

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

Financial year ended 31 December 2023

## INTRODUCTION

This Statement on Risk Management and Internal Control is in accordance from Corporate Governance Disclosures requirement of Bank Negara Malaysia 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 (“Maybank”). 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 affirms its overall responsibility for establishing a sound risk management and internal control system as well as for reviewing its adequacy and effectiveness in identifying, assessing and responding to risks that 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 types and levels of risk that Maybank IB is willing to accept in the pursuit of its business and strategic objectives. In this respect, the Board actively engages in Maybank IB strategic goals and plans ensuring 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. To effectively execute its 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. These committees update the Board periodically of their work, key deliberations and decisions on the delegated matters.

## MANAGEMENT RESPONSIBILITY

The Management is responsible for implementing all policies and procedures established by the Board in relation to risk and control. The roles of the Management include:

- Identifying and evaluating 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 compliance deficiencies as directed by the Board; and
- Reporting in a timely manner to the Board 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 is managed on an enterprise-wide level through the establishment of the risk strategies, frameworks and policies, with independent assessment and monitoring of all risk challenges. In 2023, Maybank IB Risk continued to focus on value creation and supporting Maybank IB in meeting its strategic and business objectives.

### Risk Management Framework

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 developed the Enterprise Risk Management Framework to institutionalise vigilance and awareness of the most significant risks to the achievement of the company's mission. The framework is underpinned by a set of building blocks that 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 the constraints under a stressed environment. Maybank IB's risk appetite translates our risk capacity into risk limits and/or tolerances as guidance, which are then used to regularly measure and evaluate our risk profile.

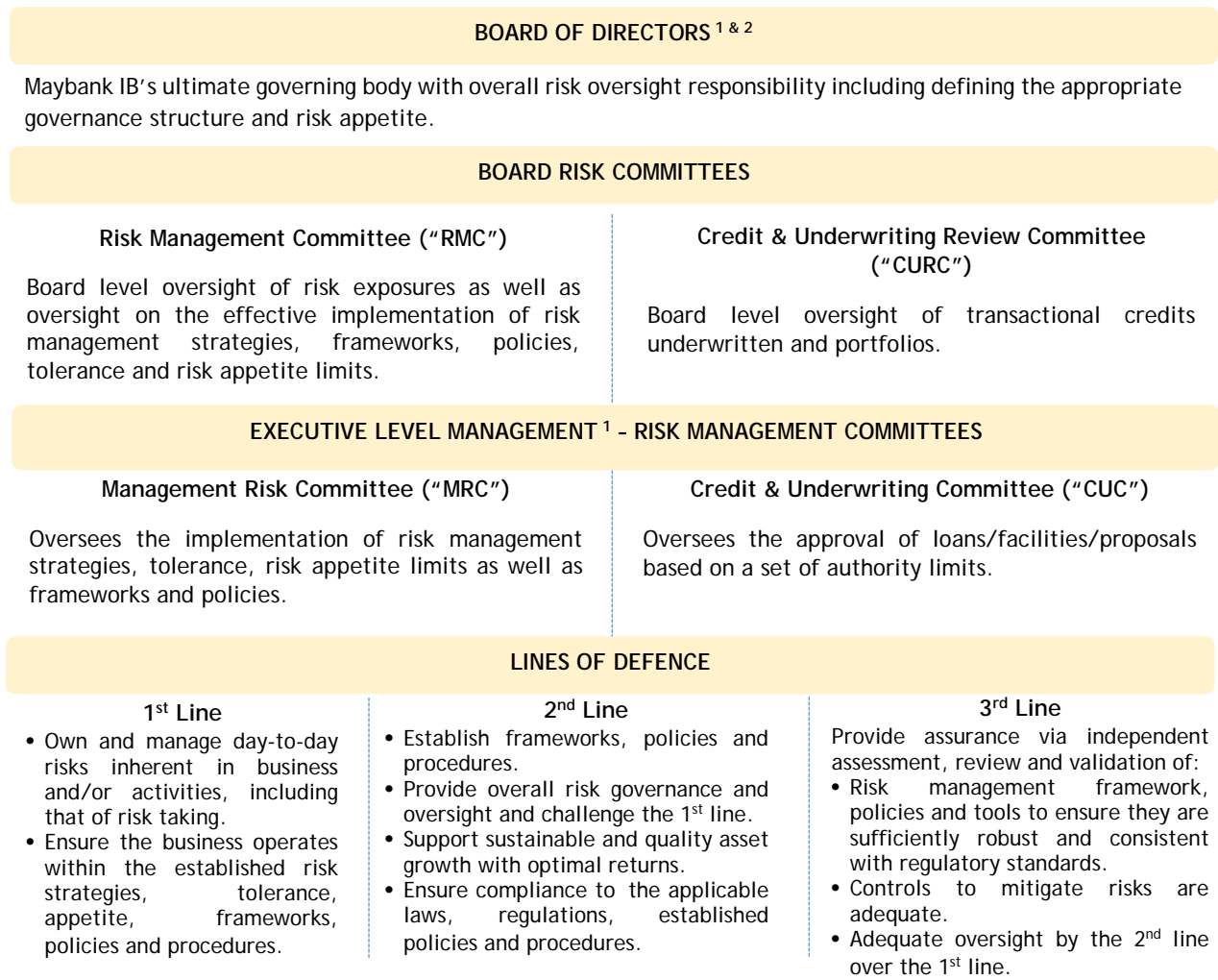
The risk appetite is integrated into the strategic planning process, and remains dynamic and responsive to changing internal and external drivers such as market conditions, stakeholder’s expectations and internal capabilities. In addition, the annual budget is aligned with the risk appetite in ensuring 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 governance model adopted by Maybank IB provides a formalised, transparent and effective governance structure that promotes the active involvement of 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 appropriate levels of independence and segregation of duties between the three lines of defence. The management of risk takes place at different hierarchical levels and is emphasised through various levels of committees and business lines as well as control and reporting functions.

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



<sup>1</sup> Maybank Group Board Sustainability Committee and Maybank Group EXCO Sustainability Committee were established within the Maybank Group level to oversee Maybank 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

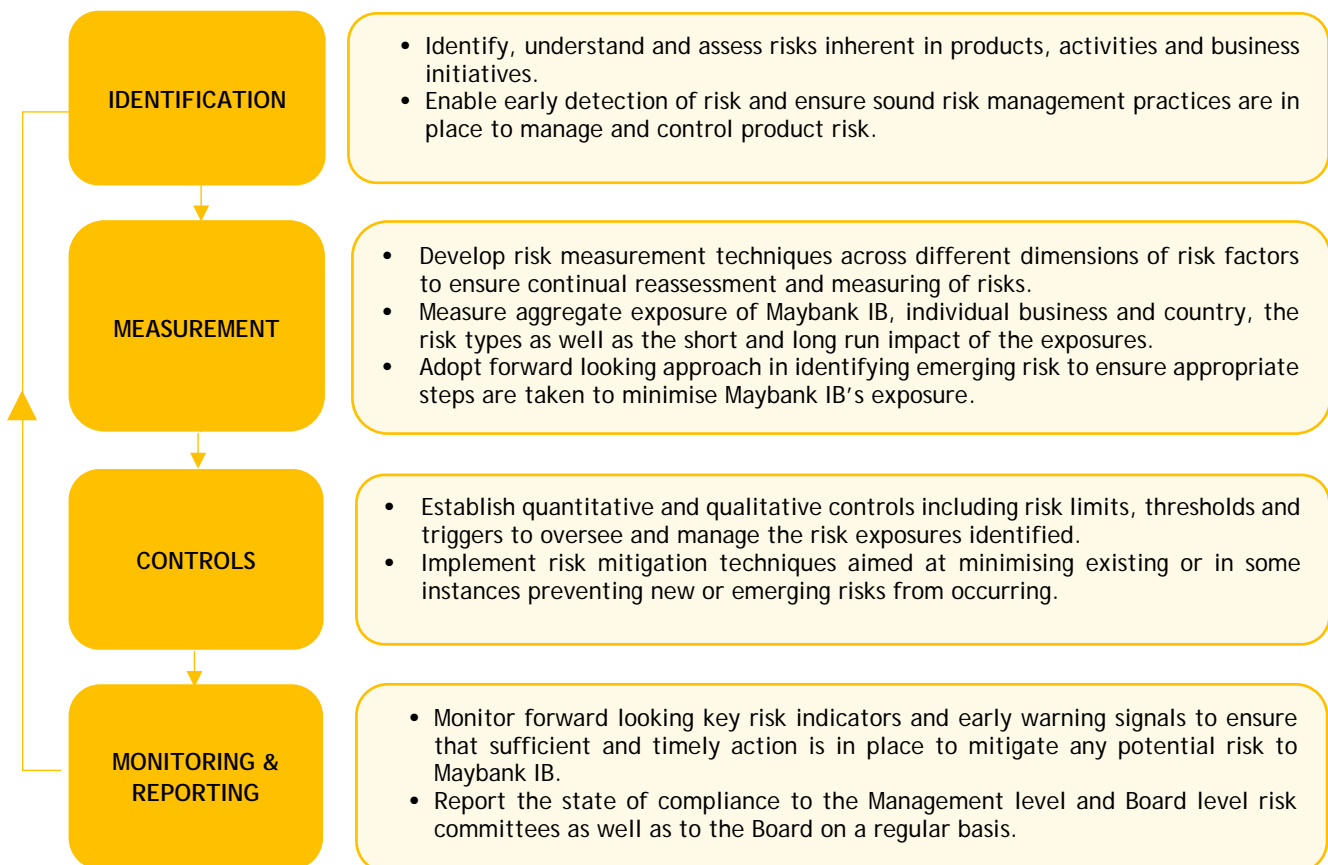
The risk and compliance culture is driven by a strong tone from the top. It serves as the foundation in which a robust enterprise-wide risk management structures and governance are built. This is to ingrain the expected values and principles of conduct that shape the behaviour and attitude of employees across 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, the Board, Senior Management and employees of Maybank IB are committed to adhering 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 encompassing amongst others, value capsules, induction programme, engagement sessions and e-learnings. An integrated assurance platform is also emplaced to provide a single collective view of risk controls, compliance and governance. 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**

Maybank IB's Shariah Governance Framework ("Framework") sets out the expectations for 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 ("BNM")'s Shariah Governance Policy Document. This is to ensure that all of its Islamic 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 Framework reflects the responsibility of the Board, Management, Shariah Committee and Shariah Control functions, namely, 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 carried out through three lines of defence that cater for both pre-execution and post-execution. The three lines of defence are as follows:

- 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 the risk and capital management process and is also a key function of the business planning process. It serves as a forward-looking tool to facilitate the understanding of risk profiles 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 they can be proactively managed.

### **Cyber and Technology Risk Management Framework**

The Cyber Risk Management Framework has been established based on standards issued by the National Institute of Standards and Technology ("NIST") and guidance issued by regulatory bodies, which ensures operational resilience against extreme but plausible cyber-attacks. It is structured to identify the risks, build resiliency, continue evolving our mechanisms in detecting cyber threats and effectively responding to cyber related events. The framework covers both Business and Technology drivers from an end to end perspective. It is able to support the effective identification, protection, detection, response and recovery of systems and data hosted on premise.

The Technology Risk Management Framework implements a comprehensive approach towards governing and managing risks in the domains of technology risk. It establishes the governance and oversight structure and risk management processes on how technology risk will be identified, assessed, monitored, responded to and communicated, including roles and responsibilities.

Both frameworks are in place to ensure that our deliverables are aligned with the financial services industry's recommended practices and regulatory requirements. They have also been designed to be living documents, and to grow with Maybank IB in the areas of cyber defence and technology development, application and system deliverables, management of outsourced service providers and awareness of cyber hygiene among our stakeholders.

## INTERNAL CONTROL SYSTEM

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

- **Organisation Structure**

The Board has established an organisation structure with clearly defined lines of responsibility, authority limits and accountabilities 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 key operational statistics, as well as legal and regulatory matters.

- **Oversight by Audit Committee of the Board (“ACB”)**

The ACB has been established by the Board to assist in the execution of its governance and oversight responsibilities, as well as to ensure that there is a reliable and transparent financial reporting process within Maybank IB. ACB’s responsibilities include assessing the adequacy and effectiveness of the Maybank IB governance, risk management and internal control systems through the Internal Audit (“IA”) function. The ACB has active oversight of the independence, scope of work and resources of the IA. The ACB meticulously reviews both internal and external audit plans, scrutinises control mechanisms, addresses weaknesses, and verifies financial statements for accuracy and compliance. Furthermore, the ACB plays a pivotal role in appointing and evaluating the Chief Audit Executive and external auditor, safeguarding audit objectivity; and upholding ethical conduct through conflict of interest review. The committee meets periodically to review audit and investigation reports prepared by IA, taking into consideration the corresponding Maybank Investment Banking Group (“Maybank IB Group”) Internal Audit Committee’s deliberation of the same report. Significant control lapses are escalated by the ACB to the Board for further deliberation, where necessary. As for unresolved audit findings, the ACB deliberates on them and ensures that Management undertakes the necessary remedial actions within the committed timeline.

- **Oversight by Risk Management Committee**

The Board has delegated the risk oversight responsibility to the RMC. The committee is responsible for 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 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 committees, namely Credit and Underwriting Review Committee have been set up to assist the Board in executing its governance responsibilities and oversight function. This committee is authorised 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 (“ELCs”) to assist and support the Board committees in overseeing the core areas of business operations and controls.

These ELCs include the Management Risk Committee (“MRC”), Credit & Underwriting Committee (“CUC”), Executive Committee (“EXCO”), IB Group Procurement Committee (“IB GPC”) and IB Group IT Steering Committee (“IB GITSC”).

- **Management of Information Assets**

Confidentiality, integrity and availability of information are critical to Maybank IB’s day-to-day operations and to facilitating Management’s decision-making. The Maybank IB Group Information Risk Management Guidelines which includes Maybank IB, outline the guiding principles for 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 areas. Technology controls are applied at the various stages of the information cycle. Among the controls is Data Loss Protection to prevent 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, the Maybank Group Sustainability Framework serves as the overarching document outlining the sustainability mission, principles, goals, targets, governance and approach to all our activities.

The Framework reflects the six key principles and four commitments which are entwined with Maybank’s M25+ Strategy.

As one of the five strategic thrusts of the Maybank Group, the sustainability strategy is underpinned by three key pillars, which are: Responsible Transition; Enabling Our Communities; 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.

To ensure sound governance on sustainability, the Maybank Group EXCO Sustainability Committee which is chaired by the Maybank President & Group CEO is responsible for steering, coordinating and ensuring the effective implementation of Maybank Group’s Sustainability Agenda. Concurrently, the Maybank Group Board Sustainability Committee, oversees the Group’s overall strategy on sustainability and reviews 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, where Maybank IB is required to adopt the principles prescribed by the Maybank IB Group while complying with relevant regulatory requirements.

- **Procurement Manual and Non-Credit Discretionary Power**

The Maybank Group Procurement Manual is designed to streamline the functions of procurement within the Group. It serves as a standard guideline for good management practices expected in the procurement process and procedures. The authority to approve any request for budgeted or unbudgeted expenditure conforms to the applicable approval authority policies, i.e. the Non-Credit Discretionary Power ("NCDP"), Delegation of Authority ("DOA") or equivalent. The NCDP defines the authority limits approved by the Board for procurement activities, acquisition and disposal of assets, operational write-offs, donations, as well as approval of general and operational expenses.

- **Maybank Group People Policies**

The Maybank Group People Policies (MGPP) outline the philosophy and principles for people management and development in line with the Group's mission of Humanising Financial Services. MGPP consists of a set of policies and guidelines that covers all aspects of human capital management, including safeguards against business human rights violations, the prevention of any form of harassment, talent acquisition and development, performance and consequence management, and code of conduct for the cessation of employment. This is aligned with our M25+ strategy that ensures our ways of working promote the well-being of all our employees. At Maybank, our focus is on creating a caring, safe and conducive working environment to enable our employees to thrive as they fulfil their personal and professional goals. In 2023, we introduced the Maybank Group Dignity Policy (MGDP), which affirms our stand on the protection of human rights to reduce inequalities while promoting decent work and economic growth for all, regardless of their backgrounds. The MGDP safeguards our employees' right to human dignity, reinforcing our commitment to provide an environment free of discrimination and harassment, where all individuals can perform at their best, and have equal opportunities. The MGDP ensures that all our employees are shown respect and dignity, reiterating that any form of discrimination, bullying, bias or harassment will not be tolerated. The said policy complements our Maybank Group Code of Ethics & Conduct, Business Ethics Charter and the Group's Diversity, Equity and Inclusion Policy.

- **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 which 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, as well as deterring 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, supported by sound governance to create awareness of and manage our reputational risk and its consequences. Protecting our reputation is paramount to operating as an institution that provides financial services. Upholding trust and creating a better customer experience and security are vital parts of our obligations 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 IB. It serves as a guide for Compliance function alongside the Board, Senior Management and all employees in all jurisdictions in understanding, complying and managing compliance risk. It is adopted and implemented by operating entities across Maybank IB.

The Framework outlines:

- 1) The overarching principles for the management of compliance risk across Maybank IB;
- 2) The overall strategy for managing compliance risk to ensure uniformity in practices across Maybank IB in meeting regulatory and legal obligations;
- 3) The minimum expected standards for compliance risk management; and
- 4) 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 that 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.

- **Policy on Managing Sensitive Information and Material Non-Public Information (“Managing SI and MNPI Policy”)**

The Maybank IB Managing SI and MNPI Policy sets out the minimum standards of conduct for Directors and Employees who have (or are deemed to have) access to SI and/or MNPI to prevent, manage or mitigate the risks of Transactional Conflict of Interest (“TCOI”) and/or inadvertent insider trading and ensure that Directors and employees understand their responsibilities in ensuring compliance with the Policy and the consequences of its non-compliance.

- **Whistleblowing Policy**

Maybank IB is committed to the highest standard of ethics and integrity in its conduct of business and operations. Maybank IB Group’s Whistleblowing Policy encapsulates the governance and standards required to promote an ethical, responsible and secure whistleblowing practice within Maybank IB, in line with BNM’s Corporate Governance Policy and the principles as prescribed in the Whistleblower Protection Act 2010. The Whistleblowing Policy provides a proper and secure avenue for employees and members of the public to report any knowledge of improper conduct without fear of adverse consequences.

Maybank IB is committed to protect 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. Maybank IB Group AML/CFT Policy establishes governing principles to ensure that all employees adhere to the highest standards of AML/CFT that Maybank IB operates within its money laundering/ terrorism financing (“ML/TF”) risk appetite as expressed in the Maybank IB Group Risk Appetite Statement; and to protect Maybank IB and its businesses from being a conduit for ML/TF. In addition, the Maybank IB Group Sanctions Policy is established to ensure that Maybank IB 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 set out the minimum standards of conduct in respect of Bribery and Corruption for Maybank IB employees and provide high level guiding principles on how to address Bribery and Corruption risks and issues.

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.

- **Data Privacy Policy**

Maybank IB’s Data Privacy Policy (“DPP”) establishes the governing principles to ensure that Maybank IB manages data in accordance with high standards of ethics, privacy and security to maintain customers’ trust.

Maybank IB is committed to respect and protect the privacy and confidentiality of the Data of our customers, business partners and employees and has outlined the following privacy principles as high-level guidance:

- 1) Ethical conduct;
- 2) Security;
- 3) Disclosure of data;
- 4) Integrity, accuracy and retention;
- 5) Notice to customers; and
- 6) Accountability.

## **INTERNAL AUDIT**

### **Independent Assurance by Internal Audit**

The Internal Audit (“IA”) function was established by the Maybank Board (“the Board”) to provide independent and objective assurance of the adequacy and effectiveness of governance, risk management, anti-corruption, whistleblowing and internal control processes implemented by the management. The IA function of Maybank IB is undertaken by Maybank Group Audit which has a total workforce of 142 personnel in Malaysia as of 31 December 2023. The IA function is led by Encik Mohamad Yasin Abdullah, the Group Chief Audit Executive (“GCAE”), who reports functionally to the ACB of Maybank and administratively to the President and Group CEO to maintain the requisite independence and objectivity as outlined in the Audit Charter approved by the Board. He has more than 26 years of experience in the corporate and financial industry, of which 12 years were in the capacity as Chief Financial Officer and 4 years as Chief Operating Officer.

He is a Chartered Banker with the Asian Institute of Chartered Bankers and a Fellow Member of The Association of Chartered Certified Accountants ("FCCA") and The Chartered Institute of Management Accountants ("FCMA"). He is also a member of The Malaysian Institute of Certified Public Accountants ("MICPA") and the Malaysian Institute of Accountants ("MIA"). He graduated from the International Islamic University Malaysia ("IIUM") with a Bachelor of Accounting (Honours) and a Master of Business Administration in Finance. He is a member at the Board of Governors of the Institute of Internal Auditors (IIA) Malaysia and is also an active member of the Chief Internal Auditors Networking Group ("CIANG").

The GCAE is assisted by Puan Rafirah Muhammad Arif, the Chief Audit Executive ("CAE") appointed to oversee the IA function of Maybank IB. She is a Certified Fraud Examiner with 13 years' experience in the capital market industry. Maybank Group Audit undertakes the IA function of Maybank IB with a dedicated team responsible for conducting independent and objective review of Maybank IB's business and operations. The result of the review is reported to the ACB for deliberation.

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 Quality Assurance and Improvement Programme ("QAIP") continues to be used to assess the quality of the audit processes against international standards promulgated by The IIA. Recommendations and opportunities for improvement are identified through internal and external assessments. The internal assessment is performed annually by an independent internal quality assurance team under the direct supervision of the GCAE, while the external assessment is conducted at least once every five years by a qualified and independent external assessor. The QAIP results are tabled to the ACB.

Reviewed and cleared by:

Risk Management:



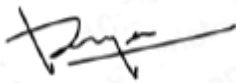
**Cheryl Cheng Siew Ying**  
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**Rafirah Muhammad Arif**  
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**Farhan Nor Diyana Samsudin**  
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Maybank Investment Bank Berhad