

Statement On Risk Management And Internal Control

Responsibility

The Board of Directors (“Board”) is responsible for the Group’s risk management and internal control system, and for reviewing its adequacy and integrity. The Board has instituted an ongoing process for identifying, evaluating and managing the significant risks faced by the Group throughout the financial year under review. This process is regularly reviewed by the Board, and accords with the guidance on internal control, Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

In establishing and reviewing the risk management and internal control system, the Directors have considered the materiality of relevant risks, the likelihood of losses being incurred, and the cost of control. Accordingly, the purpose of the risk management and internal control system is to manage and minimise rather than eliminate the risk of failure to achieve the policies and objectives of the Group, and can only provide reasonable but not absolute assurance against risk of material misstatement or losses.

The management assists the Board in the implementation of the Board’s policies on risk management and internal control by identifying and evaluating the risks faced by the Group for consideration by the Board, and designs, operates and monitors the system of risk management and internal control to mitigate and control the risks.

Conclusion

For the year under review, the Board has received the reports of the Audit and Examination Committee and Risk Management Committee of Directors. An annual assessment of the effectiveness of risk and internal control processes has been conducted, and the Board has also received the assurance from the Chief Executive Officer and Chief Financial Officer that the Group’s risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management model adopted by the Group.

The Board is of the view that the risk management and internal control system in place for the year under review, and up to the date of issuance of the financial statements, is adequate and effective to safeguard shareholders’ investment, the interests of customers, regulators and employees, and the Group’s assets.

Key Risk Management And Internal Control Processes

The Group has adopted a coordinated and formalised approach to risk management and internal control, which is driven through the “Three Lines of Defense” concept. Risk and Compliance forms the second line of defense while Internal Audit forms the third line of defense. The key risk management and internal control processes are implemented via the following:

- The Board has formed a Risk Management Committee of Directors (“RMCD”) to assist in the oversight of overall risk management structure. Senior Management has also established a group level risk committee (named as Group CEOs Committee) to assist it to holistically manage the risks and businesses of the Group. This committee addresses all classes of risk within Board-delegated mandate: Balance sheet risk, credit risk, legal risk, operational risk, market risk, shariah risk, compliance risk, regulatory compliance risk, reputational risk, product risk and business and IT project risk.
- The Board has also established a Governance Committee of Directors to provide oversight over the Group’s Composite Risk Rating remediation initiatives and to drive the implementation of governance initiatives.
- Risk management principles, policies, practices, methodologies and procedures are made available to appropriate staff in the Group. These are regularly updated to ensure they remain relevant and in compliance with regulatory requirements. The policies, methodologies and procedures are enhanced whenever required to meet the changes in operating environment and/or for continuous improvement in risk management.
- Organisation structure is designed to clearly define the accountability, reporting lines and approving authorities to build an appropriate system of checks and balances corresponding to the business and operations activities’ needs. This includes the empowerment and setting of authority limits for proper segregation of duties.

- The Audit and Examination Committees (“AECs”) of the Company and its major subsidiaries assist the Board to evaluate the adequacy and effectiveness of the Group’s internal control systems. The AECs review the Group’s financial statements and reports issued by Group Internal Audit, the external auditors and regulatory authorities, and follow up on corrective actions taken to address issues raised in the reports.
- Group Internal Audit conducts independent risk-based audits and provides assurance that the design and operation of the risk and control framework across the Group is effective. The AECs review the work of the Group Internal Audit department, including reviewing its audit plans, progress and reports issued.
- The Group’s focus is on achieving sustainable and profitable growth within its risk management framework. Annual business plans and budgets are prepared by the Group’s business divisions and submitted to the Board for approval. Actual performances are reviewed against the budget with explanation of major variances on a monthly basis, allowing for timely responses and corrective actions to be taken to mitigate risks.
- The Group emphasises human resource development and training as it recognises the value of its staff in contributing to its growth. There are proper guidelines within the Group for staff recruitment, promotion and performance appraisals to promote a high-performance culture by rewarding high performers and counselling poor performers. Our Short Term Incentive (“STI”) and Long Term Incentive (“LTI”) are used primarily to reward and encourage outstanding individuals for their contribution to value creation while protecting shareholders’ interest. Structured talent management and training programmes are developed to ensure staff are adequately trained and competent in discharging their responsibilities and to identify future leaders for succession planning.
- A code of ethics has been formulated to protect and enhance the Group’s reputation for honesty and integrity. The Code of Ethics is based on the following principles: Compliance with the law both in letter and in spirit, this code and AmBank Group policies and procedures; upholding the highest level of integrity and acting with honesty and professionalism; identifying and managing conflicts of interest responsibly; ensuring completeness and accuracy of underlying records, financial or otherwise; ensuring fair and equitable treatment to all; and ensuring confidentiality of information and transactions.
- The Group has established a compliance policy that sets out the roles and responsibilities of the Board, Senior Management, Business Units, Group Shared Services, Group Compliance and Group Internal Audit to oversee the management of compliance risk with the aim to promote the safety of the Group by minimising financial, reputational and operational risks arising from legal and regulatory non-compliance.
- Training is provided to employees of the Group on relevant legal and regulatory requirements governing its activities and guidance on implementation of internal controls to manage compliance risk.

