

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Corporate Governance Disclosures for the financial year ended 31 December 2016

### Board of Directors

Details on the composition and activities of the Board of Directors since the date of the last Report and at the date of this Report are as follows:

#### Directors profile

Name:	<b>Dato' Robert Cheim Dau Meng</b>
Designation:	<i>Chairman, Non- Independent Non-Executive</i>
Nationality:	Malaysian
Age/Gender:	66/Male
Date of Appointment:	01.7.2015
Length of Tenure as Director:	2 years

#### Qualifications

- Fellow of the Institute of Chartered Accountants in England and Wales and a Member of the Malaysian Institute of Accountants

#### Experience

- Adviser for the Investment Banking Division of the Group
- Executive Director of CIMB Investment Bank
- Chief Executive Officer of CIMB Investment Bank
- Head of Corporate Finance and General Manager of CIMB Investment Bank
- Prior to joining CIMB Investment Bank, Dato' Robert Cheim served in various management positions with the former United Asian Bank Berhad (now known as CIMB Bank) between 1977 and 1984.
- He also worked in various accounting firms in London.

#### Shareholdings in Related Companies

- CIMB Group Holdings Berhad (285,574 Ordinary Shares)
- PT Bank CIMB Niaga Tbk ( 26,248 Ordinary Shares)

#### Directorships on public companies

- Chairman of CIMB-Principal Asset Management Berhad
- Vice-Chairman of CIMB Thai Bank Public Company Limited

#### Other material commitments\*<sup>1</sup>

- Trustee of CIMB Foundation
- Trustee of Yu Cai Foundation

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Corporate Governance Disclosures for the financial year ended 31 December 2016

### Directors profile

Name:	<b>Dato' Kong Sooi Lin</b>
Designation:	<i>Chief Executive Officer / Executive Director</i>
Nationality:	Malaysian
Age/Gender:	56/Female
Date of Appointment:	01.03.2016
Length of Tenure as Director:	1 year

#### Qualifications

- Honours degree in Commerce, University of New South Wales, Australia.

#### Experience

- Chief Executive Officer of CIMB Investment Bank, entrusted with the Group's stewardship of the investment banking franchise as a major regional player with an established brand name and market share
- Head of Senior Bankers Group that provides group-wide corporate client coverage across Asia Pacific. Oversees key client relationship in terms of origination and execution of transactions in predominantly debt and equity capital markets and multiple products and services of the Group.
- Group Head of Investment Banking responsible for the origination of advisory transactions in both debt and equity capital markets, and innovative financing solutions for IB clients.
- Group Head of Private Banking in charge of the group's regional private banking business expansion as a profitable franchise across ASEAN
- 28 years of investment banking experience with extensive advisory expertise in both equity and debt capital market transactions having advised on numerous high profiled and industry shaping corporate exercises across Asia Pacific.
- Joined CIMB Investment Bank in 1994 from Bumiputra Merchant Bankers Berhad where she was actively involved in debt capital market, project financing and corporate banking transactions.
- Began her career at Ernst and Young and Arthur Andersen.

#### Shareholdings in Related Companies

- CIMB Group Holdings Berhad (2,545,024 Ordinary Shares)

#### Directorships on public companies

- Nil.

#### Other material commitments\*<sup>1</sup>

- Committee Member of Agensi Inovasi Malaysia
- Chairperson of CIMB (Private) Limited, Sri Lanka
- Commissioner on the Board of Commissioners of PT CIMB Securities Indonesia

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Corporate Governance Disclosures for the financial year ended 31 December 2016

### Directors profile

Name:	<b>Nadzirah Abd Rashid</b>
Designation:	<i>Director, Independent Non-Executive</i>
Nationality:	Malaysian
Age/Gender:	54/Female
Date of Appointment:	15.09.2014
Length of Tenure as Director:	3 years

#### Qualifications

- Bachelor of Arts in Accountancy from University of South Australia. Fellow of CPA Australia and a Member of the Malaysian Institute of Accountants

#### Experience

- Senior level finance executive with over 25 years of professional experience in securities market and banking industry.

#### Shareholdings in Related Companies

- Nil

#### Directorships on public companies

- Nil

#### Other material commitments\*<sup>1</sup>

- Nil

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Corporate Governance Disclosures for the financial year ended 31 December 2016

### Directors profile

Name:	<b>Manu Bhaskaran</b>
Designation:	<i>Director, Independent Non-Executive</i>
Nationality:	Malaysian
Age/Gender:	59/Male
Date of Appointment:	01.06.2015
Length of Tenure as Director:	2 years

#### Qualifications

- Master's Degree in Public Administration from Harvard University
- Bachelor's Degree in Economics from Cambridge University

#### Experience

- Served as a Chief Economist and Chief Strategist for Asia of Societe Generale Investment Bank for 12 years.

#### Shareholdings in Related Companies

- Nil

#### Directorships on public companies

- Nil

#### Other material commitments\*<sup>1</sup>

- Member of the Advisory Board for Asia of the International Monetary Fund
- Founding Director and Chief Executive Officer of Centennial Asia Advisors, Singapore
- Member of the Advisory Committee of CIMB Securities International Pte Ltd
- Advisor of CIMB ASEAN Research Institute
- Senior research fellow at the Institute of Policy Studies, National University of Singapore

Company No: 18417-M

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Corporate Governance Disclosures for the financial year ended 31 December 2016

### Directors profile

Name:	<b>Didi Syafruddin Yahya</b>
Designation:	<i>Director, Independent Non-Executive</i>
Nationality:	Malaysian
Age/Gender:	50/Male
Date of Appointment:	10.01.2017
Length of Tenure as Director:	5 months

#### Qualifications

- Fellow of the Institute of Chartered Accountants in England and Wales (FCA) and Economics graduate from Cambridge University.

#### Experience

- Served as a Managing Director and Head of Investment Banking, Malaysia for J.P. Morgan.

#### Shareholdings in Related Companies

- Nil

#### Directorships on public companies

- Nil

#### Other material commitments\*<sup>1</sup>

- Nil

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Corporate Governance Disclosures for the financial year ended 31 December 2016

### Composition and activities of Board and Board Committees

Details on the Director's role and attendance on the Board and Board Committees, the number of meetings convened by the Board and each board committee and the appointments, resignations and removals of Directors since the date of the last Report and at the date of this Report are as follows:

Board Member	Designation	Date of Board Appointment, Resignation or Removal	Attendance at Meetings		
			Board	AC	BRC
Dato' Robert Cheim Dau Meng	Chairman/Non Independent Non-Executive Director	Appointed on 1 July 2015	13/13	N/A	12/12
Dato' Kong Sooi Lin	Executive Director	Appointed on 1 March 2016	11/11	N/A	N/A
Dato' David Chua Ming Huat	Independent Non-Executive Director	Appointed on 13 February 2015 Resigned on 10 January 2017	2/13	N/A	N/A
Nadzirah Abd. Rashid	Independent Non-Executive Director	Appointed on 15 September 2014	13/13	22/24	12/12
Manu Bhaskaran	Independent Non-Executive Director	Appointed on 1 June 2015	13/13	N/A	7/12
Didi Syafruddin Yahya	Independent Non-Executive Director	Appointed on 10 January 2017	N/A	N/A	N/A

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Corporate Governance Disclosures for the financial year ended 31 December 2016

### Training and education provided to the Board

Details of training programmes and education provided to the Board are summarised below:

Titles/Topics	Mode of Training	Duration
<b>Banking and Finance</b>		
• FIDE Forum – Cyber risk Oversight	Forum	1 Day
• Innovative Banking Leadership in a challenging and competitive environment	Conference	1 Day
• Future Finance Conference by Bank Negara Malaysia	Conference	1 Day
• FinTech Impact on Financial Institution	Forum	1 Day
• FIDE Elective – Internal Capital Adequacy Assessment Process Banks	Forum	2 Days
<b>Compliance and Regulatory</b>		
• Capital Market Directors Programme (CMDP) Module 1	Course	½ Day
• Capital Market Directors Programme (CMDP) Module 2A	Course	½ Day
• Capital Market Directors Programme (CMDP) Module 2B	Course	½ Day
• Capital Market Directors Programme (CMDP) Module 3	Course	½ Day
• Capital Market Directors Programme (CMDP) Module 4	Course	½ Day
<b>Economics</b>		
• Global Theme: Being Greater Than	Forum	1 Day
• Mergers and Acquisitions Trends in Asia by WSG Asia Pacific Regional	Forum	1 Day
• Be an Advocate by Ecoworld Women Summit 2016	Forum	1 Day
• The new financial Landscape – new players, new trends, new questions	Conference	1 Day
• 4Q South East Asia Economic Insight by ICAEW	Forum	1 Day
• Malaysia –China Digital Economy	Forum	1 Day
• Leadership Energy Summit Asia 2016 by ICLIF	Forum	1 Day
<b>Audit, Compliance and Risk Management</b>		
• CIMB Annual Management Summit	Conference	1 Day
• Risk Appetite Workshop	Workshop	½ Day
• Risk Posture Workshop	Workshop	½ Day

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Corporate Governance Disclosures for the financial year ended 31 December 2016

### Internal Policies, Procedures and Guidelines

Policies are formulated to govern standard day-to-day operations and to manage the expected risks of CIMB Group (“the Group”) or CIMB Investment Bank Berhad (“the Bank”). As such, the policies are developed from the baseline of current regulatory requirements and industry best practices to govern the business and operations of the Group or the Bank.

The policies of our business units have been documented, endorsed by the Group Risk Committee (GRC) or its sub-committee(s) and approved by our Board or Board Risk Committee for implementation across our Group, where relevant. Operational procedures are approved by Group Policy & Procedure and Outsourcing Committee (GPOC) for implementation. Approved policies and procedures are timely disseminated to affected stakeholders. Reviews and updates are performed regularly on approved policies, procedures and guidelines. This is done with the intent to ensure continuous improvements in operational efficiency while taking into consideration the changing industry profile on regulatory requirements, risks and internal control measures for mitigation, and new products and services.

Listed below are some of the Group and the Bank’s key policies and procedures:

No.	Title	Description
1	Group Administration & Property Management Policies & Procedures Manual	This document relates to the administrative operations of the Group and covers the operational policies governing procurement, property, maintenance services, security services, logistics, telecommunications, insurance and occupational safety and health administration.
2	Group Accounting Policies & Accounting Guidelines Manual	This document defines the accounting concepts and policies that are consistent with Malaysia Financial Reporting Standards and Generally Accepted Accounting Practices.
3	Group Outsourcing Policies & Procedures	This document sets out the framework for all outsourcing of banking operations of the Group in Malaysia in accordance to regulatory requirements.  This revised policy was approved by the Board of Directors of CIMB Investment Bank Berhad on 9 May 2016. It was subsequently implemented on 8 August 2016, superseding the version dated 22 February 2013.
4	Group Business Continuity Management Policies & Procedures	This document provides the framework and guidance in responding to a disruption, crisis and/or disaster and to resume critical business functions.



# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Corporate Governance Disclosures for the financial year ended 31 December 2016

5	Group Communications Policy	This document sets out the framework for the dissemination of information by the Group to its shareholders, media and other stakeholders. Information given by the Group to the general public shall always be timely, accurate, relevant and reliable so as to enable a properly informed view of how the Group is governed, its financial and operational performances, future prospects and key corporate developments.
6	Group Crisis Communications Guidelines	Crises affect organisations in varying degrees and frequency. The challenge for the affected organisation is to manage these crises well in order to get back to the business of running the organisation as quickly as possible. CIMB Group has a Crisis Communications Guide to aid effective response and communication with affected stakeholders in a timely and consistent manner. It defines crisis, crisis classification, escalation procedures, and the establishment of a crisis communication management team and centre.
7	Group Data Management Policies & Procedures Manual	These policies and procedures enable a structured approach to the management of data and dissemination of information throughout CIMB Group. The manual spells out the data governance and management information system frameworks.
8	Group Anti-Money Laundering/ Counter Financing of Terrorism Policies & Procedures Manual	<p>CIMB Group places importance on, and is committed to establishing an effective internal control system for AML/CFT in compliance with all related laws, regulations, guidelines and industry best practices. The Group AML/CFT policies encompass all reporting institutions of CIMB Group, to ensure consistency in managing the AML/CFT compliance. The manual governs the appointment of anti-money laundering compliance officers, the monitoring and reporting of suspicious transactions, sanction management, record retention, employee training, risk and status reporting to Board and Senior Management and an independent audit of the internal AML/CFT measures.</p> <p>This policy was reviewed and implemented in January 2015 and remained unchanged in 2016. This policy was implemented on 30 January 2015, superseding the version dated 11 February 2014.</p>
9	Employee's terms of employment and policies	These documents set out the terms of employment for CIMB employees. These include recruitment terms such as emolument, retirement, working days and hours, office wear, conduct and discipline. The handbook sets out employment benefits including allowances and claims, medical benefits, benefits-in-kind, leave, and employee loans.

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Corporate Governance Disclosures for the financial year ended 31 December 2016

10	Risk Management of Travel Policy	These documents address flight travel for staff in order to minimise the potential risks to CIMB Group in terms of continuity of leadership and operations. The policies cover senior management, staff at department levels and staff in general.
11	Policy & Procedure on Fit and Proper Criteria For Key Responsible Persons	This document sets out the procedures on Fit and Proper assessment for key responsible persons who are accountable or responsible for the management and oversight of the entities in the Group regulated by Financial Services Act 2013, Islamic Financial Services Act 2013 and Insurance Act 1996. These comprise Directors, members of the Shariah Committee, Chief Executive Officers/Executive Directors, any person performing a senior management function who has the primary or significant responsibility for the management and performance of significant business activities; and any person who has primary or significant responsibility of key control functions.
12	Staff Rejuvenation Programme	These documents set out the rules and guidelines to allow staff to take a break from work without any loss in service or disadvantage in career progression.
13	HR Policy on Staff Volunteerism	These documents set out the rules and guidelines to encourage staff to volunteer for CSR activities funded by CIMB Foundation. The policies provide recognition of time spent by staff on CSR activities. This is part of CIMB Group's effort to enhance community projects by contributing expertise, energy, enthusiasm and efforts of staff. Seven days of volunteering entitles staff to one day of annual leave in the following year.
14	Staff Welfare Fund	The Staff Welfare Fund is established to provide financial assistance to our staff and their family members to cope with high medical expenses, as a result of being involved in an accident or due to serious illness. The fund is also used to assist in loss/damage of property due to natural disasters e.g. fire/flood.
15	Sexual Harrassment Policy & Guidelines	These documents set out the policies and guidelines to maintain a working environment which is free of sexual coercion and annoyance. CIMB Group is committed to ensure that all employees are protected from harassment of any kind and in particular from sexual harassment. The policy covers all CIMB Group employees including contract and temporary employees.
16	Whistle Blowing Policy	These documents are in place to ensure CIMB Group has a disciplined and professional workforce. Under this policy, employees are required to promptly report incident of wrongdoings,

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Corporate Governance Disclosures for the financial year ended 31 December 2016

		malpractices or irregularities at their workplace to the Management for immediate rectification and action and the Management is committed to ensure strict confidentiality and will not only protect the identity of the complainants and will also protect the complainant from any harassment and victimisation at work due to the disclosure.
17	Group Anti Bribery and Corruption Policy	This document sets out policy matters relating to the prevention of bribery and corruption, and sets out the responsibilities of Group employees and associated persons working for and on behalf of the Group, in observing and upholding the Group's position on anti-bribery and corruption.
18	Global Employee Mobility Policy	This document sets out the terms, benefits and guidelines for CIMB employees deployed on regional secondments. This is part of CIMB Group's effort to encourage movement of talent across borders for business and/or talent development purposes.
19	Group Conflict Management & Chinese Wall Policy & Procedures	<p>This document consolidated the Group Chinese Walls Policy and Procedures and the Group Conflict Management Policy and Procedures. The revised policy is to prescribe standards, outline the requirements and provide guidance to ensure processes and controls are in place in order to identify and manage any conflict or when potential conflict of interest situation arises. The Personal Account Dealing (PAD) sections that were previously provided by the Group Conflict Management Policy and Procedures remain valid until the new standalone PAD Policy and Procedures is approved.</p> <p>This revised policy was approved by the Board of Directors of CIMB Investment Bank Berhad on 22 September 2016 and subsequently implemented on 3 January 2017.</p>
20	Group Shariah Compliance Policy & General Procedures Manual	This document defines and explains the overall framework applicable to the Islamic businesses of CIMB Group so that they can be conducted in the most effective manner and in line with the Shariah and the regulations of Bank Negara Malaysia (BNM), Securities Commission (SC), the rulings of both Shariah Advisory Councils of BNM and SC (SAC) and the rulings of Group Shariah Committee. Wherever appropriate, reference will also be made to the Shariah rulings issued by the Shariah authorities in other jurisdictions such as Dewan Shariah Nasional, Majelis Ulama Indonesia (DSN-MUI), the Shariah Committee at Autoriti Monetari Brunei Darussalam etc. based on the jurisdictional and locality requirements applicable to regional Islamic businesses of CIMB Group.

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Corporate Governance Disclosures for the financial year ended 31 December 2016

21	Corporate Banking, Treasury & Markets – Treasury & Markets Policies & Procedures Manual	This document defines the policies and procedures on activities carried out by Treasury & Markets department in relation to the Group’s markets, sales and trading businesses in interest rates, credit, foreign exchange, commodities, equities and their derivatives, debt capital markets, fixed income investments, and treasury and funding operations for the Group.
22	Group Fraud Management Policies & Procedures	This document provides a guide on the escalation of any incidence of fraud that is suspected/committed within or against CIMB Group, including its subsidiaries.
23	Group Information Technology Policy	This document governs all aspects of information technology within the Group and provides Management with direction and support in accordance with relevant laws, regulations and business requirements. It is designed to increase adherence to regulatory and internal requirements and ensures consistency in the Group’s standards of operations and practices whilst at the same time facilitating sharing of information across the Group and improved controls across the Group when managing information technology. These are global best practices and in accordance with global standards such as COBIT, ITIL, CMMi, ISO etc. This document has been standardised across the Region to facilitate a Regional Operating Model.
25	Group Compliance Policy & Procedures	<p>This document is to establish a compliance programme framework to ensure compliance with relevant laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to its regulated and licenced activities that govern the overall working of the business and support units within CIMB Group.</p> <p>This revised policy was approved by the Board of Directors of CIMB Investment Bank Berhad on 13 December 2016. It was subsequently implemented on 1 January 2017, superseding the version dated 20 May 2014.</p>
26	Group Competition Law Manual	The Malaysian Competition Act came into force in 2012 and has changed the business landscape in Malaysia and affected the way all Malaysian businesses operate. The Competition Law Manual provides an overview of the Competition Act and guides all business units within the Malaysian banking entities of CIMB Group to familiarise and understand the competition laws of Malaysia. It is a general guide on anti-competitive conduct, anti-competitive agreements and compliance reporting of any violations or breach of the Malaysian Competition Act.

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Corporate Governance Disclosures for the financial year ended 31 December 2016

27	CIMB Group Liquidity Risk Management Policy	This is the primary reference document on matters relating to the key principles for the liquidity risk management framework of banking entities within CIMB Group. The policy sets out key approaches and critical areas for an integrated liquidity risk management process including liquidity risk strategies, management oversight, roles and responsibilities of various divisions/departments, risk controls and monitoring procedures to ensure that the Group has sufficient liquidity to meet its obligations as they fall due. Group's contingency funding plan is in place to alert and to enable the management to act effectively and efficiently during a liquidity crisis and under adverse market conditions.
28	Group Reputation Risk Policy	The policy sets out the Group's approach to identifying and managing its reputation risks within board set appetite. The policy leverages off existing Operational Risk Management tools and provides additional oversight and monitoring through a Group Reputation Risk Committee.
29	Credit Policy Guide and Islamic Financing Policy Guide	These documents set out the broad Credit and Financing Policies, applicable to the CIMB Group Conventional and Islamic Banking businesses, with the purpose to establish the discipline for orderly extension of credit and financing activities.
30	Group Personal Data Protection Policy Manual	<p>This document outlines the requirements of the Personal Data Protection Act 2010 (PDPA) and is intended to assist CIMB Group in meeting its statutory responsibilities as detailed in the PDPA. It serves as a general guide to the PDPA and CIMB Group's related processes and obligations to ensure that all staff within the relevant entities/divisions of the Group in Malaysia is familiar with, understand and comply with the personal data protection laws of Malaysia.</p> <p>This policy was introduced and implemented on 2 January 2014 and remained unchanged in 2015 and 2016.</p>
31	CIMB Group Shariah Compliance Review Policies and Procedures Manual	<p>This document defines and explains the overall Shariah compliance review framework applicable to the Islamic banking and finance businesses of CIMB Group to ensure Shariah compliance and handle Shariah non-compliance events.</p> <p>This policy was reviewed and implemented in March 2015 and remained unchanged in 2016. This policy was implemented on 5 March 2015, superseding the version dated 5 September 2013.</p>

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Corporate Governance Disclosures for the financial year ended 31 December 2016

32	CIMB Group Enterprise-Wide Risk Management (EWRM) Framework	This describes the policies, guidelines and methodologies for managing risk across the Group. It provides guidance to the risk management teams towards achieving a common platform and consistent approach to risk management across the Group; provides an overview of each identified risk to promote clear and accountable risk management processes; and facilitates readiness and compliance to Bank Negara Malaysia and other regulatory requirements.
33	Group Market Risk Policy	This policy prescribes a consistent Group-wide framework to manage market risk across all CIMB entities. It serves as a primary reference document for the Group in establishing a sound operating environment for market risk activities that is consistent with the governance and control standards of the Group Risk Appetite Statement.
34	Group Operational Risk Management Policy	This policy sets out the Group's approach to managing operational risk. The policy sets out the tools used by the first line of defence to identify, assess, manage and report their operational risks within Board set risk appetite levels.
35	Group Interest Rate Risk in the Banking Book Policy	This is the Group's primary reference document on the key principles for the interest rate risk management for the non-traded books. This policy also sets out the approving authority of risk policies, Board and management oversight, roles and responsibilities of divisions/departments, risk measurement methodologies, risk controls, monitoring and reporting procedures to ensure that the interest rate risk arising from the Group operations is properly identified, measured, monitored and managed over a range of potential changing interest rate environments including stress conditions.
36	CIMB Group Shariah Risk Management Policy	This articulates the objectives, mission, guiding principles, governance structure as well as methodology and approach adopted by the Group in managing Shariah Non-Compliance risk.
37	Group Credit Risk Policy	This Policy sets out the credit risk guiding principles for application across the Group to ensure consistency in its credit risk management activities.
38	Group New Product Approval Policy	This Policy sets out a consistent framework to risk manage the launch of new products. New products will be subjected to a robust internal approval process that requires objective review and appropriate senior management sign off before they are offered to customers or investors.

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Corporate Governance Disclosures for the financial year ended 31 December 2016

39	Group Retail Credit Policy	This Policy is an overarching group policy which governs the credit aspects of Retail lending business. It applies to major retail lending products such as Property Financing, Vehicle Financing, Credit Cards and other revolving credit facilities, secured and unsecured term financing, for CIMB retail banking in all the countries where CIMB is present.
40	Internal Capital Adequacy Assessment Process (ICAAP) Policy	This Policy describes the policies aspects of ICAAP for all entities within CIMB Group. It ensures adequate policies are in place for efficient and proper conduct of ICAAP across various divisions within the Group. The Policy also sets out the key ICAAP requirements which include assessing the risk profile of the bank, assessing capital adequacy, monitoring compliance with regulatory requirement on capital adequacy, reporting to management and regulator on ICAAP and ICAAP governance and independent review.
41	Group Internal Information Sharing Policy & Procedures	<p>This is to establish a proper framework on sharing permissible information within the CIMB Group in different jurisdiction. The document outlines the requirements and provides guidance to ensure processes and controls are in place in relation to information sharing, documentation and/or agreement prior to sharing of confidential information.</p> <p>This new policy was approved by the Board of CIMB Investment Bank Berhad on 9 May 2016 and was implemented on 18 May 2016.</p>
42	Group Delegation Authority Policy	This document sets out the nature and extent of the authority formally delegated from the CIMB Group Holdings Berhad's Board of Directors. The contents cover both financial approval and document execution. This policy does not apply to delegated credit and human resource authorities which are covered separately by the respective Divisions' policies.
43	Group Internal Audit Policy and Procedures	Set out the policies, strategies and detailed procedures of GIAD in order to deliver an efficient and effective internal audit service (including investigation) in congruence with the goals of the CIMB Group of Companies.

# **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

## **Corporate Governance Disclosures for the financial year ended 31 December 2016**

### **Risk Management and Internal Control**

#### **Board Responsibility**

The Board is cognisant of its overall responsibility and oversight of CIMB Group's system of internal control and is constantly keeping abreast with developments in areas of risk and governance. To this end, the Board continues to be involved in determining CIMB Group's level of risk appetite and identifying, assessing and monitoring key risks to safeguard shareholders' investments and CIMB Group's assets, in a manner which enables CIMB Group to meet its strategic objectives. For this purpose, the Board has ensured the establishment of governance and processes for reviewing the effectiveness, adequacy and integrity of CIMB Group's system of internal control and risk management. Whilst it is not possible to completely eliminate risks of failure in achieving CIMB Group's objectives, the system of internal control is designed to mitigate these risks by identifying, managing and controlling risks, including operational risk.

The Board is satisfied that CIMB Group has a sound system of internal control in place that is functioning adequately and that integrity is maintained throughout CIMB Group's business. A number of policies and procedures have been formalised to further enhance the system of internal control and mitigate risks. In 2016, CIMB Group reviewed and updated the Delegated Authority Framework across the region to enhance financial control and ensure consistency of operations. Delegated authority limits are established and periodically reviewed to facilitate smooth daily banking and financing operations, trading activities, extension of credit facilities, restructuring, investments as well as acquisitions and disposals of assets. Continual testing of the adequacy, effectiveness, efficiency and integrity of the internal control systems and processes is conducted to ensure they are viable and robust, in line with the requirements of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers issued by Bursa Malaysia Securities Berhad.

The Board has also obtained assurance from the Group Chief Executive Officer and Group Chief Financial Officer that CIMB Group's risk management and internal control system is operating adequately and effectively.

#### **Management Responsibility**

The Management is overall responsible for the effective implementation of the Board's policies and procedures on risks and controls, and its roles include but not limited to:

- Identifying and evaluating the risks faced, and the achievement of business objectives and strategies,



# **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

## **Corporate Governance Disclosures for the financial year ended 31 December 2016**

- Bringing to the attention of the Board, well-documented recommendations and information to support the Board's policymaking, decision-making and oversight responsibilities,
- Formulating relevant policies and procedures to manage risk and compliance,
- Designing, implementing and monitoring the implementation of risk management frameworks and internal control system,
- Implementing policies approved by the Board,
- Implementing remedial actions to address compliance deficiencies as directed by the Board; and
- Reporting in a timely manner to the Board any changes to the risk and compliance frameworks and the corrective actions taken.

### **Key Internal Control Process**

The key processes that the Board has established in reviewing the adequacy and integrity of the system of internal control, including compliance with applicable laws, regulations, rules, directives and guidelines, are as follows:

#### **Internal Audit**

The Group Internal Audit Division (GIAD) reports independently to the CIMB Group Audit Committee (AC) and the Banking Group AC and is independent of the activities and operations of the business and other support units. The principal responsibility of GIAD is to provide independent appraisal on the adequacy, efficiency and effectiveness of risk management, control and governance processes implemented by Management. In evaluating internal controls, GIAD adopts the five components set out in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission (COSO); namely control environment, risk assessment, control activities, information and communication, and monitoring activities. COSO is an internationally recognised organisation providing thought leadership and guidance on internal control, enterprise risk management and fraud deterrence.

# **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

## **Corporate Governance Disclosures for the financial year ended 31 December 2016**

GIAD's scope of coverage encompasses all business and support units, including subsidiaries that do not have their own audit units. The selection of the units to be audited from the audit universe is based on an annual audit plan that is approved by CIMB Group AC and the Banking Group AC. The annual audit plan is developed based on assessment of risks, exposures and strategies of CIMB Group. Areas that are assessed to be high risk are subject to an annual audit, while those that are assessed to be medium or low risk are subject to a cycle audit. Notwithstanding the risk assessment, the annual audit plan will include areas that must be audited annually due to regulatory requirements, and other established criteria such as recent incidence of fraud, previous adverse audit rating or recent action by regulators. GIAD also undertakes investigations into alleged frauds by staff, customers or third parties, and recommends appropriate improvements to prevent recurrence and actions against persons responsible.

GIAD has unrestricted access to information required in the course of its work. GIAD's scope of work is established in accordance with The Institute of International Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing and relevant regulatory guidelines.

The Audit Report is the final product of an audit assignment, which provides the scope of audit work performed, a general evaluation of the system of internal control together with detailed audit observations, a response of management, comments and recommendations by GIAD for improvement, and deadline to implement GIAD'S recommendations. CIMB Group AC or Banking Group AC (as appropriate) reviews any exceptions or non-compliance raised and ascertains that appropriate and prompt remedial actions are taken by the management.

The total costs incurred for maintaining the GIAD function in Malaysia for financial year ended 31 December 2016 is RM25.7 million, comprising personnel costs, establishment expenses, admin & general expenses and marketing expenses.

GIAD conducts training routinely for relevant staff on governance and internal control matters, including attachment of certain staff with GIAD for both classroom and on-the-job training.

The foreign banking subsidiaries have their own Audit Committees and their own internal audit divisions. While the asset management subsidiaries of CIMB Group and Touch 'n Go also have their own respective Audit Committee, the internal audit function for these subsidiaries is carried out by GIAD. CIMB Group AC and Banking Group AC meet with the relevant subsidiary's Audit Committee once a year to discuss governance and audit matters. The internal audit divisions of the foreign banking subsidiaries submit a report to CIMB Group AC once every quarter. These internal audit divisions follow the same audit planning and standards, and same audit rating methodology as GIAD with such modifications as necessary to suit local environment and regulations.

# **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

## **Corporate Governance Disclosures for the financial year ended 31 December 2016**

As a means to objectively evaluate its service quality and to ensure it continues to improve its service delivery, GIAD had obtained ISO 9001:2008 Certification for its quality management system in 2014, awarded by a leading certification body in Malaysia. Such certification on the internal audit services is the first for a financial institution in Malaysia. GIAD has subsequently passed the annual ISO 9001:2008 surveillance audits in 2015 and 2016, and will prepare for the recertification in 2017.

In addition, periodic external assessment of GIAD's internal audit activity is conducted by qualified external independent reviewer to assess its conformance with The Institute of Internal Auditors International Standards for Professional Practice of Internal Auditing.

### **Audit Committee (AC)**

CIMB Group AC comprises of three Independent Non-Executive Directors. It is a Board-delegated committee charged with oversight of financial reporting, disclosure, regulatory compliance, risk management, governance practices and monitoring of internal control processes in CIMB Group. CIMB Group AC leverages on the work of the Banking Group AC and the respective Audit Committee of the foreign banking subsidiaries, asset management companies of CIMB Group, and CIMB Group's electronic collection system subsidiary, Touch 'n Go.

The Banking Group AC comprises of five Independent Non-Executive Directors and one Non-Independent Non-Executive Director. The responsibility of the Banking Group AC is limited to CIMB Bank, CIMB Islamic Bank and CIMB Investment Bank and their subsidiaries. Save for Datuk Mohd Nasir Ahmad, who is chairman of both CIMB Group AC and the Banking Group AC, the two other members of CIMB Group AC are not members of the Banking Group AC. Senior Management, internal auditors and external auditors report to CIMB Group AC and the Banking Group AC (as appropriate) on the effectiveness and efficiency of internal controls.

All significant and material findings by the internal auditors, external auditors and regulators are reported to CIMB Group AC and the Banking Group AC (as appropriate) for review and deliberation. CIMB Group AC and the Banking Group AC (as appropriate) review and ascertain that mitigation plans are implemented by senior management to safeguard the interests of CIMB Group and upkeep proper governance. Management of business and support units that are rated as 'Unsatisfactory' or 'Unacceptable' by internal audit are counselled by the respective Audit Committee.

CIMB Group AC also reviews all related party transactions, and audit and non-audit related fees proposed by the external auditors of CIMB Group.

# **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

## **Corporate Governance Disclosures for the financial year ended 31 December 2016**

Presentations of business plans, current developments, operations, risks of the business and controls to mitigate risks are made by the relevant business and support units as and when deemed necessary by CIMB Group AC or the Banking Group AC.

Group AC and the Banking Group AC members are invited to attend CIMB Group's Annual Management Summit where key business and support divisions review their operations for the year, present and discuss strategies and plans for the coming year

### **Risk Management and Control Framework**

The Board recognises that sound risk management and internal control are integral parts of CIMB Group's business and operations, and are critical in ensuring CIMB Group's success and sustainable growth.

The emphasis of a strong risk management culture is the foundation of the control mechanisms within CIMB Group's Enterprise-Wide Risk Management (EWRM) framework. The framework involves an on-going process of identifying, assessing, controlling, monitoring and reporting material risks affecting the achievement of CIMB Group's strategic business objectives. It provides the Board and Management with tools to anticipate and manage both the existing and potential risks, taking into consideration the changing risk profile and CIMB Group's business strategies and risk appetite.

In order to further enhance the cultivation of the risk management culture, CIMB Group adopts the three lines of defense model in implementing the EWRM framework, which provides clear accountability of risk management across the CIMB Group. The business units as the first lines of defense is primarily responsible for the identification and management of risks within their day-to-day operations. Group Risk, Group Finance, Group Compliance and other control functions, within the second line of defense provide oversight functions; including measuring, performing independent evaluation and monitoring and reporting to the Board and Management, to ensure that CIMB Group is conducting business and operating within the approved risk appetite and in compliance with the relevant regulations. GIAD, as the third line of defense, provides independent assurance to the Board that internal controls and risk management activities are functioning as designed. The Board has also established the Board Risk Committee, whose responsibilities, amongst others, include overseeing the effective implementation of the EWRM framework.

### **Enterprise-Wide Risk Management Framework**

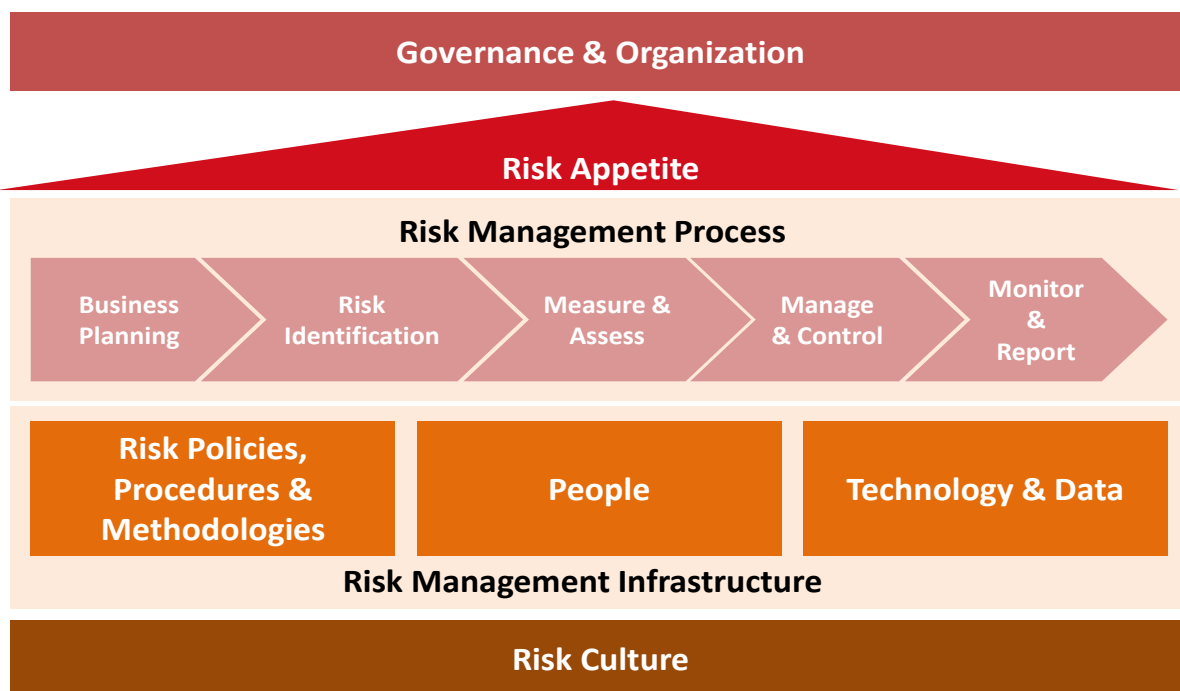
CIMB Group employs an EWRM framework as a standardised approach to manage its risks and opportunities across the CIMB Group. The EWRM framework is consistently adopted by all risk management teams across all jurisdictions, save for some necessary adjustments as required by local regulations.

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Corporate Governance Disclosures for the financial year ended 31 December 2016

The key components of the EWRM framework are represented in the following diagram:



The design of the EWRM framework involves a complementary ‘top-down strategic’ and ‘bottom-up tactical’ risk management approach with formal policies and procedures addressing all areas of significant risk for CIMB Group.

The key features of the EWRM framework includes:

- i. **Governance & Organisation:** A strong governance structure is important to ensure an effective and consistent implementation of the EWRM framework. The Board is ultimately responsible for CIMB Group’s strategic direction, which is supported by the risk appetite and relevant risk management frameworks, policies and procedures. The Board is assisted by various risk committees and control functions in ensuring that CIMB Group’s risk management framework is effectively maintained.

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Corporate Governance Disclosures for the financial year ended 31 December 2016

ii. **Risk Appetite:** It is defined as the amount and types of risk that CIMB Group is able and willing to accept in pursuit of its strategic and business objectives. Risk appetite is set in conjunction with the annual strategy and business planning process to ensure appropriate alignment between strategy, growth aspirations, operating plans, capital and risk.

iii. **Risk Management Process:**

- **Business Planning:** Risk is a stakeholder in the business planning process, including setting frameworks for risk appetite, risk posture and new product or new business activities.
- **Risk Identification:** Risks are systematically identified through the robust application of CIMB Group's risk frameworks, policies and procedures.
- **Measure and Assess:** Risks are measured and aggregated using CIMB Group-wide methodologies across each of the risk types, including stress testing.
- **Manage and Control:** Control and limits are used to manage risk exposures within the risk appetite set by the Board. Control and limits are regularly monitored and reviewed in the face of evolving business needs, market conditions and regulatory changes. Corrective actions are taken to mitigate risks.
- **Monitor and Report:** Risks on an individual as well as a portfolio basis are regularly monitored and reported to ensure they remain within CIMB Group's risk appetite.

iv. **Risk Management Infrastructure**

- **Risk Policies, Procedures and Methodologies:** Well-defined risk policies by risk type provide the principles by which CIMB Group manages its risks. Procedures provide guidance for day-to-day risk taking activities.
- **People:** Attracting the right talent and skills are the key to ensuring a well-functioning EWRM Framework. The organisation continuously evolves and proactively responds to the increasing complexity of CIMB Group as well as the economic and regulatory environment.
- **Technology and Data:** Appropriate technology and sound data management are enablers to support risk management activities.

# CIMB Investment Bank Berhad

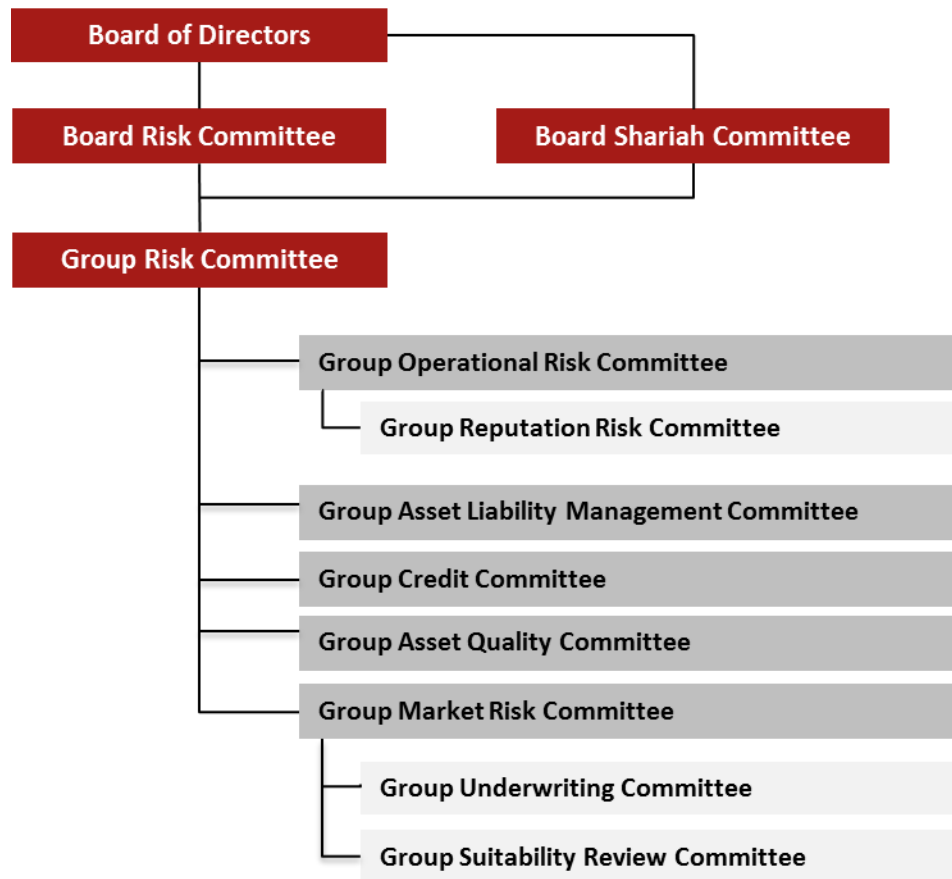
(Incorporated in Malaysia)

## Corporate Governance Disclosures for the financial year ended 31 December 2016

- v. **Risk Culture:** CIMB Group embraces risk management as an integral part of its culture and decision-making processes. CIMB Group's risk management philosophy is embodied in the Three Lines of Defense approach, whereby risks are managed at the point of risk-taking activity. There is clear accountability of risk ownership across CIMB Group.

### Risk Governance Structure

The structure of CIMB Group Risk Committees is depicted as follows:



# **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

## **Corporate Governance Disclosures for the financial year ended 31 December 2016**

### **Board Risk Committee**

At the apex of the governance structure are the respective Boards, which decide on the entity's risk appetite corresponding to its business strategies. In accordance to CIMB Group's risk management structure, the Board Risk Committee (BRC) reports directly into each Board and assumes responsibility on behalf of the Boards for the supervision of risk management and control activities. The BRC determines CIMB Group's risk strategies, policies and methodologies, keeping them aligned with the principles within the risk appetite. The BRC also oversees the implementation of the EWRM framework and provides strategic guidance and reviews the decisions of CIMB Group Risk Committee.

In order to facilitate the effective implementation of the EWRM framework, the BRC has established various risk committees within CIMB Group with distinct lines of responsibilities and functions, which are clearly defined in the terms of reference.

### **Group Risk Committee**

The Group Risk Committee (GRC) which reports to the BRC, performs the oversight function on overall risks undertaken by CIMB Group in delivering its business plan vis-à-vis the stated risk appetite of CIMB Group. In this regard, the GRC reviews the Internal Capital Adequacy Assessment Process annually to ensure that all relevant risks have been identified and captured, and that CIMB Group has sufficient capital resources to undertake such risks in normal and under stressed business conditions.

The GRC supervises the periodic group wide stress testing exercises by endorsing the appropriate scenarios based on the projected macroeconomic conditions and recommending the results of the Stress Test exercise for the BRC's approval.

The GRC is also responsible to recommend CIMB Group's Risk Appetite Statement to the BRC taking into consideration the budget, annual business plans and expected macroeconomic conditions. In implementing the Risk Appetite Statement across CIMB Group, GRC, supported by CIMB Group Risk, encourages timely escalation of all events which may materially impact CIMB Group's financial condition or reputation to the GRC for appropriate action.

The GRC is further supported by specialised risk committees, namely Group Credit Committee, Group Market Risk Committee, Group Operational Risk Committee, Group Asset Liability Management Committee and Group Asset Quality Committee, with each committee providing oversight and responsibility for specific risk areas namely, credit risk, market risk, operational risk, liquidity risk and capital risk.



# **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

## **Corporate Governance Disclosures for the financial year ended 31 December 2016**

Similar risk committees are set-up in each of CIMB Group's overseas subsidiaries in their respective jurisdictions. Whilst recognising the autonomy of the local jurisdiction and compliance to local requirements, CIMB Group also strives to ensure a consistent and standardised approach in its risk governance process. As such, the relevant Group and Regional committees have consultative and advisory responsibilities on regional matters across CIMB Group as regulators allow. This structure increases the regional communication, sharing of technical knowledge and support towards managing and responding to risk management issues, thus allowing the Board to have a comprehensive view of the activities in CIMB Group.

### **Compliance Framework**

The Board recognises that the Compliance function forms an integral part of CIMB Group's risk management and internal control framework, and that a strong compliance culture reflects a corporate culture of high integrity and ethics.

CIMB Group Compliance Division (GC) reports independently to the Board. Appropriate governance has also been established with clear reporting lines by the local and regional compliance officers to CIMB Group Chief Compliance Officer and the respective local entity Boards, to the extent permitted by the regulations of the local jurisdictions.

GC responsibilities include identifying, assessing and monitoring the compliance risk associated with the business and support units or entities; and advise the Board, Management and officers of the business and support units or entities on relevant laws and regulations. All business and support units or entities must act in accordance with relevant laws, regulations and internal GC policies and procedures. Under the Three Lines of Defence Approach, all business and support units or entities as the first line of defence, are required to review, assess and establish the necessary control to ensure compliance to applicable laws and regulations. The entities or units are required to carry out periodic self-assessment on the adequacy of control and level of adherence to regulatory requirements. GC will also conduct compliance reviews on business and support units/entities as part of the second line of defence assurance that regulatory requirements are in place. GC has unrestricted access to all information, records and business premises of CIMB Group and has the authorisation to speak to any employee of CIMB Group about any conduct, business practice, ethical matter or other issue relevant to discharging GC's duties.

The respective entity Boards, as well as the CIMB Group Holdings Berhad Board, are provided with compliance reports on a regular basis the findings and analyses of compliance risk including compliance risk assessment, incidences of non-compliance and deficiencies, corrective measures and information to facilitate the Boards having a holistic and overall view of all compliance matters across CIMB Group.

# **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

## **Corporate Governance Disclosures for the financial year ended 31 December 2016**

GC's scope of coverage encompasses all business and support units including subsidiaries in Malaysia as well as outside of Malaysia including activities which are carried out by CIMB Group or on behalf of CIMB Group by third parties.

As it is vital to have a robust and effective compliance framework in place to safeguard the interest of CIMB Group, stakeholders, customers/clients and employees, CIMB Group has in place compliance policies and standards with appropriate mechanisms and tools are driven at CIMB Group level to ensure consistency in managing compliance risk within CIMB Group. GC requires all local and regional entities within CIMB Group to adopt and implement the GC Compliance policies and procedures, Group Conflict Management and Chinese Walls policies and procedures, which are reviewed on a periodic basis or as and when required to reflect current practices and the applicable legal/regulatory requirements. Training are conducted regularly to create compliance awareness and to facilitate its implementation laws, regulations and internal GC com

### **Anti-Money Laundering/ Counter Financing of Terrorism**

CIMB Group is committed to enforcing an effective internal control system for Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT) in compliance with all related laws, regulations, guidelines and industry leading practices.

CIMB Group's AMLCFT compliance programme to meet the relevant laws, regulations and guidelines, which is overseen by specially designated AMLCFT compliance officer in CIMB Group's local and regional Reporting Institutions (RIs), is underpinned by CIMB Group AML/CFT Policies and Procedures.

CIMB Group's global policy is to comply with the standards of AML/CFT practice in all markets and jurisdictions in which it operates and to comply with both the specific provisions and the spirit of all relevant laws and regulations.

### **Shariah Risk Management**

As part of the EWRM framework, Shariah Non-Compliance (SNC) risk is identified as one of the material risks for CIMB Group, specifically under its Islamic banking business. In this regard, CIMB Group has established a dedicated Shariah Risk Management (SRM) team to facilitate a systematic and consistent approach in managing SNC risk.

The Shariah Risk Management Framework (SRMF) was revised in July 2016 and it has been renamed as Shariah Risk Management Policy (SRMP). The SRMP articulates the objectives, mission, guiding

# **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

## **Corporate Governance Disclosures for the financial year ended 31 December 2016**

principles, governance structure as well as methodology and approach adopted by CIMB Group in managing SNC risk. The SRMP defines SNC risk as CIMB Group's possible failure to comply with Shariah requirements as determined by the relevant Shariah Committees and as prescribed in CIMB Group's internal policies and procedures. The SRMP also lists out incidences of SNC and illustrates the cause and impact of non-compliance with Shariah requirements as well as control that have been put in place by CIMB Group to mitigate SNC risk. The SRMP provides guidance and enables the first line of defense to systematically identify, monitor and control SNC risks in their respective areas, thus minimising potential SNC events.

In addition, to facilitate SNC reporting to the Management and the Board, Risk Appetite Statement (RAS) on SNC was developed in March 2016. RAS for SNC is monitored on monthly basis and it is incorporated in the RAS Dashboard for the CIMB Group.

In 2016, SRM team had initiated several training programs including for staff at branches with a view to increase the level of awareness on SNC risks.

### **Shariah Research**

The Shariah Research function is undertaken by Advisory & Research unit of Shariah & Governance Department which comprises qualified Shariah officers who conduct the pre-product approval process, advisory, research, vetting of issues for submission to the Shariah Committee. This unit is divided into two functions:

- **Research:**

Responsible for performing in-depth research and studies on Shariah issues, preparing Shariah papers for all product proposal to be submitted to the Shariah Committee for approval as well as reviewing documentation to ensure consistency with Shariah requirements.

- **Advisory:**

Responsible for providing day-to-day Shariah advice and consultation to the business and support units and/or those involved in the product development process. This includes conducting assessment, endorsement and evaluation of end to end product development process from structuring to product offerings and related activities in order to ensure no compromise on Shariah requirements that governs CIMB Group's Islamic business operations.

Additionally, Advisory and Research unit is supported by Governance and Review unit that oversee secretariat, review, governance and training functions. The details of this support functions are described as follows:

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Corporate Governance Disclosures for the financial year ended 31 December 2016

- **Secretariat:** Responsible for coordinating meetings, compiling proposal papers, disseminating Shariah decisions to relevant stakeholders and engaging with relevant parties who wish to deliberate issues with the Shariah Committee. The responsibility also includes coordinating submission of proposals to CIMB Group Nomination and Remuneration Committee, the respective Bank Boards and Bank Negara Malaysia on the appointment and reappointment of the Shariah Committee members.
- **Review:** Responsible for conducting post implementation review for all approved products and services launched and offered by the bank to ensure compliance with Shariah. The responsibility also comprises assisting Group Compliance in performing Shariah compliance review function in the most effective manner, including but not limited to supporting Group compliance's regular assessment on Shariah compliance in the Islamic businesses and operations of CIMB Group, supplying manpower for Group Compliance's field review and providing input for remedial rectification measures and control mechanisms to ensure holistic approach is taken in resolving non-compliance and avoiding non recurrence of the same.
- **Training:** Responsible for providing periodic in-house training to all CIMB Group staff on Shariah Governance Framework, Shariah awareness, application of Shariah concepts in Islamic product and services and any other Shariah related training as and when requested by the business units and entities across CIMB Group.
- **Governance:** Responsible as coordinator for all Shariah organs namely Shariah & Governance Department, Shariah Compliance Review unit of Group Compliance, Shariah Risk Management COE of Group Risk and Shariah Audit of Group Audit in the management and overall oversight on the governance of Islamic business of CIMB Group including without limitation the implementation of the Shariah Governance and the review of structures, mechanism, techniques and process for the purpose of end-to-end products development and other processes related to Islamic business of CIMB Group.

In carrying out the above roles and responsibilities, the Shariah & Governance Department is guided by CIMB Group Shariah Compliance Policy and General Procedures Manual. All communication between CIMB Group and the Shariah Committee will be facilitated by this department.

### Shariah Compliance Review

In line with the Bank Negara Malaysia's Shariah Governance Framework for Islamic Financial Institutions, the Shariah Compliance Review Unit of CIMB Group Compliance Department, comprising qualified Shariah officers, is responsible for conducting the Shariah compliance review function.

# **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

## **Corporate Governance Disclosures for the financial year ended 31 December 2016**

The Shariah Compliance Review unit has established CIMB Group Shariah Compliance Review Policy and Procedures Manual which sets out the Shariah compliance review function, encompassing regular assessment on Shariah compliance in the activities and operations of CIMB Group, including examining and evaluating CIMB Group's level of compliance to the Shariah, remedial rectification measures to resolve non-compliances and control mechanisms to avoid recurrences.

In ensuring the activities and operations of CIMB Group are Shariah compliant, the Shariah compliance review officer conducts pre and post-review of CIMB Group's activities and operations as per the Shariah compliance review work plan approved by the Shariah Committee and the respective Boards. In addition to that, the necessary trainings i.e., Shariah Non-compliance Reporting, Tawarruq, etc. has been conducted to educate CIMB Group's staff on the importance of complying with Shariah requirements.

### **Shariah Audit**

Shariah audits of the Malaysian banking and asset management subsidiaries are under the purview of Group Internal Audit Division (GIAD), which reports independently to both the Banking Group Audit Committee and the Shariah Committee on Islamic business operations and activities, particularly on Shariah compliance related matters. The principal objective is to provide an independent assessment and assurance designed to add value and improve the degree of compliance in relation to CIMB Group's Islamic business operations, as well as ensuring a sound and effective internal control system for Shariah compliance.

A similar audit methodology is implemented by GIAD in carrying out Shariah audits as with non-Shariah audits, and includes audit planning, test of control, substantive procedures, reporting and follow-up on remedial actions. The scope of a Shariah audit is established in line with the areas stipulated in BNM's Shariah Governance Framework.

### **Board Shariah Committee**

The Board Shariah Committee (Shariah Committee) is responsible for overseeing all Shariah matters of CIMB Group in accordance with the relevant regulatory frameworks in the jurisdictions where CIMB Group operates in. The Shariah Committee, amongst others, ensures that the Shariah rulings relating to Islamic banking and capital market products and services comply with the fundamental Shariah precepts and resolutions by the relevant Shariah authorities.

# **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

## **Corporate Governance Disclosures for the financial year ended 31 December 2016**

The Shariah Committee is assisted by the Shariah and Governance department that functions as an internal adviser on Shariah matters to all business and support units within CIMB Group in carrying out their Islamic banking, capital market and finance activities. It serves as the intermediary between such units and the Shariah Committee. In addition to recommending the relevant and appropriate Shariah policies and procedures for the Shariah Committee's approval, the Shariah and Governance department also provides training across CIMB Group on the Shariah Governance Framework (SGF).

The SGF is the enterprise-wide Shariah management plan consisting of Shariah governance mechanisms to be undertaken by relevant sections across CIMB Group. CIMB Group Shariah Compliance Policy and General Procedures Manual serves as a solid platform for all the processes under the SGF. The implementation of the SGF is effected through the following functions:

- a) Shariah Research;
- b) Shariah Compliance Review;
- c) Shariah Risk Management;
- d) Shariah Audit.

The Shariah and Governance department facilitates the implementation of Shariah Research and coordinates the overall Shariah governance, whilst Shariah Compliance Review, Shariah Risk Management and Shariah Audit functions are performed by CIMB Group Compliance, Group Risk and Group Internal Audit respectively.

As the function requires auditors to possess adequate Shariah-related knowledge and training, they are required to attend various related training programmes conducted internally and externally. In 2014, GIAD, in collaboration with Group Human Resource, made an arrangement with a reputable Islamic banking association to provide relevant Islamic banking certification to its auditors. The first batch of 13 auditors had completed the certification programme in 2015, and a subsequent batch of 15 auditors is undergoing the similar programme that is expected to be completed in 2017. The programme encompasses 3 stages, namely Associate Qualification in Islamic Finance, Intermediate Qualification in Islamic Finance and Advance Qualification in Islamic Finance.

### **Group Board Oversight Committee**

The Group Board Oversight Committee was established by the CIMB Group Holdings Board in 2014 with the delegated authority to act on the Board's behalf to ensure that the decision of the Board, strategic matters, business plans, budgets, daily business and operational issues are carried out, implemented and/or monitored efficiently and effectively by Management and that the requirements of good corporate governance practices are observed.

# **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

## **Corporate Governance Disclosures for the financial year ended 31 December 2016**

The primary role of the Group Board Oversight Committee is to oversee the implementation and monitoring of the Board's decisions and to provide strategic guidance for CIMB Group as delegated by the Board in its terms of reference.

### **Group Management Committee**

CIMB Group Management Committee (GMC) assists CIMB Group Chief Executive Officer in ensuring that the daily operations of CIMB Group are conducted in accordance with the corporate objectives, strategies, approved annual budget, applicable laws and regulations as well as CIMB Group's internal policies and procedures, that goes to the heart of how CIMB Group conducts business. The results of core divisions and operating units are reported monthly at the GMC meetings and compared with the approved budget.

The GMC members review their respective business plans and report to CIMB Group Chief Executive Officer the performance of their respective business divisions in line with CIMB Group's strategy and other matters as directed by the Board and CIMB Group Chief Executive Officer.

### **Internal Policies and Procedures**

Policies are formulated to govern standard day-to-day operations and to manage the expected risks of CIMB Group. As such, CIMB Group's policies are developed from the baseline of current regulatory requirements and industry best practices to govern the business and operations of CIMB Group. The policies of the business and support units are documented, endorsed by the GRC or its subcommittee(s) and approved by the relevant Boards or Board Risk Committee for implementation across CIMB Group, where applicable. Operational procedures, on the other hand, are approved by CIMB Group Policy & Procedure and Outsourcing Committee (GPOC) for implementation. The approved policies and procedures are timely disseminated to stakeholders. Reviews and updates are performed regularly on approved policies and procedures with the intent to ensure continuous improvements in operational efficiency while taking into consideration the changing industry profile on regulatory requirements, risks and internal control measures for mitigation, and new products and services.

# **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

## **Corporate Governance Disclosures for the financial year ended 31 December 2016**

### **Performance Review**

The Boards of CIMB Group and its major subsidiaries receive periodic management reports which highlight the key financial and operating statistics, including legal and regulatory matters. The Boards deliberate on these matters and where necessary, ensure that prompt actions are taken in executing and resolving the matters in a timely and satisfactory manner. Each core division presents its respective management report at the monthly GMC meetings. The performance of each division is assessed against the approved budgets and corporate objectives; and justification is required for significant variances. The reviews cover, amongst others, monthly financial performance, new business proposals and listing of defaulted accounts as well as discussions on pertinent issues, strategy and correc

### **Information Technology Security**

Information Security requires integrated strategy governing discipline over people, process and technology. In 2015, CIMB Group enhanced its Information Security strategies planning on each of the three components for adequate overall risk mitigations.

In order to strengthen and enhance the level of information security management, in addition to adhering to Bank Negara Malaysia's Guidelines on Management of IT Environment, CIMB Group had developed a security architecture that integrates the technology processes by referencing the following renowned and recognised international technology, process and management standards. The standards include ISO 27001 – Information security management system standard defined by ISO and internationally accepted best practice to demonstrate regulatory, compliance and effective risk management on information security.

In line with the banking business growth and IT Infrastructure expansions, our technology design was constantly reviewed in 2016 and improved to effectively mitigate both internal and external risks and threats. The improvement is evidenced by completion of projects to strengthen security control according to our IT Security Blueprint roadmap. We have also enhanced our Security Operation Center to monitor and respond to potential cyberattacks in a more effective manner. In addition, we have expanded our security intelligence sources for early warning of threats. This allows us to strengthen our control before the attacks arrive.

At the network security level, the network access control system was expanded to cover more user groups and buildings to prevent unauthorised devices to enter the corporate network. CIMB Group is further leveraging on Enterprise End-Point AntiMalware, Data Loss Prevention system, Intrusion Prevention System and Content filtering on Web and email technology which can significantly mitigate the security risks when data traverses the network. The definition files and configurations of these tools were and continue to be updated as and when required to mitigate newly discovered vulnerabilities.



# **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

## **Corporate Governance Disclosures for the financial year ended 31 December 2016**

### **Code of Ethics**

CIMB Group has adopted and institutionalised Bank Negara Malaysia's Code of Ethics for banking institutions in all its entities. It is the minimum code of conduct that is expected from all employees encompassing all aspects of its daily business operations. CIMB Group inculcates good and ethical banking standards in its employees from the moment they join the organisation, when they are required to acknowledge in writing their understanding of the code. The code is emphasised at CIMB Group Orientation programme and training programmes when certain aspects are highlighted.

### **Human Resources Policies and Procedures**

The Human Resources Policies and Procedures (HRPP) of CIMB Group provide clarity for the organisation in all aspects of the human resource management in CIMB Group. CIMB Group reviews its HRPP periodically to ensure that the policies and procedures remain relevant, and appropriate controls are in place to manage operational risks.

Group Human Resource updates employees of changes to policies and procedures via email messages/memoranda. These policies and procedures are also easily accessible by all employees via CIMB Group's intranet portal, for employees to refer to at their convenience.

### **People Development**

CIMB Group acknowledges that people development is critical to ensure that there is a constant pool of talents to fuel the business' growth needs. Therefore employees need to have the right competencies to perform in their roles and exercise sound judgement when fulfilling those responsibilities.

To ensure that we leverage of the right talents to fit the various needs of the organisation, the Performance-Potential Nine-Box Grid talent mapping standardises the identification and segmentation of our talent pools across CIMB Group. This enables leadership teams across the business units deploy necessary interventions by the different talent pools to best develop and maximise their potential. This practice also enables the identification of a pool of high potentials and suitable successors who could potentially take on critical leadership roles in the organisation and mitigate vacancy risk.

Our Talent Review Council (TRC) which consists of key members of the leadership team governs the talent management for each country and business functions with its members held accountable for the development of their employees. Individual development plans are co-created between the individuals and their managers through career conversations. Focused predominantly on building breadth and/or depth in one's career experiences, a blended development approach of building experiences, learning

# **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

## **Corporate Governance Disclosures for the financial year ended 31 December 2016**

from others and formal learning is adopted as a best practice within the organisation. Through CIMB's Global Employee Mobility, we cultivate a collaborative work culture within CIMB Group and enrich our talents' regional work exposure.

CIMB's formal learning programmes span across leadership, universal banking and role-based certifications and development programmes. An example of a senior leadership programme is the CIMB-INSEAD Leadership Programme, which allows the development of leadership skills for senior management with a more global outlook of the business. Another is the Accelerated Universal Bankers Programme that emphasises on the competency of universal banking for middle management employees. The Branch Manager Entrepreneur (BME) programme is an example of a role-based programme to develop future branch managers on top of functional skills trainings and certification programmes through business academies

To mitigate readiness risk in placing an internal talent into a senior leadership role, the individuals will then be assessed to clarify their competencies and readiness. A combination of best-in-class, world-wide recognised tools of international standards are used to assess their competencies aligned with the CIMB Competency Framework. Feedback coaching post assessment is provided to the individuals to further work on their development gaps.

In mobilising talents into new roles and to other parts of the region, mitigation of their transition risk is critical to ensure they adapt and grow into their roles successfully. The TRC monitors and review transition progress and provide necessary support including executive coaching, 1st 90 days guidance and check-point discussions with supervisors.

### **Remuneration**

CIMB Group's remuneration philosophy aims to reinforce a pay-for-performance culture while ensuring appropriate risktaking behaviour.

The governance is established on all remuneration-related matters through CIMB Group Compensation Review Committee, which reviews and approves remuneration policies and payouts together with the Board of Directors. Decisions on variable remuneration are made based on the performance of the respective units in CIMB Group and taking into consideration risk-adjusted performance measures such as Economic Profit and Risk Adjusted Return on Capital, which are incorporated in our scorecards and reporting. The Committee is also guided on their decisions according to the advice and assessment provided by CIMB Group's risk, audit and compliance functions on the respective units in CIMB Group.

# **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

## **Corporate Governance Disclosures for the financial year ended 31 December 2016**

CIMB Group has a deferred remuneration structure in place through an equity ownership plan, where the share awards are vested over 3 years. This share-based long term incentive plan applies to key personnel and senior management of CIMB Group, as well as identified material risk takers. The plan serves to align the interest of this group of employees to that of our shareholders and to increase focus towards long-term sustainability, as well as retaining them with CIMB Group.

### **Culture**

Integrity is one of the core values that are persistently emphasised by the Management. This goes beyond nontolerance of fraud, and also covers professionalism, being honest and respectful. Many programmes and initiatives have been put in place to reinforce this value in employees. Through the practice of giving back, leaders share experiences that help others understand business issues from the perspective of integrity and also help each other deal with existing challenges. This is further emphasised via e-learning.

Where suspected fraud is detected, however, CIMB Group ensures prompt investigations and disciplinary actions are taken against offending employees. Disciplinary actions taken can include dismissal of employment and filing of civil suit for the recovery of losses.

### **Whistle Blowing**

A well-disciplined and professional workforce is the cornerstone of a successful organisation. Therefore, all employees are expected to be vigilant about wrong doings, malpractices or irregularities at their workplace. All employees are made aware of CIMB Group's whistle blowing policy and its processes and to promptly report/disclose any such instances to the Management for immediate rectification or for other necessary measures in minimising potential financial or reputational loss. Meanwhile, CIMB Group is wholly committed to ensure strict confidentiality and will not only protect the identity of the complainant but will also protect the complainant from any harassment and victimisation at work due to the disclosure.

### **Anti-Bribery and Corruption**

One of the core values of CIMB Group is integrity, and CIMB Group will not tolerate any acts which are in breach of this value. CIMB Group firmly believes in acting professionally, fairly and with integrity in all business dealings and relationships. Whilst CIMB Group already has in place various policies and processes, which address some of the issues relating to bribery and corruption, a more comprehensive policy to cover areas of concern is deemed necessary in view that CIMB Group operates

# **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

## **Corporate Governance Disclosures for the financial year ended 31 December 2016**

in many jurisdictions with anticorruption laws. As such, in line with global best practices and good governance approach, CIMB Group has established the Anti-Bribery and Corruption Policy. As commitment to this Anti-Bribery and Corruption Policy, CIMB has also developed a No Gift Policy in our conduct with our customers in relation to entertainment and the receipt and giving of gifts

### **Business Continuity Management**

CIMB Group is committed to safeguard the interests of all its stakeholders by ensuring an appropriate level of business resilience throughout the CIMB Group. The Board and Management are responsible to ensure enterprise-wide implementation of sound BCM practices as part of good corporate governance and prudent risk management.

The objective of business continuity is to ensure the safety of employees and to promote organisational resilience by ensuring that critical business processes can continue, or be recovered in a timely manner, following a disruption, thus ensuring:

- i. customers' expectations and quality of services continue to be met, or be managed, in such a way that customers are retained and new business opportunities are met;
- ii. operations are not adversely affected, thus maintaining the quality of management and meeting statutory and regulatory requirements;
- iii. profits and shareholder values are maintained and do not suffer significant deterioration;
- iv. reputation and image to stakeholders and the public are not negatively affected following a business disruption; and
- v. compliance with the regulatory guidelines and legislations on BCM (e.g. BNM, Bursa Securities or SC).

As such, we have put in place a sound BCM Programme to ensure that the critical business functions are able to be recovered in a timely manner, in the event of any disruption. Our BCM Programme is aligned to the organisation's business vision and strategy. This is done by calibrating CIMB Group's BCM Programme to the target level of preparedness, which is determined by CIMB Group Crisis Management Committee.

Regular reviews, re-assessments and updates for BCM documentations/plans have been conducted to ensure adequacy, effectiveness and relevance of the business recovery strategies. These plans are rehearsed and tested on a regular basis.

# **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

## **Corporate Governance Disclosures for the financial year ended 31 December 2016**

CIMB Group has a BCM department, whose primary role is to ensure effective coordination and supervision of all BCM activities by introducing integrated and standardised BCM approach across the organisation.

Annual BCM workshops are conducted for various business units within the CIMB Group and for regional counterparts with support from CIMB Group Crisis Management Committee and Group Human Resources in its effort to increase employee awareness and efficiency and grow BCM programme maturity.

### **Fraud Detection**

CIMB Group constantly monitors new trends and developments on fraud to implement control and detection tools. Fraud detection tools are used to detect suspicious transactions. Digital forensics has emerged as an essential tool for digital recoveries especially for the protection and investigation of evidence that had been deleted. In view of this threat, a Digital Forensic Lab has been set up to enable us to restore and analyse information of the fraudster digital devices.

### **Conclusion**

The Board, through the Audit Committee, Board Risk Committee and the Board Shariah Committee, confirms that it has reviewed the effectiveness of the risk management and internal control framework and considers CIMB Group's system of internal control as adequate in safeguarding the shareholders' interests and assets of CIMB Group. The Board also confirms that there is an effective ongoing process for identification, evaluation and management of significant risks in CIMB Group and is committed to ongoing review of the entire control, compliance and risk management control.

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Corporate Governance Disclosures for the financial year ended 31 December 2016

### Remuneration Policy

CIMB Investment Bank Berhad adopts the CIMB Group Remuneration Policy, which has been reviewed by the Group Compensation Review Committee (GCRC) and approved by the Board, and which acts as a guiding principle in relation to the design and management of our remuneration programmes.

#### Key principles of the CIMB Group Remuneration Policy

Principle	Purpose	Approach
Strong Governance	To ensure strong and independent oversight of the remuneration system	<ul style="list-style-type: none"> <li>• Oversight and review by GCRC</li> <li>• Guided by input from control functions, Audit Committees and Board Risk Committees</li> </ul>
Appropriate assessment of performance	To support a performance based culture which promotes prudent risk-taking and long-term sustainability	<ul style="list-style-type: none"> <li>• Performance measurement through balanced scorecard which includes both financial and non-financial goals, short-term and long-term perspectives and incorporates measures related to risk, compliance and process controls.</li> <li>• Use of risk adjusted performance measures ie risk-adjusted return on capital (RAROC) and economic profit</li> <li>• Deferral and clawback arrangements in variable remuneration schemes</li> </ul>
Market competitive	To offer rewards that allow the Group to attract, motivate and retain the right talent	<ul style="list-style-type: none"> <li>• Benchmarking against similar organisations in the geographies and industries in which we operate</li> </ul>

For more information on the CIMB Group Remuneration Policy (and its practices), please refer to the disclosures of the CIMB Group as shown in the CIMB Group 2016 Annual Report and website.

Company No: 18417-M

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Corporate Governance Disclosures for the financial year ended 31 December 2016

Table 1: Breakdown of remuneration awards for Chief Executive Officer

Category	Cash (RM'000)	Shares (RM'000)	Total (RM'000)
Fixed Remuneration	1,643	-	1,643
Variable Remuneration			
• Non-deferred	555		555
• Deferred	832	2,081	2,913
<b>Total remuneration awards for financial year 2016</b>	<b>3,030</b>	<b>2,081</b>	<b>5,111</b>