



BNP PARIBAS MALAYSIA BERHAD

STATEMENT ON CORPORATE GOVERNANCE

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 2020.

Unless otherwise specified, some information contained in this Statement on Corporate Governance shall include the period up to 3 March 2021 i.e. subsequent events after the financial year ended 31 December 2020 for purpose of good governance.

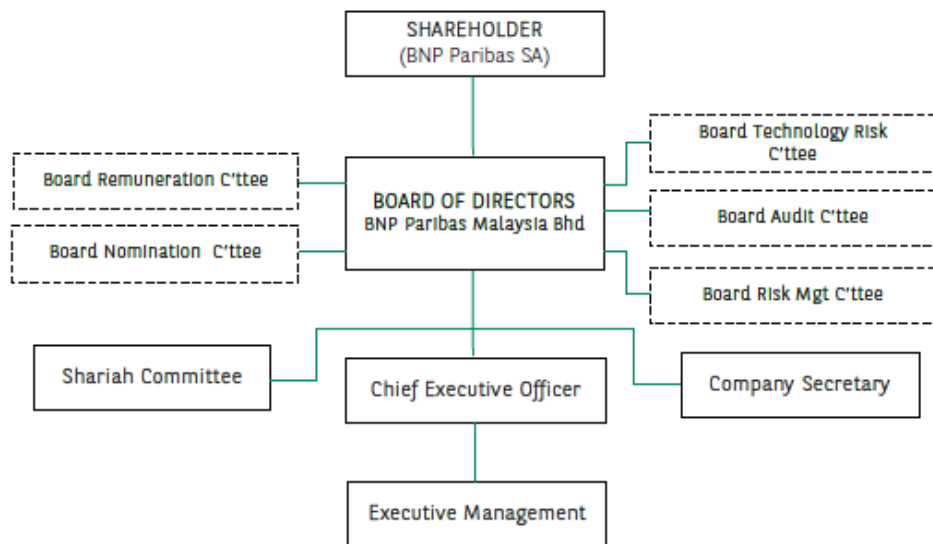
This Statement is made in accordance with BNM's Corporate Governance Policy, and has been endorsed by the Audit Committee at its meeting held on 17 March 2021, and approved by the Board of Directors at its meeting held on 18 March 2021.



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”) 2020.
- 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 BNM’s Corporate Governance (“CG”) requirements.
- 1.4 The Corporate Governance framework of the Bank is designed to:
 - (i) Promote accountability, oversight and good governance for the 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 BNP Paribas Code of Conduct.
- 1.5 A simplified overview of the Bank’s governance framework is depicted below:

Corporate Governance Framework – An overview

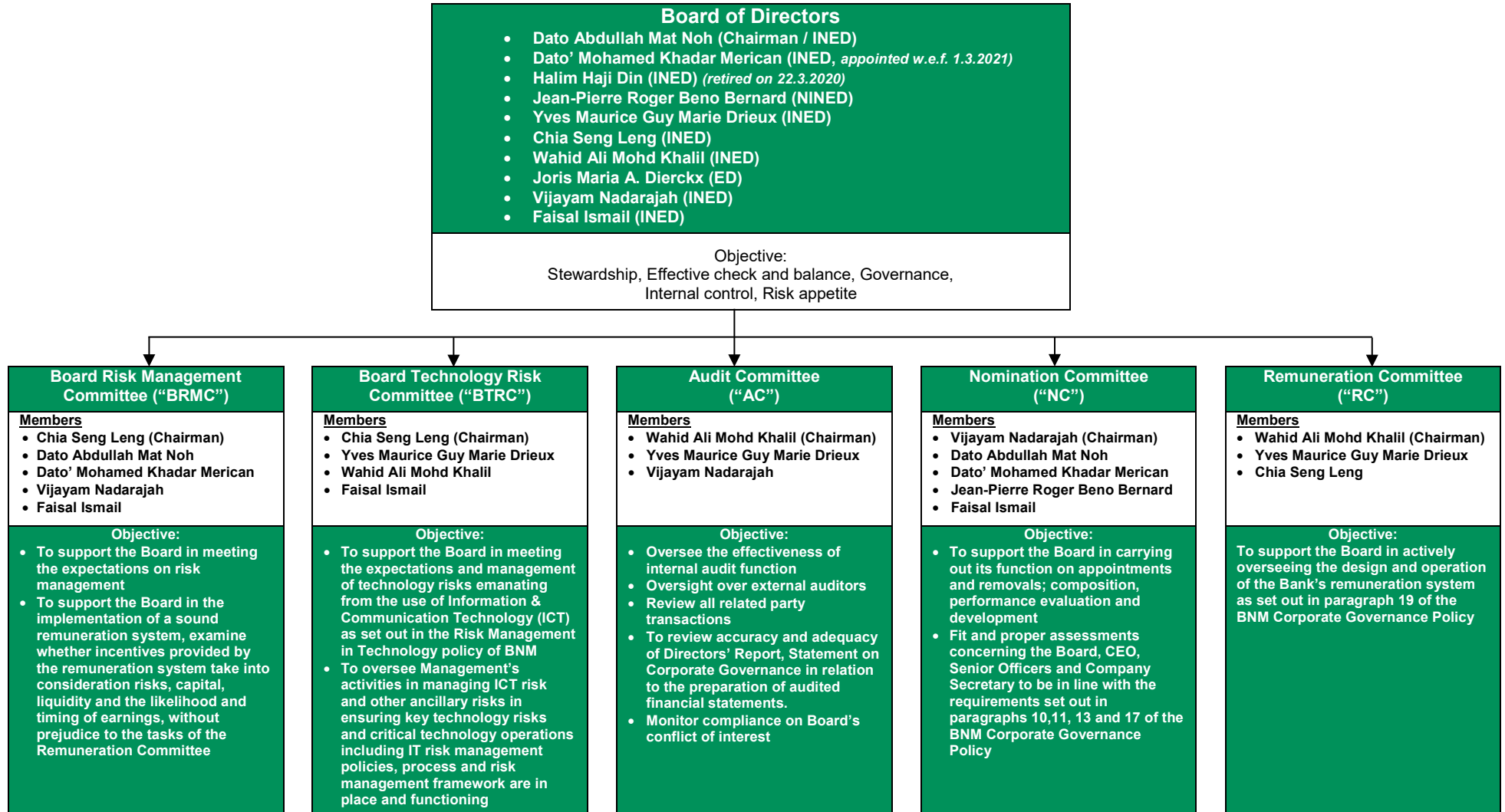


- Key Policies (non-exhaustive):**
- Code of Conduct
 - Internal Control Framework
 - Risk Appetite Statement and Framework
 - Remuneration Policy
 - Whistleblowing Policy

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

* 2nd Line of Defense ** 3rd Line of Defense

2. Board of Directors and Board Committees – An overview





- 2.1 The Board's roles and responsibilities are set out in the Board Charter, but not limited to 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, 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;
 - (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; and
 - (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 2020, the Board comprises of nine (9) Directors:

No.	Directors	Status of Directorship
1.	Dato Abdullah Mat Noh	Chairman / Independent Non-Executive Director
2.	Halim Haji Din (retired on 22.3.2020)	Independent Non-Executive Director
3.	Jean-Pierre Roger Beno Bernard	Non-Independent Non-Executive Director
4.	Yves Maurice Guy Marie Drieux	Independent Non-Executive Director
5.	Chia Seng Leng	Independent Non-Executive Director
6.	Wahid Ali Mohd Khalil	Independent Non-Executive Director
7.	Joris Maria A. Dierckx	Executive Director
8.	Vijayam Nadarajah	Independent Non-Executive Director
9.	Faisal Ismail (appointed w.e.f. 1.10.2020)	Independent Non-Executive Director

- 2.4 Subsequent event to FYE 31 December 2020, the following Director was appointed:

No.	Director	Status of Directorship
1.	Dato' Mohamed Khadar Merican (appointed w.e.f. 1 March 2021)	Independent Non-Executive Director
		<u>Note:</u> Dato' Khadar shall be the Chairman of the Board of the Bank after the retirement of Dato Abdullah Mat Noh on 22 March 2021.



- 2.5 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.

The Independent Directors of the Bank shall commit sufficient time in discharging their responsibilities as Directors of the Bank specifically on Board related duties, and especially for those who chair or are members of multiple Board Committees.

The Board is satisfied that there is no compromise to the independence of, and nothing to give rise to conflict of interest for, those directors who serve together as directors on other boards or who hold other external appointments.

- 2.6 The following table shows the attendance of each Director at Board meetings (including a special meeting) during FY 2020:

Directors	No. of Meetings Attended	%
Dato Abdullah Mat Noh	5 out of 5	100
Halim Haji Din (retired on 22 March 2020)	2 out of 2	100
Jean-Pierre Roger Beno Bernard	5 out of 5	100
Yves Maurice Guy Marie Drieux	5 out of 5	100
Chia Seng Leng	5 out of 5	100
Wahid Ali Mohd Khalil	5 out of 5	100
Joris Maria A. Dierckx	5 out of 5	100
Vijayam Nadarajah	5 out of 5	100
Faisal Ismail (appointed w.e.f. 1 October 2020)	1 out of 1	100

- 2.7 External directorships and other business interests

There are some Board members holding external directorships and other outside business interests. The Bank recognises the significant benefits this greater boardroom exposure provides for the Directors.

However, the Bank monitors the nature and number of external directorships the Directors hold, in order to satisfy that any additional appointments will not adversely impact their time and commitment to and their role in the Bank. This is to ensure that all of the Bank's Board members remain compliant with the Bank's internal policy, aligned with the BNM CG policy, including the Group's policy on the limit of directorships and other business interests.

Before committing to any additional appointment, a Director has to confirm the existence of any potential or actual conflicts; and provide necessary assurance to the Board that the appointment will not adversely impact their ability to continue to fulfil their role as a Director of the Bank.

In accordance with the Companies Act 2016, each Director has the responsibility to inform the whole Board of any new external appointments and other business interests at Board meetings of the Bank. The Company Secretary has a duty to record such declaration in the minutes of Board meeting.



2.8 The key personal details and background of each of the Directors (information disclosed until March 2021):

DATO ABDULLAH MAT NOH Chairman / Independent Non-Executive Director	
Nationality	: Malaysian
Age	: 80
Date of Appointment	: 23 March 2011
Career: Over fifty (50) years of experience in the banking industry: <ul style="list-style-type: none">• 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 incorporated in Malaysia: <ul style="list-style-type: none">• None	
Shareholding in BNP Paribas Malaysia Berhad: <ul style="list-style-type: none">• None	
Membership in Board Committees of BNP Paribas Malaysia Berhad: <ul style="list-style-type: none">• Member of Nomination Committee• Member of Board Risk Management Committee	
Length of Service as an Independent Non-Executive Director: <ul style="list-style-type: none">• 10 years (<i>With regard to BNM's approval, Dato Abdullah shall retire on 22 March 2021</i>)	

JEAN-PIERRE ROGER BENO BERNARD Non-Independent Non-Executive Director	
Nationality	: French
Age	: 72
Date of Appointment	: 23 March 2011 (<i>Non-Independent Non-Executive Director</i>)
	: 6 January 2017 (<i>redesignate as Independent Non-Executive Director</i>)
	: 28 February 2020 (<i>redesignate as Non-Independent Non-Executive Director</i>)
Career: Extensive knowledge in credit, internal audit and had held various senior positions in developing banking business, corporate banking and global corporate banking in South East Asia, USA and France: <ul style="list-style-type: none">• 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• Presently, a Non-Executive President Commissioner of PT Bank BNP Paribas Indonesia	
Directorship in public company incorporated in Malaysia: <ul style="list-style-type: none">• None	
Shareholding in BNP Paribas Malaysia Berhad: <ul style="list-style-type: none">• None	
Membership in Board Committees of BNP Paribas Malaysia Berhad: <ul style="list-style-type: none">• Member of Nomination Committee• Member of Remuneration Committee (<i>until March 2020</i>)• Member of Board Risk Management Committee (<i>until March 2020</i>)	



YVES MAURICE GUY MARIE DRIEUX

Independent Non-Executive Director

Nationality : French
Age : 66
Date of Appointment : 27 July 2012 (*Non-Independent Non-Executive Director*)
: 2 April 2020 (*redesignate as Independent Non-Executive Director*)

Career:

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 incorporated in Malaysia:

- None

Shareholding in BNP Paribas Malaysia Berhad:

- None

Membership in Board Committees of BNP Paribas Malaysia Berhad:

- Member of Nomination Committee (*until March 2020*)
- Member of Audit Committee
- Member of Remuneration Committee
- Member of Board Technology Risk Committee

Length of Service as an Independent Non-Executive Director:

- 11 months

CHIA SENG LENG

Independent Non-Executive Director

Nationality : Singaporean
Age : 66
Date of Appointment : 3 September 2014

Career:

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 incorporated in Malaysia:

- None

Shareholding in BNP Paribas Malaysia Berhad:

- None

Membership in Board Committees of BNP Paribas Malaysia Berhad:

- Chairman of Board Risk Management Committee
- Chairman of Board Technology Risk Committee
- Member of Remuneration Committee
- Member of Audit Committee (*until March 2020*)

Length of Service as an Independent Non-Executive Director:

- 6 years 6 months



WAHID ALI MOHD KHALIL

Independent Non-Executive Director

Nationality : Malaysian
Age : 65
Date of Appointment : 1 July 2018

Career:

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
- Chartered Professional in Islamic Finance (CPIF)

Directorship in public company incorporated in Malaysia:

- None

Shareholding in BNP Paribas Malaysia Berhad:

- None

Membership in Board Committees of BNP Paribas Malaysia Berhad:

- Chairman of Remuneration Committee
- Chairman of Audit Committee
- Member of Board Risk Management Committee (*until March 2020*)
- Member of Board Technology Risk Committee

Permanent invitee at Shariah Committee meetings of BNP Paribas Malaysia Berhad

Length of Service as an Independent Non-Executive Director:

- 2 years 8 months

JORIS MARIA A. DIERCKX

Executive Director

Nationality : Belgian
Age : 51
Date of Appointment : 8 March 2019

Career:

More than 24 years of working experience with BNP Paribas Group:

- Country Head of BNP Paribas Japan
- Country Head of BNP Paribas South Korea
- Head of Territory India and CEO BNP Paribas India
- Currently, Regional Head of South East Asia and CEO BNP Paribas Singapore

Directorship in public company incorporated in Malaysia:

- None

Shareholding in BNP Paribas Malaysia Berhad:

- None

Membership in Board Committees of BNP Paribas Malaysia Berhad:

- None

Note: A permanent invitee in Nomination and Remuneration Committees



VIJAYAM NADARAJAH

Independent Non-Executive Director

Nationality : Malaysian
Age : 58
Date of Appointment : 1 October 2019

Career:

Extensive working experience in commercial organisations / financial institutions and had held many significant positions amongst which were:

- Financial Controller, CIMB Aviva Assurance Bhd / CIMB Aviva Takaful Bhd
- Assistant General Manager Finance, Oriental Capital Assurance Bhd
- Specialist, Research and Development / Corporate Program of Finance Accreditation Agency
- Consultant, overseeing incorporation of China Construction Bank Malaysia
- President of Institute of Internal Auditors Malaysia

Directorship in public companies incorporated in Malaysia:

- MPI Generali Insurans Bhd
- Manulife Holdings Bhd
- Manulife Insurance Bhd

Shareholding in BNP Paribas Malaysia Berhad:

- None

Membership in Board Committees of BNP Paribas Malaysia Berhad:

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

Length of Service as an Independent Non-Executive Director:

- 1 year 5 months



FAISAL ISMAIL

Independent Non-Executive Director

Nationality : Malaysian
Age : 57
Date of Appointment : 1 October 2020

Career:

Extensive working experience in commercial organisations / financial institution and had held many significant positions amongst which were:

- Managerial positions in Peremba Group and Landmarks Berhad
- Executive Director, Head of Strategic Advisory Division in BinaFikir Sdn Bhd
- Director, Investments, Khazanah Nasional Berhad
- Group Managing Director, Pantai Support Services Sdn Bhd and Pantai Holdings Berhad
- Deputy CEO, Commercial, 1MDB Real Estate Sdn Bhd, the entity for development of Tun Razak Exchange and Bandar Malaysia
- Director, Corporate & Strategic Planning and Transformation Programme, Boustead Heavy Industries Corporation Berhad
- CEO / Advisor, Mount Irau Ventures Sdn Bhd (wholly-owned subsidiary of Khazanah Nasional Berhad)
- Independent Non-Executive Director, JP Morgan Chase Bank Berhad

Directorship in public company incorporated in Malaysia:

- Credit Guarantee Corporation Malaysia Berhad

Shareholding in BNP Paribas Malaysia Berhad:

- None

Membership in Board Committees of BNP Paribas Malaysia Berhad:

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

Length of Service as an Independent Non-Executive Director:

- 6 months



DATO' MOHAMED KHADAR MERICAN

Independent Non-Executive Director

Nationality : Malaysian
Age : 65
Date of Appointment : 1 March 2021

Career:

More than 40 years' experience in financial and general management. He served as an auditor and a consultant in an international accounting firm, before joining a financial services group in 1986.

He held various senior management positions in the then Pemas International Holdings Berhad, a company listed on Bursa Malaysia, between 1988 and April 2003, including those of President and Chief Operating Officer.

In 2013, in his capacity as the Chairman of RHB Capital, was named 'Chairman of The Year' by the Minority Shareholders Watchdog Group at its ASEAN Corporate Governance Index Awards 2013.

He was also an Independent Non-Executive Director of Astro Malaysia Holdings Berhad.

Directorship in public companies incorporated in Malaysia:

- AirAsia Group Berhad
- IRIS Corporation Berhad
- Rashid Hussain Berhad (in members' voluntary liquidation)

Shareholding in BNP Paribas Malaysia Berhad:

- None

Membership in Board Committees of BNP Paribas Malaysia Berhad:

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

Length of Service as an Independent Non-Executive Director:

- 1 month



2.9 Appointments, resignations and removals of Director during FY 2020

- Halim Haji Din, INED (retired on 22 March 2020)
- Faisal Ismail, INED (appointed w.e.f. 1 October 2020)

2.10 Appointment of Director (subsequent event to FYE 31 December 2020):

- Dato' Mohamed Khadar Merican, INED (appointed w.e.f. 1 March 2021)

3. Board Committees

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 main objectives of the respective Board Committees are as follows:

(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 takes into consideration risks, capital, liquidity and the likelihood and timing of earnings.

(b) Board Technology Risk Committee

- To support the Board in meeting the expectations and management of technology risks emanating from the use of Information & Communication Technology (ICT) as set out in the Risk Management in Technology policy of BNM.
- To oversee Management's activities in managing ICT risk and other ancillary risks in ensuring key technology risks and critical technology operations including IT risk management policies, processes and risk management framework are in place and functioning.
- To review Management's annual assurance on controls in protecting customer information and outsourced providers in fulfilling their obligations in accordance with the contract provisions on safeguarding customer information.



(c) **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 perform the oversight function over Management who shall be responsible for establishing and enforcing controls over 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 on conflict of interests encountered by the Board, if any.
- To review on all related / connected party transactions.
- To review third-party opinions on the design and effectiveness of the Bank's internal control framework, where relevant.

(d) **Nomination Committee**

To support the Board in carrying out its functions in the following matters concerning the Board, Senior Management, Senior Officers and Company Secretary of the Bank as set out in paragraphs 10, 11, 13 and 17 of the BNM CG Policy.

(e) **Remuneration Committee**

To support the Board in actively overseeing the application and formulation 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 2020:

Directors	No. of Meetings Attended				
	BRMC	BTRC	AC	NC	RC
Dato Abdullah Mat Noh	4 out of 4	N/A	N/A	3 out of 3	N/A
Halim Haji Din (retired on 22.3.2020)	N/A	N/A	1 out of 1 (Chairman)	1 out of 1	1 out of 1 (Chairman)
Jean-Pierre Roger Beno Bernard	0 out of 1	N/A	N/A	1 out of 1 [^] (Chairman) 3 out of 3	1 out of 1 [^]
Yves Maurice Guy Marie Drieux	N/A	4 out of 4	4 out of 4	1 out of 1 [#]	3 out of 3
Chia Seng Leng	4 out of 4 (Chairman)	4 out of 4 (Chairman)	1 out of 1 [*]	N/A	3 out of 3
Wahid Ali Mohd Khalil	1 out of 1 ^{&}	4 out of 4	3 out of 3 (Chairman) 1 out of 1	N/A	3 out of 3 (Chairman)
Joris Maria A. Dierckx	N/A	N/A	N/A	1 out of 1 [@]	N/A [§]
Vijayam Nadarajah	4 out of 4	N/A	4 out of 4	3 out of 3 (Chairman)	N/A
Faisal Ismail (appointed w.e.f. 1.10.2020)	1 out of 1	1 out of 1	N/A	N/A	N/A

Legend

- BRMC : Board Risk Management Committee
- BTRC : Board Technology Risk Committee
- AC : Audit Committee
- NC : Nomination Committee
- RC : Remuneration Committee
- N/A : Not Applicable

@ : He was a NC member during February 2020 meeting. Subsequently, he is a permanent invitee only

§ : He is a permanent invitee only

[^] : He was the NC Chairman during February 2020 meeting. Subsequently, he is a member only
: He was a member of RC during the February 2020 meeting, Subsequently, he is no longer a member of RC

& : He was a member of BRMC during March 2020 meeting only. Subsequently, he is no longer a member of BRMC

: He was a NC member during February 2020 meeting only. Subsequently, he is no longer a member of NC

* : He was a member of the AC during the March 2020 meeting. Subsequently, he is no longer a member of AC

4. Directors' Training, Ongoing Development & Induction Programme

- 4.1 BNPP Malaysia Bhd has allocated sufficient resources toward ongoing development of its Directors to ensure that each Director possesses the knowledge and skills necessary to fulfil their responsibilities. Continuous professional development is essential for the Directors to hone their skills and keep abreast of the latest norms and industry practices.
- 4.2 BNM recognises the importance of a well-informed Director and therefore, the Bank continues to implement annual Board evaluation exercise to continuously evaluate the performance and effectiveness of the Board, Board Committees and individual Directors. This is important to enable the Board to identify areas for professional development with regard to changing needs of the financial industry. The Board evaluation exercise determines, amongst others, all aspects of responsibilities including training needs of its Directors in relation to their discharge of their duties as Directors.
- 4.3 During FY 2020, the Directors had attended training programmes, conferences, seminars, courses and/or workshops organised either internally or had attended external trainings on individual basis.
- 4.4 A summary of trainings (external and internal) attended by the Directors during FY 2020 is set out below:
- FIDE Forum: Risks – A Fresh Look from the Board's Perspective by Sir Howard Davies
 - FIDE Forum: Digital Financial Institutions Series: Managing Virtual Banking and Insurance Businesses
 - FIDE Forum: Digital Financial Institutions Series: Fidor's Experience
 - FIDE Forum: Climate Action: The Board's Leadership in Greening the Financial Sector
 - FIDE Forum & BNM: Annual Dialogue with Governor of BNM
 - FIDE Forum & BNM: Board Effectiveness Focus Group Discussion with Directors
 - FIDE Forum: Green Fintech: Ping An's Use of Technology to Support Green Finance Objectives
 - FIDE Core Programme
 - Securities Industry Development Corporation ("SIDC"): Capital Market Director Programme ("CMDP"): Module 1 – Directors as Gate Keeper of Capital Participants
 - SIDC: CMDP: Module 2B: Business Challenges and Regulatory Expectations – What Directors Need to Know (Fund Management)
 - SIDC: CMDP: Module 3: Risk Oversight and Compliance – Action Plan for Board of Directors
 - SIDC: CMDP: Module 4: Emerging and Current Regulatory Issues in the Capital Market
 - ISRA: Islamic Finance for Board of Directors Programme



- BNPP / The Economist Corporate Network – Dr Simon Baptist: 2021 APAC Economic Outlook and What To Expect from the US Elections
- The Bank’s Refresher Course on Shariah & Islamic Finance: Murabahah and related topics
- RHB Asset Management: ESG & Sustainable Investing – The Way Forward
- Ernst Young Malaysia: Budget 2021
- Institute of Corporate Directors Malaysia (ICDM): Stakeholder Capitalism: A Vital Pandemic Agenda ?

4.5 During the 4th Quarter of 2020, Faisal Ismail was onboarded and several induction programmes were held for him. This expedited the familiarisation for new Directors with the environment that the Bank operates in terms of business operations, organisation structure and Management’s roles and responsibilities.

Dato’ Mohamed Khadar was appointed as a Director on 1 March 2021 and induction programmes were organised for him as well.

4.6 Through this induction process, new Director(s) will have a solid foundation upon which to make informed decisions and provide oversight and counsel to Management. New Director(s) is/are encouraged to request as much information as he/she deem necessary to better understand the nature and business risk strategy for which he/she is now responsible for.

5. Company Secretary

- 5.1 The Board members have full access to the Company Secretary, who is competent and qualified to act as Company Secretary under the Companies Act 2016.
- 5.2 She is a full-time employee of the Bank and plays an advisory role in supporting the effective functioning of the Board to uphold corporate governance standards. She also ensures that meeting materials are received by the Board and Board Committees members on a timely manner and deliberations at meetings of the Board and Board Committees are properly captured, minuted and circulated to them in a timely manner.
- 5.3 In discharging this role, the Company Secretary keeps confidential the affairs of the Bank at all times and facilitates effective information flows between the Board, the Board Committees and various Executive Management Committees.
- 5.4 At the level of Management, the Company Secretary works closely with the CEO and the Chief Risk Officer (“CRO”) - Head of Risk & Governance on all corporate governance related matters. 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 concerning proper functioning of the Board.



6. Shariah Committee

- 6.1 The Shariah Committee (“SC”) was established in line with BNM’s Shariah Governance Framework for Islamic Financial Institutions (“BNM/RH/GL_012_3”). During 2019, BNM issued a new Shariah Governance policy which came into effect on 1 April 2020 and superseded the earlier framework.
- 6.2 The new policy places greater emphasis on the oversight responsibilities of the Board relating to decisions made by the SC. In this regard, the Board had, in its meeting held in February 2020 resolved and elected a Board member to sit in the SC as a permanent invitee with effect from 1 April 2020.
- 6.3 During FY 2020, the SC met six (6) times and the attendance at the SC meetings is as follows:
- | | |
|--------------------------------------|-----|
| Muhammad Ali Jinnah Ahmad (Chairman) | 6/6 |
| Mazrul Shahir Md Zuki | 6/6 |
| Dr Sa’id Adekunle Mikail | 6/6 |
- 6.4 The current composition of the SC remains at three (3) members of which approval from BNM was obtained.
- 6.5 The SC continues to table key Shariah issues to the Board at each quarterly sitting.
- 6.6 During FY 2020, the Najmah team tabled a gap assessment in response to the additional requirements contained in the BNM Shariah Governance policy. The gap assessment was completed with the following enhancements, amongst others, being incorporated into the policies and procedures of the Bank:
- (i) The Bank’s policy on conflict of interest pertaining to the appointment of SC members.
 - (ii) Independence of SC members.
 - (iii) Shariah Learning and Training policy for the Board, employees of the Bank and SC members.
 - (iv) Establishment of conflict resolution mechanism between the Board and SC on Shariah matters with the SC primarily responsible in consulting and liaising with the BNM Shariah Advisory Council on any unresolved or disputed matters.



7. Corporate Governance: The Board and impact of COVID-19 pandemic

- 7.1 The Directors had and continue to exercise independent judgement, reasonable care, skill and diligence and in the best interests of the Bank by taking into account the interests of various stakeholders of the Bank. The Board is guided by 'business judgment rule' as an important standard where the Directors shall adhere to their fiduciary duties i.e. Directors shall act on an informed basis, in good faith and their decisions are in the best interest of the Bank.
- 7.2 With regard to the Federal Government of Malaysia's initial implementation of Movement Control Order spanning from middle March until early June 2020 as a preventive measure towards the COVID-19 pandemic, the Board was assured by Management who acted quickly in prioritising the safety and well-being of employees through initiation of spilt teams.
- 7.3 With regard to the pandemic and in order to create an environment for the Bank to be agile, the Board examines lessons learned and oversees any potential risks faced by the Bank and to its various stakeholders. The Board has and continues to be kept informed at regular sittings on financial performance, operational, risk management, governance, IT / cybersecurity, any other material events, overall economic conditions in Malaysia as well as businesses of BNP Paribas across the globe.
- 7.4 As such, during the pandemic, the Board upholds its responsibilities, among others, in overseeing that:
- The Bank continues to operate in an effective control environment, addressing key risk matters which continues to provide checks and balance in such circumstances;
 - Liquidity and capital resources are deployed to optimum level in meeting the Bank's current and future needs; and
 - BNM guidelines on financial flexibility measures issued during the pandemic are adhered to, where relevant.
- 7.5 With regard to the COVID-19 pandemic which affected the whole Bank and despite lockdowns in its various forms, the Bank has to adjust to a very different work approach as well as in the mode of conducting Board meetings.
- During 2020, the Board conducted its meetings via hybrid as precautionary measure to limit any threat of the contagion. Conducting hybrid Board meetings did not reduce the effectiveness nor inhibit posing of questions during Board deliberations.
- 7.6 From the point of IT security and privacy, the BNP Paribas's virtual meeting platform is intact. During the pandemic, the Board's meeting arrangements did not raise any concern from the local regulatory authorities. The Board has complied with the requirements on attendance to Board meetings set out in the BNM CG policy.



8. Readiness of the Bank in response to Section 17A, MACC Act

- 8.1 With regard to the introduction of new section 17A of the Malaysian Anti-Corruption Commission (“MACC”) Act 2009 and enforced on 1 June 2020, Management took pre-emptive measures and key points of the section were highlighted at Board meetings.
- 8.2 The Anti-Bribery & Corruption framework of BNP Paribas (the “framework”) has been drawn up in accordance with Sapin II Law. Sapin II Law aims to align French anti-corruption law with the United States of America and United Kingdom enforcement practices as well as to give an extra-territorial reach in order to protect French companies from foreign investigations.
- 8.3 During FY 2020, the framework was presented to the Board with primary focus on the following eight (8) pillars i.e. anti-corruption measures of the Bank:

1. Code of conduct	<ul style="list-style-type: none"> • Testifies to Top Management’s decision to commit the organization to preventing and detecting corruption • Sets out the organization’s commitments and principles • Define and illustrate the various types of behavior to be barred as likely signs of corruption
2. Internal alert set-up / Whistleblowing	<ul style="list-style-type: none"> • The internal whistleblowing system is the procedure that organizations implement to enable employees to disclose potentially non-compliant behaviours and situations
3. Risk mapping	<ul style="list-style-type: none"> • The essential tool for monitoring corruption risks and constitutes the foundation for risk management strategy • To identify, assess, prioritize and manage corruption risks that are inherent in the organization’s activities
4. Procedure to assess third parties	<ul style="list-style-type: none"> • To identify and assess the corruption risk exposure incurred by initiating or continuing a relationship with a third party
5. Accounting control procedure	<ul style="list-style-type: none"> • Accounting control involves a set of documented, structured, permanent procedures set by the top management team to monitor how an organization processes its financial information and to ensure proper financial and asset stewardship. • To ensure that books and accounts are not used to conceal acts of corruption
6. Training / Communication	<ul style="list-style-type: none"> • Appropriately designed internal training system is an effective way to embed a culture of integrity across an organization • A training program will need to be devised for staff who are most exposed to corruption risk • A broader training and awareness plan for all other employees
7. Disciplinary regime	<ul style="list-style-type: none"> • Code of Conduct should stipulate disciplinary sanctions for prohibited behaviours
8. Internal control set up & evaluation	<ul style="list-style-type: none"> • To check that corruption prevention and detection measures are being implemented, and whether they are working • To detect and investigate corruption and shortcomings in implementation • To issue recommendations and other corrective measures to enhance anti-corruption compliance programme performance

- 8.5 The Board was apprised on section 17A of the MACC Act 2009 particularly on Guidelines on Adequate Procedures based on the five (5) principles of T.R.U.S.T issued by the Prime Minister’s Department. The Board is assured that the Bank has put in place adequate procedures to prevent personnel from undertaking prohibited conduct.
- 8.6 The BNPP APAC Anti-Bribery & Corruption Committee ensures the quality of internal control framework, prevention and detection of corruption across all entities of APAC Corporate & Institutional Banking (“CIB”) including the Bank are enforced. Hence, the framework is sufficient to satisfy the minimum recommended T.R.U.S.T. principles.



9. Internal Control Framework

9.1 Internal Control Definition, Objectives and Standards

BNPP Malaysia Bhd's internal control framework aims to ensure the overall control of risks and provide reasonable assurance that the Bank's goals in this area are being met.

The Bank adopts the Group's Internal Control Charter and is to be read together with the local regulatory and governance setup that are applicable to the Bank. The Bank's Internal Control Charter outlines the risk strategy or risk management towards achieving an effective risk management framework that is appropriate to the nature, scale and size of business activities of the Bank.

The Group's Internal Control Charter serves as the Bank's basic internal reference document for internal control. Widely distributed within BNPP Group and freely available to all employees, this Charter defines internal control as a mechanism for ensuring:

- A sound and prudent risk management approach, aligned with BNPP's 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 Group's Internal Control Charter sets out the 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/defense functions (primarily Compliance, Legal, Risk and General Inspection) execute these controls independently.

9.2 Scope of Internal Control

The BNPP Group's internal control covers all types of risks to which the Group may be exposed and to all entities in the BNPP 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.

9.3 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, organisational 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 organisational 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 organisation 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 team (General Inspection).

9.4 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 the ongoing implementation of risk management and monitoring of corrective actions and is provided by the first two lines of defense.
- **Periodic control** is provided by the third line of defense, is an audit and assessment function that is performed by the General Inspection.

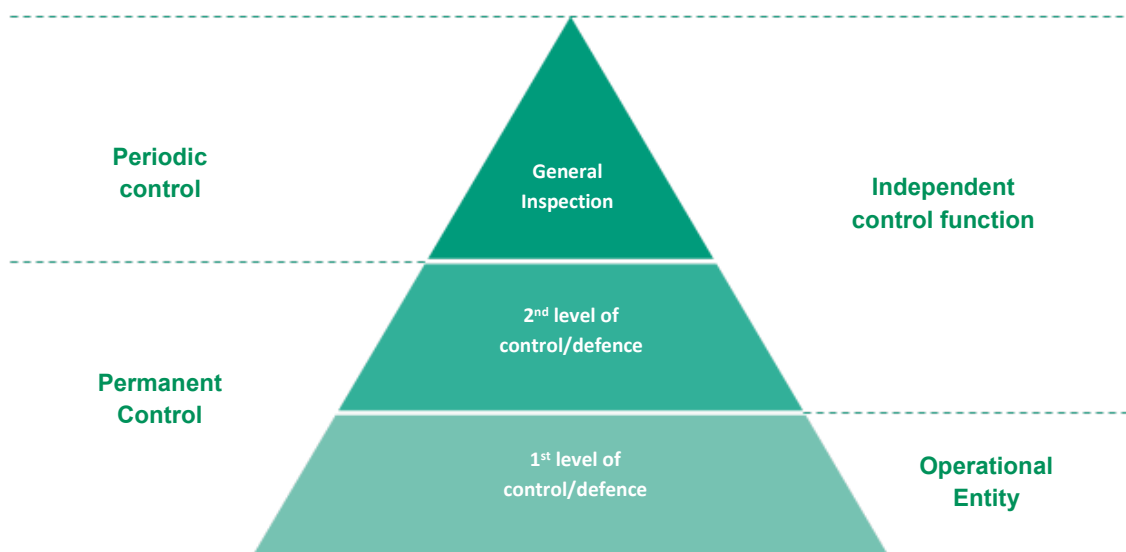
The functions exercising the second and third lines of defense are called Functions exercising independent control.



9.5 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 ('second-level' control/defence):**
 - Compliance contributes to the ongoing monitoring of compliance with laws and regulations, and with professional and ethical standards.
 - The Risk Function, in particular through its "second set of controls" on transactions and new activities, ensures 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/defence)** 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





10. Remuneration

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

10.1 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.

10.2 Board Oversight

- (i) The Board monitors compliance with the Remuneration Policy annually (notably during the compensation review process), and is responsible for ensuring strict adherence with local regulations and labour laws in Malaysia as well as compliance with BNPP Group Remuneration Policy.
- (ii) The Board establishes 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 fee 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 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 BNP Paribas 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.



10.3 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.

10.4 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 review 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 the 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 following year 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.

10.5 Support and Control Functions

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 Group's applicable guidelines for variable compensation, and independently of the performances of the Entities. 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 Group compensation policy (including for "MRT" [Material Risk Taker]) that apply to all BNP Paribas Group entities, such as BNPP Malaysia Bhd, is available at <https://invest.bnpparibas.com/en/compensation-regulated-employees>

In terms of local regulatory requirements, BNPP Malaysia Bhd is aligned with the remuneration requirements of the BNM CG Policy.

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

(i) Details of Directors' Remuneration for FY 2020 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	100 [^]	Nil	Not applicable	100
Jean-Pierre Roger Beno Bernard	170	Nil	Not applicable	170
Yves Maurice Guy Marie Drieux	170	Nil	Not applicable	170
Chia Seng Leng	170	Nil	Not applicable	170
Wahid Ali Mohd Khalil	170	Nil	Not applicable	170
Joris Maria A. Dierckx	-	-	-	-
Vijayam Nadarajah	170	Nil	Not applicable	170
Faisal Ismail	42.5 [*]	Nil	Not applicable	42.5
TOTAL				1,392.5

Legend:

[^] Pro-rated during FY 2020 (1.1.2020 to 31.03.2020)

^{*} Pro-rated during FY 2020 (1.10.2020 to 31.12.2020)

There was no deferred or non-deferred remuneration paid / payable to the Directors for FY 2020. Apart as disclosed above, there were no other forms of remuneration paid to the Directors during FY 2020.



(ii) **Details of the Chief Executive Officer’s (“CEO” and also known as “Senior Management”) remuneration for FY 2020:**

Total Value of Remuneration Awards for FY 2020	Unrestricted (RM'000/year)	Deferred (RM'000/year)
CEO		
<u>Fixed remuneration:</u>		
• Cash-based	1,100	Nil
• Shares and share-linked instruments	Nil	Nil
• Others (includes Benefits-in-kind)	Nil	Nil
<u>Variable remuneration:</u>		
• Cash-based	354	279
• Shares and share-linked instruments	Nil	517
• Others	Nil	-

(iii) **Senior Officers and Other Material Risk Taker remuneration details for FY 2020:**

Total Value of Remuneration Awards for FY 2020	Unrestricted (RM'000)	Deferred (RM'000)
Senior Officers and Other Material Risk Taker:		
<u>Fixed remuneration:</u>		
• Cash-based	4,027	Nil
• Shares and share-linked instruments	Nil	Nil
• Others (includes Benefits-in-kind)	444	Nil
<u>Variable remuneration:</u>		
• Cash-based	1,259	240
• Shares and share-linked instruments	Nil	600
• Others	Nil	Nil

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

FY 2020	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)		3,031
- Cash (a)		1,284
- Shares & Shares linked instruments (b)		1,747
- Others (c)		Nil
Total Amount of Deferred Remuneration Paid Out during FY 2020		947