to RM15.9 million (FY2013: RM15.3 million).



Key Risk Areas and Internal Focus

External Audit

Messrs. Ernst & Young (“E & Y”) is the Company’s external statutory auditor and the auditor of the Company’s consolidated accounts for the preparation of this Annual Report. The external auditor performs independent audits in accordance with the approved standards on auditing in Malaysia, and reports directly to the AEC. The AEC additionally:

- Approves all audit and non-audit services;
- Regularly reviews the independence of the external auditor;
- Evaluates the effectiveness of the external auditor; and
- The Independent Directors of AEC meet up with the external statutory auditor.

The external auditor is re-appointed by the shareholders of the Company annually, after review of the services provided by the AEC and the recommendation of the Board.

Non-Audit Services

The external auditor may not provide services that are perceived to be in conflict with the role of the auditor. These include assisting in the preparation of the financial statements and sub-contracting of operational activities normally undertaken by Management, and engagements where the auditor may ultimately be required to express an opinion on its own work.

Specifically the Group’s policy:

- Limits the non-audit service that may be provided; and
- Requires that audit and permitted non-audit services must be approved by the AEC.

The AEC has reviewed the summary of the non-audit services provided by the external auditor in FY2014 and has confirmed that the provision of services is compatible with the general standard of independence for auditors.

Audit Fees

The total statutory and non-statutory audit fees for the Group (excluding expenses and service tax) in FY2014 amounted to RM2.88 million (FY2013: RM3.96 million).

Assurance-related and Other Non-audit Fees

Assurance-related and other non-audit fees for FY2014 (excluding expenses and service tax) amounted to RM1.94 million (FY2013: RM1.18 million). These fees are primarily related to assurance services such as limited reviews, review of Financial Reporting Standards compliance, validation of Perbadanan Insurans Deposits Malaysia Returns and risk models validation work.