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**BNP PARIBAS MALAYSIA BERHAD**

**STATEMENT ON CORPORATE GOVERNANCE**

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This Statement on Corporate Governance forms part of the Directors' Report in the Audited Financial Statements (as an appendix thereto) for the financial year ended 31 December 2018.

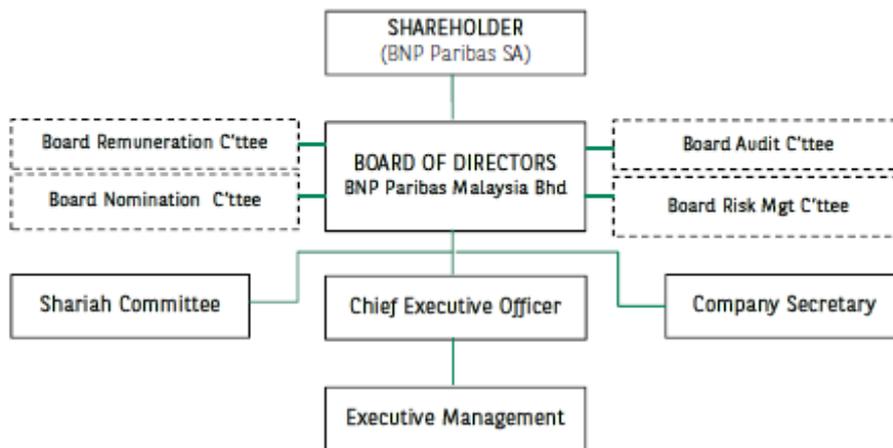
This Statement is made in accordance with BNM Corporate Governance Policy, and has been endorsed by the Audit Committee at its meeting held on 27 March 2019, and approved by the Board of Directors at its meeting held on 28 March 2019.



# 1. Overview

- 1.1 The Statement on Corporate Governance of BNP Paribas Malaysia Berhad (“BNPP Malaysia Bhd or the “Bank”) outlines key aspects of the Corporate Governance framework of the Bank during financial year (“FY”) 2018.
- 1.2 The Board of Directors (the “Board”) is committed to ensuring that its policies and practices reflect a high standard of Corporate Governance and in this respect the Bank adopts both BNP Paribas Group standards, and all local requirements, notably the Bank Negara Malaysia (“BNM”) Corporate Governance (“CG”) requirements.
- 1.4 The Corporate Governance framework of the Bank is designed to:
  - (i) Promote accountability, oversight and implementation of group-wide policies and procedures including local requirements which are duly reflected therein.
  - (ii) Cultivate ethical responsibility based on the Group’s core values which are set out in the Code of Conduct of the Bank.
- 1.5 A simplified overview of the Bank’s governance framework is depicted below:

**Corporate Governance Framework – An overview**



- Key Policies (non-exhaustive):**
- Code of Conduct
  - Internal Control Charter
  - Risk Appetite Statement
  - Remuneration Policy
  - Whistleblowing Policy

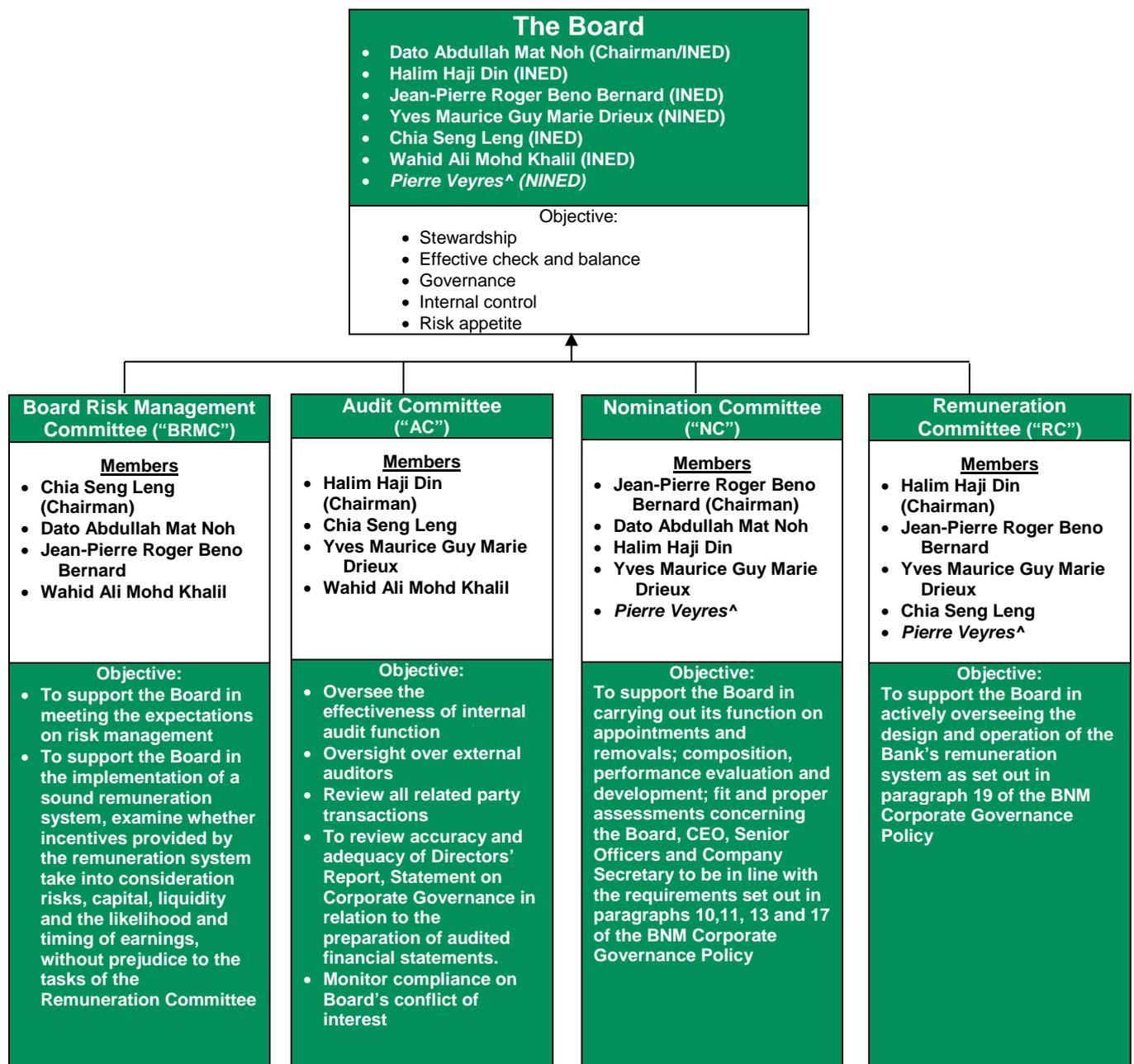
- Four Independent Control Functions:**
- Compliance \*
  - Risk & Governance \*
  - Legal \*
  - Internal Audit \*\*

\* 2<sup>nd</sup> Line of Defense \*\* 3<sup>rd</sup> Line of Defense



## 2. The Board

### Board of Directors – An overview



Legend:

INED: Independent Non-Executive Director

NINED: Non-Independent Non-Executive Director

^ Retired at an Annual General Meeting held on 11 June 2018



2.1 The Board's roles and responsibilities are set out in the Board Charter, and include the following:

- (a) Approve risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the bank's risk profile, including initiatives which affect the financial soundness, reputation or key operational controls of the Bank;
- (b) Oversee the selection, performance, remuneration and succession plans of the CEO, control function heads and Senior Officers, such that the Board is satisfied with the collective competence of Management to effectively lead the operations of the Bank;
- (c) Oversee the implementation of the Bank's governance framework and internal control framework, and periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of the Bank's operations;
- (d) Promote, together with senior management, a sound corporate culture within the Bank which reinforces ethical, prudent and professional behaviour;
- (e) Promote sustainability through appropriate environmental, social and governance considerations in the Bank's business strategies;
- (f) Oversee and approve the recovery and resolution as well as business continuity plans for the Bank to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress; and
- (g) Promote timely and effective communication between the Bank and BNM on matters affecting or that may affect the safety and soundness of the Bank;
- (h) Oversees material compliance breach and incident by staff including Management, if any.

2.2 The Board is accountable to the shareholder for the Bank's governance and overall performance.

2.3 For the FY 2018, the Board comprises six (6) Directors, whom are Non-Executive Directors:

No.	Directors	Status of Directorship
1.	Dato Abdullah Mat Noh	Chairman / Independent Non-Executive Director
2.	Halim Haji Din	Independent Non-Executive Director
3.	Jean-Pierre Roger Beno Bernard	Independent Non-Executive Director
4.	Yves Maurice Guy Marie Drieux	Non-Independent Non-Executive Director
5.	Chia Seng Leng	Independent Non-Executive Director
6.	Wahid Ali Mohd Khalil (Appointed w.e.f. 1.7.2018)	Independent Non-Executive Director

During FY 2018, the named Director below retired at the 7<sup>th</sup> Annual General Meeting ("AGM") held on 11 June 2018:

Director	Status of Directorship
Pierre Veyres	Non-Independent Non-Executive Director

2.4 The Independent Directors of the Bank are independent in character and judgement, and free from associations or circumstances that may impair the exercise of his / her independent judgement. The tenure limit for Independent Directors of the Bank should generally not exceed nine (9) years on a cumulative basis, except under exceptional circumstances or as part of transitional arrangements towards full implementation of succession plans of the Bank.



2.5 The following table shows the attendance of each Director at Board meetings (including special meetings) during FY 2018:

<b>Directors</b>	<b>No. of Meetings Attended</b>	<b>%</b>
Dato Abdullah Mat Noh	6 out of 6	100
Halim Haji Din	6 out of 6	100
Jean-Pierre Roger Beno Bernard	5 out of 6	83
Yves Maurice Guy Marie Drieux	6 out of 6	100
Chia Seng Leng	6 out of 6	100
Wahid Ali Mohd Khalil	2 out of 2	100
Pierre Veyres	4 out of 4	100



## 2.6 The key personal details and background of each of the Directors:

### **DATO ABDULLAH MAT NOH**

Chairman / Independent Non-Executive Director

Nationality : Malaysian  
Age : 78  
Date of Appointment : 23 March 2011

#### **Working Experience:**

Over fifty (50) years of experience in the banking industry:

- Standard Chartered Bank Malaysia Berhad for 36 years
- President / Chief Executive Officer of Bank Utama (Malaysia) Berhad
- Chairman of RHB Investment Bank Berhad
- Independent Non-Executive Director of RHB Islamic Bank Berhad

#### **Directorship in public company:**

- None

#### **Shareholding in BNP Paribas Malaysia Berhad:**

- None

#### **Membership of Board Committees in BNP Paribas Malaysia Berhad:**

- Member of Nomination Committee
- Member of Board Risk Management Committee

#### **Length of Service as an Independent Non-Executive Director (up until March 2019):**

- 8 years

### **HALIM HAJI DIN**

Independent Non-Executive Director

Nationality : Malaysian  
Age : 72  
Date of Appointment : 23 March 2011

#### **Working Experience:**

More than thirty-one (31) years in multinational corporations and international consulting firms particularly in financial management, consulting business, corporate recovery:

- Oil and Gas industry i.e. in Caltex/Chevron
- Regional Financial Advisor for Caltex Petroleum Corporation Dallas, Texas
- Ernst & Whinney, London, United Kingdom.
- Managing Partner of the Consulting Division of Ernst & Young Malaysia
- Country Advisor of Cap Gemini Ernst & Young Consulting
- Council member of the Malaysian Institute of Certified Public Accountants
- Board member of Employees Provident Fund
- Currently, the Chairman of The IA Group

#### **Directorship in public company:**

- Wah Seong Corporation Berhad

#### **Shareholding in BNP Paribas Malaysia Berhad:**

- None

#### **Membership of Board Committees in BNP Paribas Malaysia Berhad:**

- Chairman of Audit Committee
- Chairman of Remuneration Committee
- Member of Nomination Committee

#### **Length of Service as an Independent Non-Executive Director (up until March 2019):**

- 8 years



## JEAN-PIERRE ROGER BENO BERNARD

Independent Non-Executive Director

<b>Nationality</b>	: French
<b>Age</b>	: 70
<b>Date of Appointment</b>	: 23 March 2011 ( <i>Non-Independent Non-Executive Director</i> ) 6 January 2017 ( <i>Independent Non-Executive Director</i> )

### **Working Experience:**

Extensive knowledge in credit department, internal audit and undertake various senior positions in developing banking business, corporate banking and global corporate banking in South East Asia, USA and France:

- Global Head of Corporate Banking, Head of Europe
- Member of Corporate and Investment Banking Executive Committee
- Deputy Head of Corporate and Financial Institution
- Head of International Network and Regional Head for South East Asia
- Currently, a Non-Executive President Commissioner of PT Bank BNP Paribas Indonesia

### **Directorship in public company:**

- None

### **Shareholding in BNP Paribas Malaysia Berhad:**

- None

### **Membership of Board Committees in BNP Paribas Malaysia Berhad:**

- Chairman of Nomination Committee
- Member of Remuneration Committee
- Member of Board Risk Management Committee

### **Length of Service as an Independent Non-Executive Director (up until March 2019):**

- 3 years 2 months

## YVES MAURICE GUY MARIE DRIEUX

Non-Independent Non-Executive Director

<b>Nationality</b>	: French
<b>Age</b>	: 64
<b>Date of Appointment</b>	: 27 July 2012

### **Working Experience:**

More than 38 years of working experience with BNP Paribas Group and had held many significant positions across Europe and Asia:

- Commercial and branch manager roles in french retail banking division; and chief auditor
- Chief Operating Officer ("COO") for South East Asia
- Head of Territory of BNP Paribas Poland
- Deputy Head of Group General Inspection
- COO for CIB Corporate coverage units
- COO for CIB London
- COO for Corporate Investment Banking Asia Pacific, Hong Kong

### **Directorship in public company:**

- None

### **Shareholding in BNP Paribas Malaysia Berhad:**

- None

### **Membership of Board Committees in BNP Paribas Malaysia Berhad:**

- Member of Audit Committee
- Member of Remuneration Committee
- Member of Nomination Committee



## PIERRE VEYRES

Non-Independent Non-Executive Director

**Nationality** : French  
**Age** : 53  
**Date of Appointment** : 3 September 2014

### Retirement at the 7<sup>th</sup> AGM:

During FY 2018, Mr Pierre Veyres had indicated his intention to retire as a Director and therefore, he did not seek for re-election at the 7<sup>th</sup> AGM held on 11 June 2018. Hence, he retired at the conclusion of the 7<sup>th</sup> AGM.

### **Working Experience:**

More than twenty-three (23) years of working experience with BNP Paribas Group and had held many key positions in France, Canada, United States of America and Singapore:

- Relationship Management with corporate clients
- Head of Internal Audit, Chief Operating Officer
- Regional Head for Export and Trade,
- Global Head of Trade Finance and Global Head of Global Transaction Banking
- Non-Executive Chairman / Director of BNP Paribas Securities (Singapore) Pte Ltd
- Non-Executive Chairman / Director of BNP Paribas Capital (Singapore) Ltd
- Director of BPP Holdings Pte Ltd
- Chief Executive Officer of BNP Paribas Singapore and Regional Head of South East Asia.

### **Directorship in public company:**

- Non-Executive Chairman / Director of BNP Paribas Capital (Singapore) Ltd

### **Shareholding in BNP Paribas Malaysia Berhad:**

- None

### **Membership of Board Committees in BNP Paribas Malaysia Berhad:**

- Member of Remuneration Committee
- Member of Nomination Committee

## CHIA SENG LENG

Independent Non-Executive Director

**Nationality** : Singaporean  
**Age** : 64  
**Date of Appointment** : 3 September 2014

### **Working Experience:**

More than 30 years of working experience in reputable banks particularly in dealing-room activities, managing and setting up regional treasury teams, treasury product development including risk management.

### **Directorship in public company:**

- None

### **Shareholding in BNP Paribas Malaysia Berhad:**

- None

### **Membership of Board Committees in BNP Paribas Malaysia Berhad:**

- Chairman of Board Risk Management Committee
- Member of Audit Committee
- Member of Remuneration Committee

### **Length of Service as an Independent Non-Executive Director (up until March 2019):**

- 4 years 6 months

**WAHID ALI MOHD KHALIL**

Independent Non-Executive Director

**Nationality** : Malaysian / Malay**Age** : 64**Date of Appointment** : 1 July 2018**Working Experience:**

More than 38 years of working experience in both conventional and Islamic banks and had held many significant positions amongst which were:

- Non-Independent directorships at subsidiaries / associates of financial institutions served
- Chief Operating Officer, Business Support
- Director of Banking Operations & Banking Services
- Chief Internal Auditor at 3 separate organisations
- Chief Compliance Officer & Principal Officer, Labuan
- Group Head, Operational Risk
- International Compliance Association's Program External Examiner for Malaysia

**Directorship in public company:**

- None

**Shareholding in BNP Paribas Malaysia Berhad:**

- None

**Membership of Board Committees in BNP Paribas Malaysia Berhad:**

- Member of Audit Committee
- Member of Board Risk Management Committee

**Length of Service as an Independent Non-Executive Director (up until March 2019):**

- 9 months



## 2.7 Appointments, resignations and removals of Director during FY 2018

The following Directors were appointed / retired during FY 2018:

- Wahid Ali Mohd Khalil (Appointed w.e.f. 1 July 2018)
- Pierre Veyres (Retired at the 7<sup>th</sup> AGM held on 11 June 2018)

## 3. Board Committees

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### 3.1 Composition of Board Committees

The composition / membership of the Board Committees is shown in Section 2 (“Board of Directors – An overview”).

### 3.2 Roles and Responsibilities

The respective Board Committees oversee major functional areas and to address matters, which require detailed review or in-depth consideration with primary objectives:

#### (a) Board Risk Management Committee

- To ensure that the risk management policies, process and risk management framework are in place and functioning and to support the Board in meeting the requirements as set out in the Risk Governance policy of BNM.
- To assist the Board / Board Remuneration Committee in the implementation of a sound remuneration system, by examining whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings.

#### (b) Audit Committee

- To provide independent oversight of BNPP Malaysia Bhd’s internal and external audit function, financial reporting, internal control system and ensuring checks and balances within the Bank.
- To conduct oversight and shall be assisted by Management who is responsible for establishing and maintaining controls, procedures and processes.
- To review the accuracy and adequacy of the Report of the Directors, corporate governance disclosures, audited financial statements and other ancillary matters concerning financial positions of the Bank.
- To monitor compliance of conflict of interests encountered by the Board, if any.
- To review third-party opinions on the design and effectiveness of the Bank’s internal control framework, where relevant.

#### (c) Nomination Committee

- To support the Board in carrying out its functions on appointments and removals; composition, performance evaluation and development; and fit and proper assessments concerning the Board, Senior Management, Senior Officers and Company Secretary of the Bank to be in line with the requirements set out in paragraphs 10, 11, 13 and 17 of the BNM CG Policy.

#### (d) Remuneration Committee

- To support the Board in actively overseeing the design and operation of the Bank’s remuneration system set out in paragraph 19 of the BNM CG Policy.



3.3 The following table shows the attendance of each Director at Board Committees' meetings (including special meetings) during FY 2018:

Directors	No. of Meetings Attended			
	BRMC	AC	NC	RC
Dato Abdullah Mat Noh	4 out of 4	N/A	2 out of 2	N/A
Halim Haji Din	N/A	5 out of 5	2 out of 2	2 out of 2
Jean-Pierre Roger Beno Bernard	4 out of 4	N/A	2 out of 2	2 out of 2
Yves Maurice Guy Marie Drieux	N/A	5 out of 5	2 out of 2	2 out of 2
Pierre Veyres (Retired at the 7 <sup>th</sup> AGM held on 11.6.2018)	N/A	N/A	1 out of 1	1 out of 1
Chia Seng Leng	4 out of 4	5 out of 5	N/A	2 out of 2
Wahid Ali Mohd Khalil (Appointed w.e.f. 1.7.2018)	1 out of 1	1 out of 1	N/A	N/A

Legend

BRMC: Board Risk Management Committee

AC: Audit Committee

NC: Nomination Committee

RC: Remuneration Committee

N/A: not applicable

## 4. Directors Training & Ongoing Development

- 4.1 BNP Paribas Malaysia Berhad has dedicated sufficient resources toward the on-going development of the Directors to ensure that each Director possesses the knowledge and skills necessary to fulfil their responsibilities. In 2019, the Bank is a corporate member of FIDE Forum, a non-profit Alumni Association for Directors of Licensed Financial Institutions ("FIs") in Malaysia to promote corporate governance excellence in Boards of FIs, with relevant trainings offered to the Directors.
- 4.2 During FY 2018, all Directors had attended training programmes, conferences, seminars, courses and/or workshops during the financial year organised internally with collaboration with external consultants and had attended external trainings on individual basis.
- 4.3 A summary of selected in-house training programmes and external trainings attended by the Directors during FY 2018 is set out below:
- Anti-Bribery / Corruption Awareness session
  - FIDE Core Programme
  - Dinner Talk: DNA of a Board Leader by Dr Marshall Goldsmith
  - Cyber Surveillance Briefing
  - Shariah & Islamic Finance: Refresher Course
  - Induction Programme for a New Director



## 5. Company Secretary

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- 5.1 The Company Secretary is a full time employee of the Bank who is responsible for supporting the effective functioning of the board. The Company Secretary works closely with the CEO and the Chief Risk Officer (“CRO”)-Head of Risk & Governance on all Corporate Governance related matters, and facilitates effective information flows between the Board, the Board committees and various executive management committees.
- 5.2 The Company Secretary reports on a day-to-day basis to the CRO-Head of Risk & Governance, and is accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

## 6. Shariah Committee

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- 6.1 The Shariah Committee was established in line with BNM’s Shariah Governance Framework for Islamic Financial Institutions (“BNM/RH/GL\_012\_3”) to provide an oversight on Shariah matters related to the Bank’s overall Islamic business activities in ensuring the Islamic banking products and services offered by the Bank and the relevant documentations are in compliance with Shariah principles at all times. In discharging its duties, the Shariah Committee discloses sufficient information in the Bank’s annual financial report on the state of compliance of the Bank’s Islamic banking business.

- 6.2 During FY 2018, the Shariah Committee met seven (7) times and the attendance at the Shariah Committee meetings is as follows:

Muhammad Ali Jinnah Bin Ahmad (Re-designated as Chairman w.e.f. 12 February 2018)	7/7
Prof Dato’ Dr Abdul Monir Bin Yaacob	6/7
Datuk Fazlur Rahman Bin Ebrahim	7/7
Mazrul Shahir Md Zuki	7/7
Dr Sa’id Adekunle Mikail (appointed w.e.f. 1 June 2018)	4/4



## 7. Internal Control Framework

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### 7.1 Internal Control Definition, Objectives and Standards

The Executive Management of BNPP Malaysia Bhd has deployed an internal control system whose main aim is to ensure the overall control of risks and provide reasonable assurance that the Bank's goals in this area are being met.

This system is defined in BNP Paribas' Internal Control Charter, which serves as its basic internal reference document for internal control. Widely distributed within the BNP Paribas Group and freely available to all Group employees, this Charter defines internal control as a mechanism for ensuring:

- A sound and prudent risk management approach, aligned with BNP Paribas' values and code of conduct in conjunction with the policies outlined in its corporate social responsibility framework;
- Operational security of BNP Paribas' internal operations;
- The relevance and reliability of accounting and financial information;
- Compliance with applicable laws, regulations and internal policies.

The Charter lays down rules relating to the organisation, responsibility and scope of operations of the various internal control entities and establishes the principle according to which the control functions (primarily Compliance, Legal, General Inspection and Risk Management) execute these controls independently.

### 7.2 Scope of Internal Control

One of the fundamental principles of internal control is that it must be exhaustive in scope: it applies to the same degree to all types of risk and to all entities in the BNP Paribas Group, whether operational (divisions, business lines, functions, regions and territories) or legal (branches and subsidiaries capable of consolidation), without exception. It therefore fully applies to BNPP Malaysia Bhd. It also extends to core services or operational activities that have been outsourced, in accordance with regulatory requirements, as well as to companies for which the Group ensures operational management, even if they are not part of the scope of total or proportional consolidation. Implementing this principle requires a precise overview of the allocations of responsibilities and must factor in changes in the Group's businesses.

### 7.3 Fundamental Principles of Internal Control

Internal control at BNP Paribas is based on its values and the code of conduct as well as the following key principles:

- **Clearly identified responsibilities:** Internal control is the responsibility of every employee, irrespective of their seniority or responsibilities. The exercise of a managerial function carries the additional responsibility of ensuring the proper implementation of the internal control system within the scope subject to regulation. In this framework, the necessary responsibilities and delegations must be clearly identified and communicated to all stakeholders;
- Structured risk identification, assessment and management system (involving, among others, a decision-making system, delegation, organizational principles, controls, reporting and alert mechanism, etc.);



- **Control and oversight that is independent of risk:** the heads of the operational activities have the ultimate responsibility for those risks created by their activities, and as such, the foremost responsibility of implementing and operating a system that identifies, assesses and manages risk. The internal control system provides for mandatory intervention, and as early as possible, of functions exercising independent control under a second level of control.
- **Separation of duties:** it is a key element of the risk control system. It consists of assigning certain operational tasks that contribute to the performance of a single process to stakeholders at various hierarchical levels or to separate these tasks by other means, in particular by electronic means. Thus, for example, tasks related to transaction initiation, confirmation, accounting, settlement and accounts reconciliation must be performed by different parties;
- **Proportionality of risks:** the internal control system must be implemented under an approach and with an intensity that is proportionate to the risks involved.
- **Appropriate governance:** the internal control system is subject to governance involving the different stakeholders and covering the various aspects on internal control, both organizational and monitoring and oversight.
- **Formalisation and traceability:** internal control relies on the instructions of executive officers, written policies and procedures and audit trails. As such, the controls, their results, their implementation and the feedback from the entities to the higher levels of the Group's governance are documented and traceable.
- **Duty of transparency:** all Group employees, irrespective of their position, have a duty to communicate, in a transparent manner, that is, spontaneously and promptly, to a higher level within the organization to which they belong.
- **Human resources management taking into account internal control objectives:** the internal control objectives to be considered in employee career management and remuneration (including: as part of the employee evaluation process, training, recruitment for key positions, and in determining remuneration).
- **Continuous adaptation of the system in response to changes:** the internal control system must be actively managed by its various stakeholders. This adjustment in response to changes of any kind that the Group must face must be done according to a periodic cycle defined in advance but also continuously as soon as events so justify.

Compliance with these principles is verified on a regular basis, in particular through assignments carried out by the periodic control teams (General Inspection).

## 7.4 Organisation of Internal Control

Reflecting the Group's approach, internal control at BNPP Malaysia Bhd also consists of permanent and periodic controls. While they are complementary, they are distinct and independent of one another:

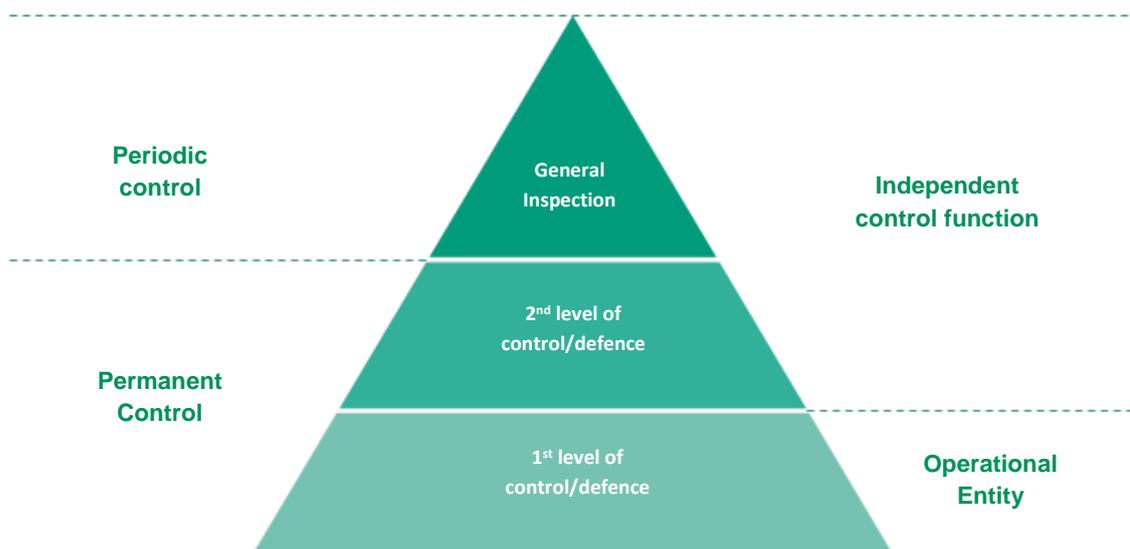
- **Permanent control** is an overall process for the ongoing implementation of risk management and monitoring of corrective actions. It is firstly carried out by operational staff, as well as their line managers, and secondly by independent permanent control functions either within or independent of these operational entities;
- **Periodic control** is an overall process for ex post verification of the operation of the Group, based on investigations that are conducted by the General Inspection, which performs these functions on an independent basis.



## 7.5 Main Parties Involved in Internal Control

- **Executive Management**, under the supervision of the Board of directors, is responsible for the Banks's overall internal control system.
- **Operational staff, at all levels** (front/middle/back office, support functions), and in particular those in the management line of command, have the primary responsibility for risk management and permanent control. They carry out first-level controls: controls of the transactions handled by them and for which they are responsible, controls on the operations or transactions handled by other operational staff or management controls on their teams.
- **Independent Permanent Control functions** carry out second-level controls:
  - Compliance contributes to the ongoing monitoring of compliance with laws and regulations, and with professional and ethical standards.
  - The Risk Function contributes, in particular through its "second set of controls" on transactions and new activities, to ensuring that the credit and market risks taken by BNP Paribas comply and are compatible with its policies and its profitability targets.
  - The Finance Function is responsible for the preparation and control of financial management, and associated reportings & controls.
  - Other functions play a major role in the permanent control of their areas of responsibility: Legal, Tax, Technology and Processes, Human Resources.
- **Periodic control ("third-level" control)** is independently exercised by General Inspection for all Group entities. It includes:
  - Inspectors based at headquarters, who are mandated to carry out controls throughout the Group;
  - Auditors deployed at geographical or business line hubs. In Malaysia, the Head of Internal Audit reports to the local Board Audit Committee.

*Internal Control Framework – An overview*





## 8. Remuneration

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BNPP Malaysia Bhd is subject to and adopts the BNP Paribas Group (“BNPP Group”) Compensation Policies, as well as applicable legislation and regulations in Malaysia.

### 8.1 Objectives of Remuneration Policy

- (i) The policy reflects the Bank’s objectives for good corporate governance for all employees, where the Bank is able to attract, develop and retain high-performing and motivated employees in a competitive market without encouraging risk-taking that exceeds the level of risk tolerated by the Bank and without creating situations of conflicts of interest between employees and clients.
- (ii) Employees are offered a competitive and market aligned remuneration package making employees feel encouraged to create sustainable results.
- (iii) Key to the above objectives of high performance and sustainable results is the alignment of employee remuneration packages with the overriding principle of compliance to BNPP Employees Code of Conduct, to Group remuneration policy and principles, to Policies and Internal Controls, to Global Policy on the Protection of Interests of Client, to risk management policies and procedures and management of conflicts of interest.
- (iv) The above overriding principles thereby create the BNP Paribas Control Environment, which drives the desired behavior of BNP Paribas employees in developing and maintaining a control mindset in the governance of daily work.

### 8.2 Board Oversight

- (i) The Board oversees compliance with the Remuneration Policy annually and is responsible for ensuring strict adherence with local regulations and labour laws in Malaysia as well as compliance with BNP Paribas Group Policy.
- (ii) The Board has established a Remuneration Committee (“RC”) specifically to review the remuneration of Senior Management, Senior Officers and Other Material Risk Taker. In the case of Directors’ remuneration, the Board, through the RC, shall also review each Director’s remuneration annually and recommend the same for approval by the shareholder at the Annual General Meeting.
- (iii) Once a year the RC will recommend to the Board funds to be allocated for the performance-based remuneration pools i.e. the bonus pool, after allocation at the Group level.
- (iv) The RC works as well as a preparatory committee to review and prepare the Board with respect to remuneration issues such as annual increments in alignment with Group guidelines.
- (v) Without prejudice to the missions of the RC, the Board Risk Management Committee (“BRMC”) shall assist to examine whether the incentives provided for by the policy and the remuneration practices of BNPP are compatible with its situation with respect to the risks to which it is exposed, its capital, its liquidity, and the likelihood and timings of earnings. To carry out this mission, the Chairman of BRMC is a member of the RC and provides the inputs / view of the BRMC.



## 8.3 Structure of Compensation

(i) Fixed Compensation

Fixed Compensation is intended to reward competence, experience, qualification level, as well as the level of involvement in assigned task. It is set on the basis of the local market and the principle of internal consistency within BNPP Group.

(ii) Short Term Variable Compensation

The variable compensation is determined so as to avoid incentives that could lead to situations of conflicts of interest between the employees and the clients, or to the non-compliance with the conduct of business. The Group principles concerning the protection of interests of clients are defined in the Global policy on the Protection of Interests of Client: "Good Sales Practices" and the Group Conflicts of Interest Global Policy and also in the Global policy on remuneration practices that could present conflict of interest:

- Variable Compensation is intended to reward quantitative and qualitative achievements measured on the basis of observed performance and individual assessments as related to fixed objectives and behaviours.
- Fixed objectives will include predetermined Key Performance Indicators set annually; these comprise measures designed to inculcate a control mindset in driving employee behavior towards compliance of BNP Paribas control environment.
- It does not constitute a right and is set in a discretionary manner each year in accordance with the compensation policy for the relevant year and corporate governance guidelines.

(iii) Long Term Variable Compensation

In addition, variable compensation may also consist of a medium or long term retention plan, which may include stock options, performance shares, long or medium-term compensation plan, or any other suitable instrument aimed at motivating and building the loyalty of the key executives and high potential employees, by giving them an interest in the growth of the value created.

## 8.4 Performance and Compensation Reviews

Performance and Compensation reviews for all staff takes place towards the end of each year with key features of these reviews being as follows:

- (i) Managers are required to conduct performance reviews of their staff in an objective and transparent manner, as the results go towards contributing in the assessment of discretionary bonus and salary increments of the staff.
- (ii) Managers are expected to review the job description of their staff, quantitatively and qualitatively with clear Key Performance Indicators that drive BNPP Malaysia Bhd and BNPP Group desired behaviors, and to write them with enhanced clarity by separating scope of responsibility and areas where they are expected to be contributors. This is an essential effort to build collaboration across the different teams.
- (iii) Each staff is assessed on their achievements of the goals set at the start of the year and will also be assigned some specific concrete objectives for the year to come which are materialised in the appraisal.
- (iv) During the individual performance evaluation, particular attention must be paid by the manager to the employee's observance of compliance and risk control rules. Any breach by the employee in this regard should be mentioned in his/her annual assessment and will have impacts on the overall assessment of his or her performance, as well as on the award of the variable compensation, which may, if necessary, be reduced or cancelled.

## 8.5 Support and Control Functions

### Principles

The variable compensation bonuses of support and control functions are determined independently of the performance of the business that they validate or whose operations they verify, but taking into account the situations of the specific labour market, to a limited extent.

Individual allocations are made according to the BNPP Group's applicable guidelines for variable compensation, and independently of the performances of the Entities that the employees control. Furthermore, particular attention must be paid to the employee's contribution to risk management during the annual assessment process.

A further and more detailed description of the BNPP Group compensation policy (including for "MRT" [Material Risk Taker]) that apply to all BNPP Group entities, such as BNPP Malaysia Bhd, is available at <https://invest.bnpparibas.com/en/compensation-regulated-employees>

In terms of local regulatory requirements, further to the issuance of the BNM CG Policy in August 2016, BNPP Malaysia Bhd has been progressively aligning its local remuneration policy and disclosures to meet with the requirements of the BNM CG Policy. In February 2019, the Board of Directors of BNPP Malaysia Bhd approved an annual revision of the remuneration policy in order to align and comply with the BNM CG Policy remuneration requirements.

## 8.6 Remuneration of Directors, Chief Executive Officer, Senior Officers and Other Material Risk Taker

(i) Details of Directors' Remuneration for FY 2018 of the Bank are as follows:

Directors	Fixed Remuneration		Variable Remuneration	Total Remuneration (RM'000/year)
	Director's Fees (RM'000/year)	Benefits-in-kind (RM/year)	Other Allowances (RM/year)	
Dato Abdullah Mat Noh	400	Nil	Not applicable	400
Halim Haji Din	400	Nil	Not applicable	400
Jean-Pierre Roger Beno Bernard	170	Nil	Not applicable	170
Yves Maurice Guy Marie Drieux	127.5 <sup>^</sup>	Nil	Not applicable	127.5
Pierre Veyres	-	Nil	Not applicable	-
Chia Seng Leng	170	Nil	Not applicable	170
Wahid Ali Mohd Khalil	85 <sup>*</sup>	Nil	Not applicable	85
			<b>TOTAL</b>	1,352.5

### Legend:

<sup>^</sup> Pro-rated during FY 2018 i.e. (1.4.2018 to 31.12.2018)

<sup>\*</sup> Pro-rated during FY 2018 i.e. (1.7.2018 to 31.12.2018)

There was no deferred or non-deferred remuneration paid / payable to the Directors for FY 2018. Apart as disclosed above, there were no other forms of remuneration paid to the Directors during FY 2018.



(ii) **Details of the Chief Executive Officer’s (“CEO” and also known as “Senior Management”) remuneration for FY 2018:**

Total Value of Remuneration Awards for FY 2018	Unrestricted (RM'000/year)	Deferred (RM'000/year)
<b>CEO:</b>		
<b><u>Fixed remuneration:</u></b>		
• Cash-based	1,200	Nil
• Shares and share-linked instruments	Nil	Nil
• Others (includes Benefits-in-kind)	451	Nil
<b><u>Variable remuneration:</u></b>		
• Cash-based	323	288
• Shares and share-linked instruments	Nil	465
• Others	Nil	Nil

(iii) **Senior Officers and Other Material Risk Taker remuneration details for FY 2018:**

Total Value of Remuneration Awards for FY 2018	Unrestricted (RM'000)	Deferred (RM'000)
<b>Senior Officers and Other Material Risk Taker:</b>		
<b><u>Fixed remuneration:</u></b>		
• Cash-based	5,269	Nil
• Shares and share-linked instruments	Nil	Nil
• Others (includes Benefits-in-kind)	687	Nil
<b><u>Variable remuneration:</u></b>		
• Cash-based	2,301	284
• Shares and share-linked instruments	Nil	364
• Others	100	Nil

(iv) **Additional remuneration related information pertaining to Senior Management, Senior Officers and Other Material Risk Taker:**

FY 2018	Number	Amount (RM'000)
Number of Officers having received a Variable Remuneration	9	
Number and Total Amount of Guaranteed Bonuses Awarded	Nil	
Number and Total Amount of Sign-On Awards Made	Nil	
Number and Total Amount of Severance Payments Made	Nil	
Total Amount of Outstanding Deferred Remuneration = (a) + (b) + (c)		2,675
- Cash (a)		1,602
- Shares & Shares linked instruments (b)		1,073
- Others (c)		Nil
Total Amount of Deferred Remuneration Paid Out during FY 2018		817