

## **STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL OF MAYBANK INVESTMENT BANK BERHAD**

Financial year ended 31 December 2021

### **INTRODUCTION**

This Statement on Risk Management and Internal Control is in accordance from Corporate Governance Disclosures requirement of BNM Corporate Governance Policy Document (“CG”). The CG states that Maybank Investment Bank Berhad (“Maybank IB”) may leverage on disclosures relating to the centralised group-wide framework made by Malayan Banking Berhad. The statement outlines the key features of the risk management and internal control system of Maybank IB during the year under review.

### **BOARD RESPONSIBILITY**

The Board is responsible to establish a sound risk management and internal control system as well as review its adequacy and effectiveness in identifying, assessing and responding to risks which may hinder Maybank IB from achieving its objectives. One of the vital roles of the Board is to establish the risk appetite which articulates the levels and types of risk that Maybank IB is willing to accept in the pursuit of its business and strategic objectives. In this aspect, the Board actively participates in setting the strategic goals and plans of Maybank IB and ensures that the corresponding risks are adequately mitigated within its approved risk appetite. In view of the inherent limitations in any risk management and internal control system, the Board recognises that such a system can only provide reasonable, rather than absolute assurance against material financial misstatement, fraud or losses.

The Board plays a crucial role in establishing a strong risk management and internal control governance structure, which is critical in setting the tone and culture of effective risk management and internal control. To effectively carry out its risk and control oversight responsibilities, the Board has established the Risk Management Committee (“RMC”) and Audit Committee of the Board (“ACB”) to oversee matters relating to risk, compliance and controls respectively. The Board committees update the Board periodically of their work, key deliberations and decisions on the delegated matters.

### **MANAGEMENT RESPONSIBILITY**

The Management is responsible for implementing the Board’s policies and procedures in relation to risk and control. The role of the Management includes:

- Identifying and evaluating the risks relevant to Maybank IB’s business, and the achievement of business objectives and strategies;
- Formulating relevant policies and procedures to manage these risks in accordance with Maybank IB’s strategic vision and overall risk appetite;
- Designing, implementing and monitoring the implementation of an effective risk management and internal control system;
- Implementing remedial actions to address the compliance deficiencies as directed by the Board; and
- Reporting in a timely manner to the Board on any changes to the risks or emerging risks and the corrective and mitigation actions taken.

## RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

### Risk Management

#### Risk Management Framework

Risk Management provides oversight of risk management on an enterprise-wide level through the establishment of the risk frameworks and policies, with independent assessment and monitoring of all risk challenges. In 2021, Risk management has continued to focus on value creation and supporting Maybank IB in meeting its strategic and business objectives.

Risk management has evolved into an important driver for strategic decisions in support of business strategies while balancing the appropriate levels of risk taken to the desired level of returns. To complement this, Maybank IB Risk has in place the Enterprise Risk Management Framework to institutionalise vigilance and awareness of the most significant risks to the achievement of the company's mission. It is underpinned by a set of building blocks which serves as the foundation in driving a strong risk management culture, encompassing practices and processes:



#### Risk Appetite

Maybank IB's risk appetite is an integral component of the Maybank IB's robust risk management framework and is driven by both top-down Board leadership and bottom-up involvement of Management at all levels. The risk appetite enables the Board and Senior Management to communicate and assess the types and levels of risk that Maybank IB is willing to accept in pursuit of its business and strategic goals while taking into consideration constraints under stressed environments. Maybank IB's risk appetite defines our risk capacity and translates into risk limits and/or tolerances as guidance, which are then used to regularly measure and evaluate our risk profile.

The risk appetite is integrated into the strategic planning process, and remains dynamic and responsive to the changing internal and external drivers such as market conditions, stakeholder's expectations and internal capabilities. In addition, the budgeting process is aligned to the risk appetite in ensuring that projected revenues arising from business transactions are consistent with the risk profile established.

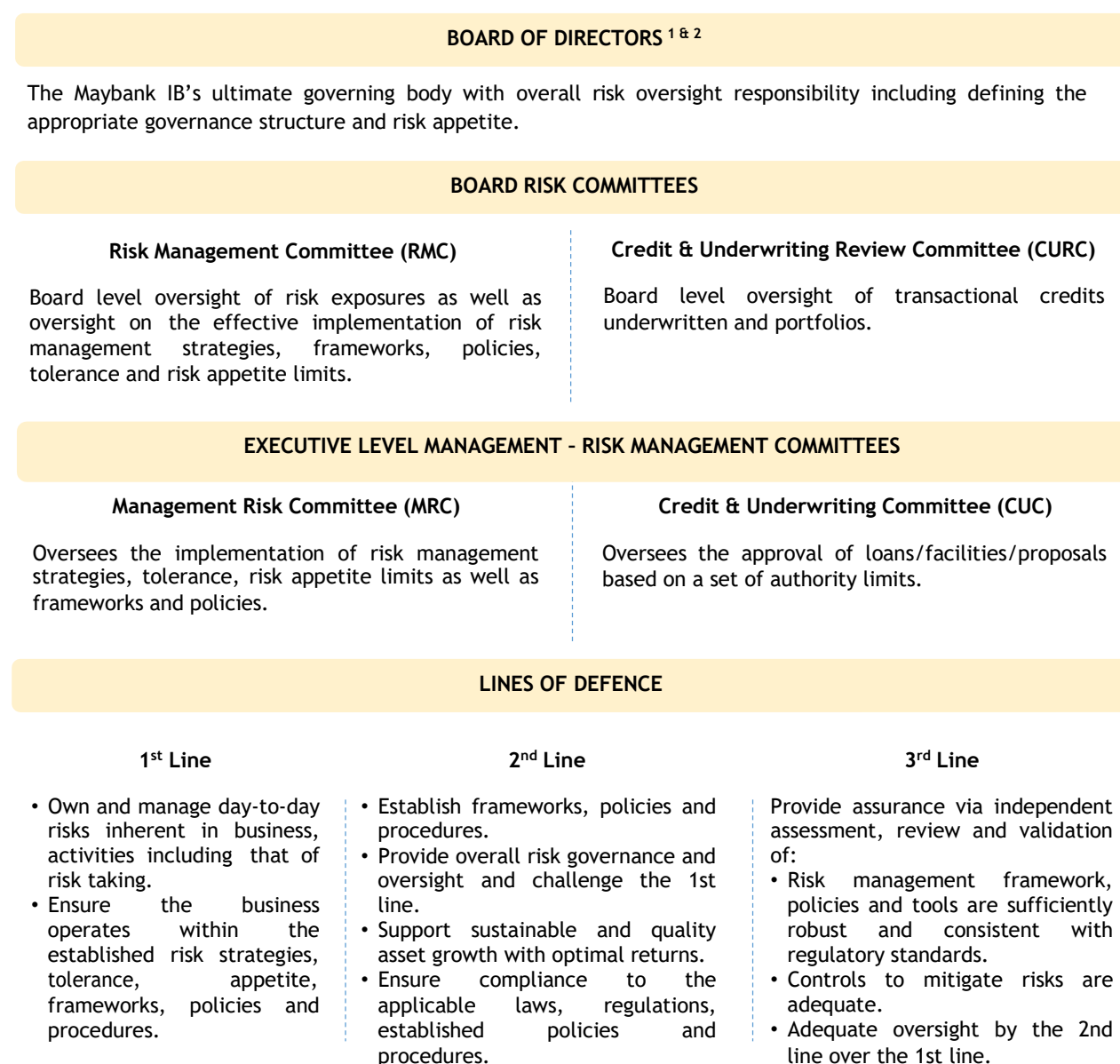
The risk appetite also provides a consistent structure in understanding risk and is embedded in day-to-day business activities and decisions throughout Maybank IB.

### **Risk Governance & Oversight**

The risk governance model of Maybank IB provides a formalised, transparent and effective governance structure that promotes active involvement from the Board and Senior Management in the risk management process to ensure a uniform view of risks across Maybank IB.

Our governance model places accountability and ownership in ensuring an appropriate level of independence and segregation of duties between the three lines of defence. The management of risk broadly takes place at different hierarchical levels and is emphasised through various levels of committees, business lines, control and reporting functions.

The Maybank IB's overall risk governance structure is as illustrated below:



<sup>1</sup> The Maybank Group Board Sustainability Committee and Maybank Group EXCO Sustainability Committee were established within the Maybank Group level to oversee the Group's overall strategy on sustainability and review the effectiveness of the strategies and practices.

<sup>2</sup> The Shariah Committee of Maybank Islamic Berhad provides oversight over Shariah matters and compliance of Maybank IB's Islamic business activities with the Shariah requirements.

### **Risk and Compliance Culture**

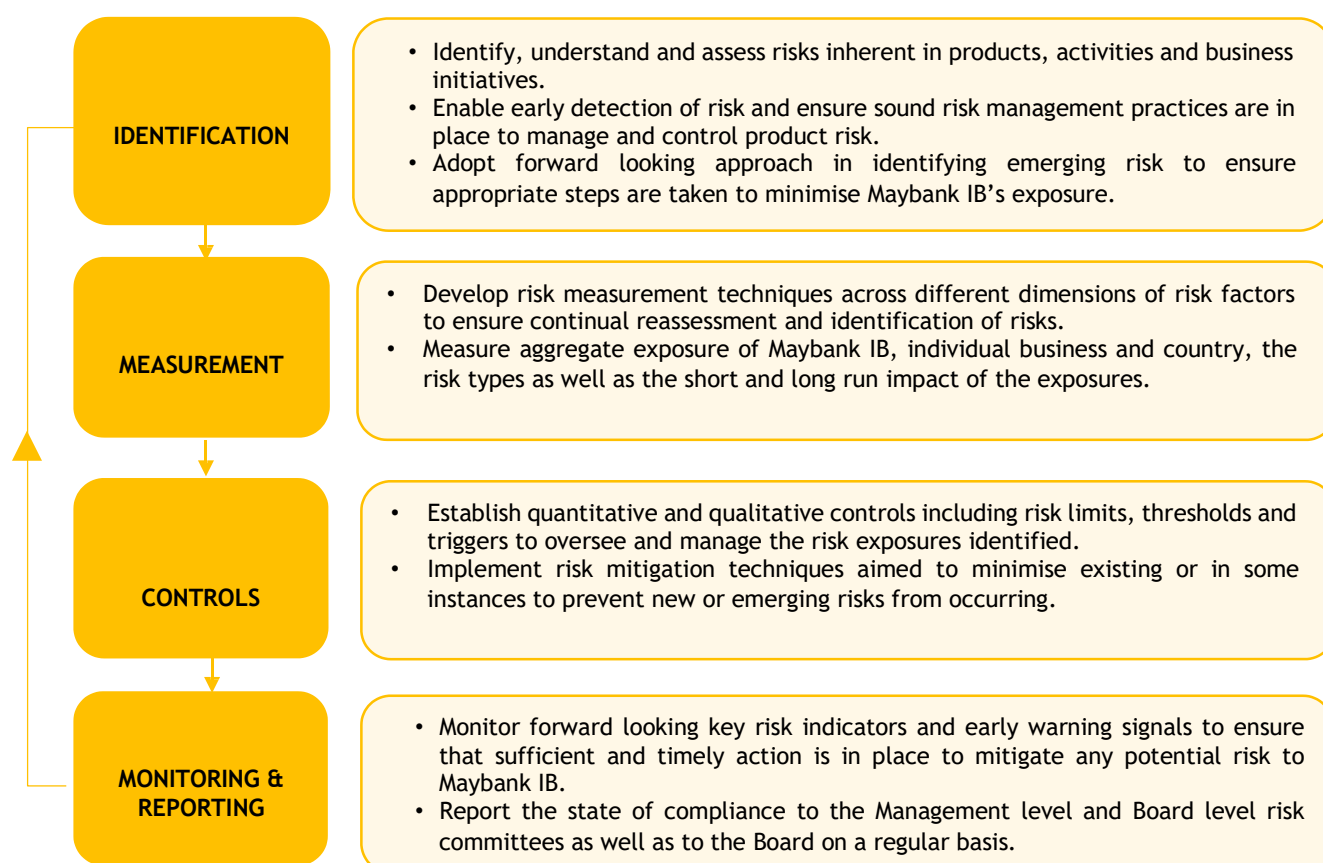
The risk and compliance culture is driven by a strong tone from the top and strengthened by the tone from the middle which serves as the foundation upon which a robust enterprise wide risk management structure and governance are built. This is to ingrain the expected values and principles of conduct that shape the behaviour and attitude of employees across at all levels of business and activities in Maybank IB.

Risk and compliance policies are clearly defined, consistently communicated and continuously reinforced throughout Maybank IB to embed a robust culture that cultivates active identification, assessment and mitigation of risks. As part of the risk and compliance culture, Maybank IB has instilled a culture where the Board, Senior Management and employees of Maybank IB are committed to adhere to the requirements of relevant laws, rules, and regulations. This commitment is clearly demonstrated through the establishment and strengthening of policies, processes and controls in managing and preventing non-compliances.

Risk and compliance culture programmes are emplaced and driven by the Board and Senior Management and encompass amongst others, induction programme, engagement sessions and e-Learnings. This ensures risk considerations are embraced by all employees together in enhancing customer experience, building trust and brand value of Maybank IB for long term sustainability of the organisation.

### **Risk Management Practices & Processes**

The risk management practices and processes enable a systematic identification, measurement, control, monitoring and reporting of risk exposures in Maybank IB.



### **Shariah Governance Framework**

The Maybank IB's Shariah Governance Framework sets out the expectations for the effective Shariah governance structures, processes and arrangements of all businesses within the Maybank IB that execute Islamic business transactions. The Framework was established in accordance with Bank Negara Malaysia's (BNM) latest Shariah Governance Policy Document. This is to ensure that all of its operations and business activities are in accordance with Shariah principles as well as to provide comprehensive guidance to the Board, Shariah Committee and Management in discharging their duties in matters relating to Shariah.

The Shariah Governance Framework reflects the responsibility of the Board, Management of Maybank IB, Shariah Committee and Shariah Control functions, namely Shariah Advisory and Research, Shariah Risk, Shariah Review and Shariah Audit to ensure effective management of Shariah Non-Compliance risks. The end-to-end Shariah-compliant governance mechanism is executed through three line of defence that cater for both pre-execution and post-execution. The three lines of defence are as follows: which works closely with Business Units to ensure effective management of Shariah Non-Compliance risks.

- 1<sup>st</sup> - Business & support units and Shariah Secretariat
- 2<sup>nd</sup> - Shariah Risk and Shariah Review; and
- 3<sup>rd</sup> - Shariah Audit

### **Stress Testing**

Maybank IB's stress testing programme is embedded within risk and capital management process and also is a key function of the business planning process. It serves as a forward looking tool to facilitate the understanding of the risk profile under exceptional but plausible events and worst-case scenarios that may arise due to various economic, political and/or environmental factors as well as to ascertain the impact on Maybank IB and how this can be proactively managed.

### **Cyber and Technology Risk Management Policy & Guideline**

The Cyber Risk Management Framework has been established based on standards issued by the National Institute of Standards and Technology, US ("NIST") and guidance issued by regulatory bodies which emphasise the identification of risks, building resilience, detecting cyber threats and responding effectively to cyber related events. The framework encompasses a cyber-risk management strategy, governance structure and risk management enablers. It complements the Technology Risk Management Framework and covers both business and technology drivers from an end-to-end perspective, focusing on the key layers of people, process and technology.

The Technology Risk Management Framework sets out the standards for identifying the risks and required controls in an organisation's technology related functionalities and for taking the appropriate risk remedial actions. This is established to standardise the Technology operations environment which will increase high service levels to customers as well as business units.

For both frameworks, separate assessments have been established to measure compliance and identify gaps. Additionally, an assessment has been established for outsourced vendor security controls and practices.

## INTERNAL CONTROL SYSTEM

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal controls include:

- **Group Organisation Structure**

The Board has established an organisation structure with clearly defined lines of responsibility, authority limits, and accountability aligned with business and operations requirements to support the maintenance of a strong control environment.

- **Annual Business Plan and Budget**

The Board deliberates and approves the annual business plan and budget for the year. Performance achievements are reviewed monthly against the targeted results, allowing time for the appropriate responses and required remedial actions to be taken. The Board regularly reviews reports from the Management on the key business operational statistics, as well as legal and regulatory matters.

- **Oversight by Risk Management Committee**

The Board has delegated the risk oversight responsibility to the RMC. The committee is responsible for approving any material changes or amendments to Maybank IB's risk policies, as well as formulating new risk policies and frameworks to identify, measure, monitor, manage and control material risk components impacting the businesses. The effectiveness of the risk management system is monitored and evaluated by Maybank IB Risk Management function on an ongoing basis.

Further information on the roles and responsibilities and specific duties of the RMC is included in the Statement of Corporate Governance.

- **Other Board Committee**

Other Board Committee, namely Credit and Underwriting Review Committee have been set up to assist the Board in executing its governance responsibilities and oversight function. This Committee has the authority to examine all matters within the scope defined in the terms of reference and report to the Board with their recommendations.

Further information on the various Board Committees can be found in the Statement of Corporate Governance

- **Executive Level Management Committees**

The Management has established various Executive Level Management Committees to assist and support the Board Committees in overseeing the core areas of business operations & controls. These Management Level Committees include the Management Risk Committee ("MRC"), Credit & Underwriting Committee ("CUC") and Executive Committee ("EXCO").

- **Management of Information Assets**

Confidentiality, integrity and availability of information are critical to the day-to-day operations and to facilitate management decision-making. The Maybank IB Group Information Risk Management Guidelines which includes Maybank IB, outlines the guiding principles for an effective management of information assets. All information must be properly managed, controlled and protected as guided by these information handling rules which are also within the Cyber and Technology Risk Management Frameworks, and BNM's Risk Management in Technology (RMiT) policy document.

With increased adoption of technology capabilities and the concomitant risk of cyber threats, information security has been among our key focus area. Technology controls are applied at the various stages of information cycle. Amongst the controls are Data Loss Protection to protect and prevent the potential for data loss or theft.

Technology infrastructure and security controls continue to be strengthened and monitored as Maybank IB embraces mobile work arrangements following the COVID-19 pandemic outbreak. Clear desk policy is reinforced in the primary, alternative or mobile work arrangement site(s) to protect confidential and proprietary information.

- **Sustainability Management**

Premised on the mission of Humanising Financial Services, Maybank Group has established the Maybank Group Sustainability Framework which serves as the overarching document outlining the sustainability mission, principles, goals, targets, governance and approach to all our activities for the Group and its subsidiaries.

The Framework reflects the six key principles and four commitments which are entwined with Maybank's 2025 Strategy, whereby Sustainability is one of the Group's three strategic priorities. The sustainability strategy covers three key pillars, which are: Responsible Transition; Enabling Our Communities with a Vision of the Future; and Our House is in Order and We Walk the Talk. This involves: (1) Enabling the transition to a low-carbon economy and balancing environmental and social imperatives with stakeholders' expectation; (2) Building community resilience across ASEAN and undertaking responsive action to promote economic development and social well-being; and (3) Leading by example with good management practices and ensuring that our ESG strategy is based on a strong foundation.

In line with Maybank Group's effort to solidify the commitment and seriousness towards embedding sustainability in everything that we do, Maybank Group has established the EXCO Sustainability Committee which is chaired by the Maybank Group President & CEO. Concurrently, the Maybank Group Board Sustainability Committee, chaired by our Maybank Group Chairman, has also been set up to oversee the Group's overall strategy on sustainability and review the effectiveness of the strategies and practices in place.

- **Regular Updates and Communication of Risk Management Principles, Policies, Procedures and Practices**

Risk management principles, policies, procedures and practices are reviewed and updated regularly to ensure relevance to the current business environment as well as compliance with applicable laws and regulations. Risk frameworks, policies and procedures are applicable across the Maybank IB Group, which Maybank IB is required to adopt the principles prescribed by the Maybank IB Group while complying with local requirements.

- **Core Values and Code of Ethics and Conduct**

The Maybank Group's core values, T.I.G.E.R. ("Teamwork, Integrity, Growth, Excellence and Efficiency, Relationship Building") are the essential guiding principles to drive behavioural ethics while fulfilling our collective responsibility to serve our mission of Humanising Financial Services. It is further complemented by the Code of Ethics and Conduct that sets out sound principles and standards of good practice to be observed by all employees.

- **Fraud Management**

Maybank IB instils a culture of vigilance amongst employees in handling and combating fraud, and to deter future occurrences. Robust and comprehensive tools/infrastructure and programmes are emplaced to ensure risks resulting from fraud are identified, escalated/ reported and managed in a decisive and timely manner. Stern disciplinary action is taken against employees involved in fraud.

- **Reputational Risk Management**

Maybank IB adopts a holistic approach and sound governance in managing reputational risk, and to institutionalise awareness and its consequences. Protecting our reputation is paramount to operating as an institution that provides financial services. Upholding trust and creating better

customer experience and security forms a vital part of our obligation as a financial institution. Hence, the Maybank IB Group Non-Financial Risk Policy which includes Maybank IB is emplaced with the process and tools, to facilitate an effective reputational risk management and monitoring of the risk exposures.

- **Compliance Framework**

The Framework provides the key principles and guidelines for managing Compliance Risk within Maybank Investment Banking Malaysia (“Maybank IB”). It serves as a guide for Compliance function alongside Board of Directors, Senior Management and all employees in all jurisdictions in understanding, complying and managing compliance risk. It is adopted and implemented across by operating entities across MIBMY.

The Framework outlines:

- The overarching principles for the management of compliance risk across Maybank IB;
- The overall strategy in managing compliance risk to ensure uniformity in practices across Maybank IB in meeting regulatory and legal obligations;
- The minimum expected standards for compliance risk management; and
- The roles and responsibilities of compliance risk management across Maybank IB.

- **Conflict of Interest (“COI”) Policy**

Maybank IB COI Policy is a high level policy to address COI situations in general due to COI may arise in various circumstances such as advisory arrangement, financing and principal transactions.

Management of COI aims to avoid or eliminate conflicts wherever possible, or manage these conflicts effectively through meaningful controls, mitigation and/or full disclosure, to alleviate any doubts or perceived doubts of the professionalism of the individual or the Bank in making judgment, decisions or taking actions.

- **Chinese Wall Policy**

The Maybank Investment Banking Group (“Maybank IB Group”) Chinese Wall Policy serves as a tool in managing inside information and establishes internal control mechanisms to be observed by all employees. The policy governs the flow of Material Non-Public and Price Sensitive Information and act as a mitigating factor for insider trading charges against Maybank IB, also applicable throughout MIBG.



- **Whistleblowing Policy**

Maybank IB Group's Whistle Blowing Policy encapsulates the governance and standards to promote an ethical, responsible and secure whistleblowing practice within the Bank. This is in line with the requirements of BNM's Corporate Governance Policy and the principles as prescribed in the Whistleblower Protection Act 2010. The core of the policy is aimed to provide a proper and secured avenue for employees and/or members of the public who has knowledge or is aware of any improper conduct to report any suspected fraud, corruption, criminal activity or unethical conduct/behaviour by employee, without facing any adverse consequences, such as retaliation.

Maybank IB is committed to ensuring the confidentiality of the identity of the whistleblower and no person raising a concern in good faith is victimised, harassed, retaliated or otherwise unfairly treated in any manner.

- **Compliance to AML/CFT and Sanctions Requirements**

As a participant in the financial sector, Maybank IB is committed to fight against financial crime and ensuring effective implementation of measures in the areas of anti-money laundering and counter financing of terrorism ("AML/CFT") and sanctions. MIBG AML/CFT Policy establishes governing principles to ensure that all employees adhere to the highest standards of AML/CFT that MIBMY operates within its money laundering/ terrorism financing ("ML/TF") risk appetite as expressed in the MIBG Risk Appetite Statement; and to protect MIBMY and its businesses from being a conduit for ML/TF. In addition the MIBG Sanctions Policy is established to ensure that MIBMY and all employees conduct business in accordance with applicable sanctions-related laws and regulations.

- **Anti-Bribery and Corruption Policy ("AB&C Policy")**

The AB&C Policy governs the reporting, investigation and deliberation of whistleblowing reports on alleged misconducts or unethical activities involving Maybank IB Group.

Maybank IB is committed to conduct its business dealings with integrity. To achieve this commitment Maybank IB has adopted a zero tolerance approach against all forms of Bribery and Corruption in carrying out its daily operations.

**INTERNAL AUDIT****Independent Assurance by Internal Audit**

The Internal Audit (IA) function is established by the Maybank Group Board to provide independent assurance on the adequacy and effectiveness of governance, risk management and internal control. The IA function of Maybank IB is undertaken by Maybank's Group Audit which has a total workforce of 155 personnel in Malaysia as of December 2021. In 2021, the IA function was headed by Puan Nazlee Abdul Hamid, the Group Chief Audit Executive (GCAE), who has over 30 years extensive experience in auditing within the financial industry as well as with BNM. She holds a Masters of Business Administration in Management and Organisational Leadership and a Diploma in Accountancy. The IA function is independent of the activities and operations of other operating units within the Group where the GCAE reports functionally to the Group ACB and administratively to the Group President & Chief Executive Officer (GPCEO). The IA processes and activities are guided by the Audit Charter and governed by the relevant regulatory guidelines, Group's Code of Ethics and mandatory guidance established under the International Professional Practices Framework by The Institute of Internal Auditors (The IIA).

The GCAE is assisted by Puan Farlewin Ninny Scheritzeit Ozairs, the Senior Director appointed to oversee the IA function of Maybank IB. She has 14 years' experience in the capital market industry with over 10 years specialisation in the auditing of treasury and investment activities. In addition to her reporting line to the GCAE, she reports to Maybank IB ACB on matters relating to Maybank IB audit coverage and audit governance. Encik Mohamad Yasin Abdullah has replaced Puan Nazlee Abdul Hamid as Group Chief Audit Executive effective 9 May 2022.

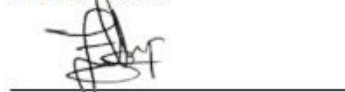
**Reviewed and cleared by,**

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