



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 2021.

Unless otherwise specified, some information contained in this Statement on Corporate Governance shall be made up until 2 March 2022 i.e. subsequent events after the financial year ended 31 December 2021 for purpose of good governance.

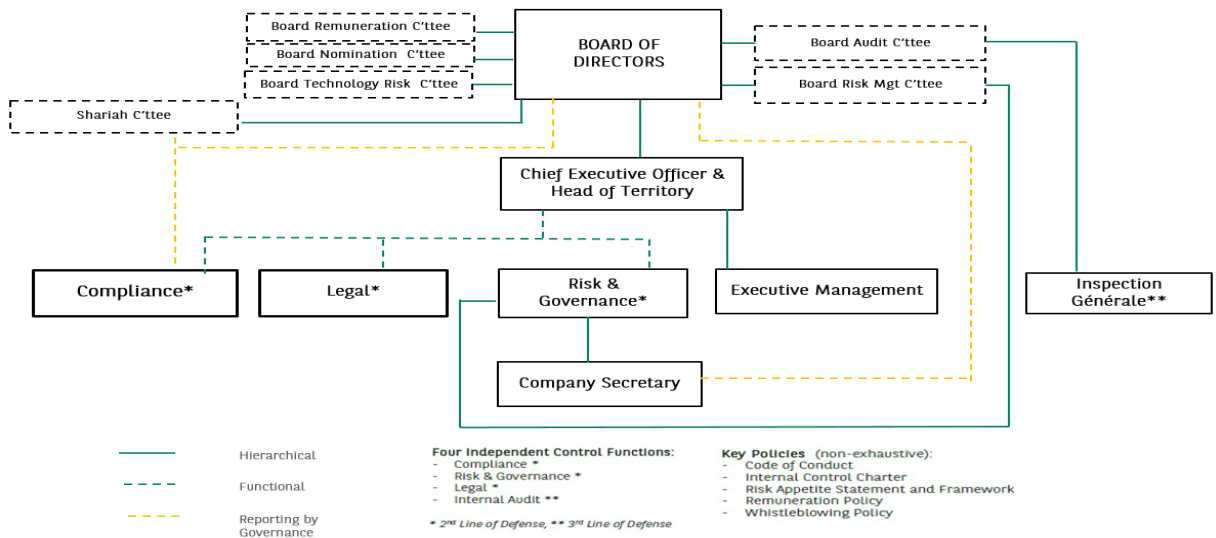
This Statement is made in accordance with BNM policy document on Corporate Governance BNM/RH/PD 029-9 ("BNM CG Policy"), and has been endorsed by the Audit Committee at its meeting held on 23 March 2022, and approved by the Board of Directors at its meeting held on 30 March 2022.



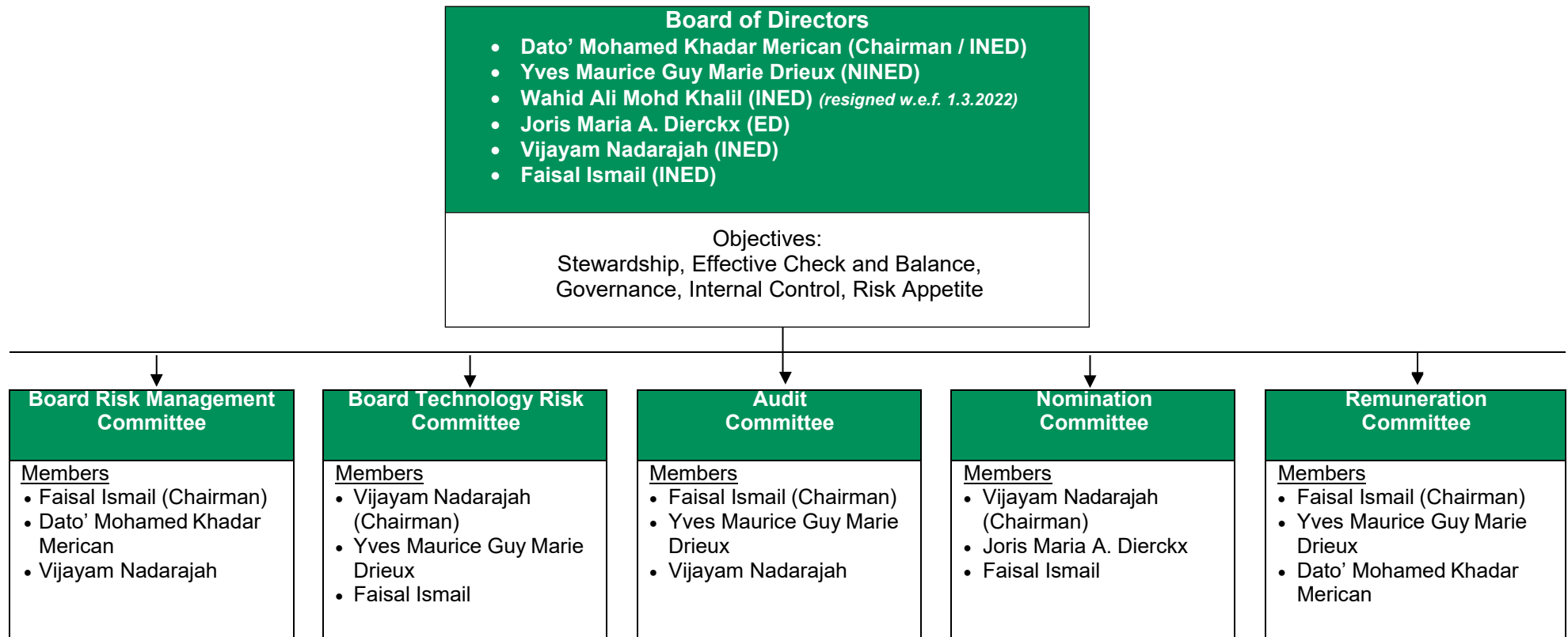
1. Overview

- 1.1 The Statement on Corporate Governance of BNP Paribas Malaysia Berhad (the “Bank”) outlines key aspects of the Corporate Governance framework of the Bank during financial year (“FY”) 2021.
- 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 Bank Negara Malaysia (“BNM”) policy document on Corporate Governance’s (“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



2. Board of Directors and Board Committees – An overview *(as at March 2022)*





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 FY 2021, the Board comprised the following:

No.	Directors	Status of Directorship
1.	Dato’ Mohamed Khadar Merican	Chairman / Independent Non-Executive Director
2.	Yves Maurice Guy Marie Drieux	Non-Independent Non-Executive Director
3.	Wahid Ali Mohd Khalil	Independent Non-Executive Director
4.	Joris Maria A. Dierckx	Executive Director
5.	Vijayam Nadarajah	Independent Non-Executive Director
6.	Faisal Ismail	Independent Non-Executive Director
7.	Dato Abdullah Mat Noh (retired on 22 March 2021)	Past Chairman / Independent Non-Executive Director
8.	Jean-Pierre Roger Beno Bernard (retired on 22 March 2021)	Non-Independent Non-Executive Director
9.	Chia Seng Leng (resigned w.e.f. 3 September 2021)	Independent Non-Executive Director

2.4 **Appointments, resignations and removals of Director during FY 2021:**

- Dato Abdullah Mat Noh (retired on 22 March 2021)
- Jean-Pierre Roger Beno Bernard (retired on 22 March 2021)
- Chia Seng Leng (resigned w.e.f. 3 September 2021)

2.5 **Subsequent event to FYE 31 December 2021, the following Director had resigned:**

- Wahid Ali Mohd Khalil (resigned w.e.f. 1 March 2022)

- 2.6 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.

- 2.7 The following table shows the attendance of each Director at Board meetings (including a special meeting) during FY 2021:

Directors	No. of Meetings Attended	%
Dato' Mohamed Khadar Merican	4 out of 4	100
Yves Maurice Guy Marie Drieux	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	1 out of 1	100
Dato Abdullah Mat Noh (retired on 22 March 2021)	2 out of 2	100
Jean-Pierre Roger Beno Bernard (retired on 22 March 2021)	2 out of 2	100
Chia Seng Leng (resigned on 3 September 2021)	4 out of 4	100

- 2.8 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 that 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 ourselves 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 Group's policy on limit of directorships and other business interests.

Before committing to an 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.



2.9 The key personal details and background of each of the current Directors (information disclosed as at March 2022):

DATO' MOHAMED KHADAR MERICAN

Chairman / 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 company incorporated in Malaysia:

- Air Asia Group Berhad
- Iris Corporation Berhad
- Tune Protect Group 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 Board Risk Management Committee
- Member of Nomination Committee

Length of Service as an Independent Non-Executive Director:

- 1 year



YVES MAURICE GUY MARIE DRIEUX

Independent Non-Executive Director

Nationality	: French
Age	67
Date of Appointment	: 27 July 2012 (<i>Non-Independent Non-Executive Director</i>)
	: 2 April 2020 (<i>Independent Non-Executive Director</i>)
	: 19 July 2021 (<i>Non-Independent Non-Executive Director</i>)

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 Audit Committee
- Member of Remuneration Committee
- Member of Board Technology Risk Committee

JORIS MARIA A. DIERCKX

Executive Director

Nationality	: Belgian
Age	52
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:

- Member of Nomination Committee



VIJAYAM NADARAJAH

Independent Non-Executive Director

Nationality : Malaysian
Age : 59
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 company incorporated in Malaysia:

- MPI Generali Insurans Berhad
- Manulife Holdings Berhad
- Manulife Insurance Berhad

Shareholding in BNP Paribas Malaysia Berhad:

- None

Membership in Board Committees of BNP Paribas Malaysia Berhad:

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

Length of Service as an Independent Non-Executive Director:

- 2 years 5 months



FAISAL ISMAIL

Independent Non-Executive Director

Nationality : Malaysian
Age : 58
Date of Appointment : 1 October 2020

Career:

Extensive working experience in commercial organisations including a former Board member of banking 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 TunRazak Exchange and Bandar Malaysia
- Director, Corporate & Strategic Planning and Transformation Programme, Boustead Heavy Industries Corporation Berhad
- CEO / Advisor, Mount Irua Ventures Sdn Bhd, wholly-owned subsidiary of Khazanah Nasional Berhad
- Non-Independent Non-Executive Director, Danajamin 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:

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

Length of Service as an Independent Non-Executive Director:

- 1 year 5 months



3. Board Committees

The Board establishes Board Committees to assist in carrying out its duties and responsibilities. The committees are provided with specific Terms of References (“TORs”) to guide their respective functions. The TORs are also aligned to the BNM policy document on Corporate Governance and other best practices of BNP Paribas.

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 assist the Board in the following duties and responsibilities:

(a) Board Risk Management Committee

- To ensure the Bank’s objectives are supported by an effective risk management framework which is appropriate to the nature, scale and complexity of its business activities and operations.
- To oversee that the Bank’s risk management policies, process and framework are functioning and effective with regards to the Bank’s principal and emerging risks.
- To provide effective oversight of Management’s risk activities in order to ensure consistency with the risk strategy and policies approved by the Board including the risk appetite.
- To oversee that the identification, measurement and continuous monitoring of all relevant and material risks in the Bank are supported by robust management information systems that facilitate timely and reliable reporting of risks.
- To assist the Board, through the 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) Board Technology Risk Committee

- To oversee the management of technology, cyber securities and information and communication risks.
- To ensure the adequacy of processes, procedures and policies on IT risk management and compliance to regulatory and BNP Paribas requirements.
- To assist on technology and other related risks in outsourcing and vendor management.
- To oversee Business Continuity Plan and Disaster Recovery Plan activities and compliance to rules and regulations.
- To oversee and propose best practices in IT management and compliance to regulatory and BNP Paribas requirements.



(c) Audit Committee

- To oversee the monitoring of integrity of the Bank's financial statements, reviewing significant financial reporting judgement contained therein and quarterly financial statements in line with local regulatory requirements, other applicable laws and regulations governing financial reporting.
- To oversee the effectiveness of the internal audit function of the Bank and its operations.
- To foster quality audit by exercising oversight and in close liaison with the external auditors of the Bank.
- To oversee the appropriateness and completeness of the system of internal control in close relation with Board Risk Management Committee.
- To discharge its responsibilities under relevant laws and/or regulations.

(d) Nomination Committee

- To oversee the process for appointments, reappointments, resignations and removals of Directors, Management, Shariah Committee ("SC") members and the Company Secretary;
- To review Board and Board Committee composition and their effectiveness;
- To review and evaluate the annual performance of Management, SC members and the Company Secretary and propose actions for improvement;
- To oversee the fit and proper assessments of the Directors, Management, SC members and Company Secretary are conducted annually and on ongoing basis;
- To oversee the succession plans of the Board of Directors and Management.

(e) Remuneration Committee

- To oversee the remuneration framework of the Bank in order to be in line with the business and risk strategies, corporate values and long-term interests of the Bank as well as align with BNP Paribas Group Compensation policy.
- To oversee, on a confidential basis, the remuneration of the Directors, Senior Management, Senior Officers including Other Material Risk Taker and Shariah Committee members particularly on whether the remuneration remains appropriate vis-à-vis their contribution, taking into account the level of expertise, commitment and responsibilities undertaken.
- To oversee the overall governance concerning remuneration aspects of the Bank.

3.3 The following table shows the attendance of each Director at Board Committees' meetings (including special meetings) during FY 2021:

Directors	No. of Meetings Attended				
	BRMC	BTRC	AC	NC	RC
Dato' Mohamed Khadar Merican	4 out of 4	N/A	N/A	2 out of 2	N/A
Yves Maurice Guy Marie Drieux	N/A	4 out of 4	4 out of 4	N/A	3 out of 3
Wahid Ali Mohd Khalil	N/A	4 out of 4	4 out of 4 (Chairman)	N/A	3 out of 3 (Chairman)
Joris Maria A. Dierckx	N/A	N/A	N/A	2 out of 2	N/A
Vijayam Nadarajah	4 out of 4	2 out of 2 (Chairman) 2 out of 2	4 out of 4	5 out of 5 (Chairman)	N/A
Faisal Ismail	2 out of 2 (Chairman) 2 out of 2	4 out of 4	N/A	4 out of 4	N/A
Dato Abdullah Mat Noh	1 out of 1	N/A	N/A	1 out of 1	N/A
Jean-Pierre Roger Beno Bernard	N/A	N/A	N/A	N/A	1 out of 1
Chia Seng Leng	2 out of 2 (Past Chairman)	2 out of 2 (Past Chairman)	N/A	N/A	3 out of 3

Legend

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



4. Directors' Training, Ongoing Development & Induction Programme

- 4.1 The Bank has 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 A summary of trainings (external and internal) attended by the Directors during FY 2021 is set out below:
- FIDE FORUM: Webinar: Rethinking Our Approach to Cyber Defense in FIs
 - FIDE FORUM: Webinar: Board's Effectiveness Evaluation Industry Briefing
 - BNM-FIDE FORUM-MASB Dialogue: MFRS17 Insurance Contracts: What Every Director Must Know
 - FIDE FORUM Dialogue: The Role of Independent Director
 - FIDE FORUM Dialogue: The Future of Malaysia's Financial Sector
 - SIDC: Virtual Conference: Paving the Way for Profitability Through Sustainability
 - Asia School of Business: FIDE Elective: Risk Management Committee (Banking Sector)
 - BNM-FIDE FORUM Dialogue on RMiT Implementation
 - FIDE FORUM – Engagement Session on Board Leadership Framework
 - FIDE FORUM – The Board's role and responsibilities in crisis communication
 - BNM-FIDE FORUM Dialogue: Risk-Based Capital Framework for Insurers and Takaful Operators
 - Asia School of Business: Dawn Raid- Don't Be Caught Unprepared
 - Competition & Antitrust: Essential Principles & Practical Considerations
 - Bursa-FIDE FORUM Dialogue on Sustainability
 - FIDE FORUM: The 2050 Net Zero Carbon Emissions Target: Finance's Role
 - Securities Commission Malaysia-FIDE FORUM Dialogue on Capital Market Masterplan 3
 - Focus Group Discussion for BNM-FIDE FORUM Dialogue
 - FIDE FORUM: Annual Dialogue with Governor of BNM
 - CERT: International Islamic Capital Market Summit
 - Cyber Security Awareness
 - ISRA: Islamic Finance for Board of Directors' Programme
 - ICLIF: FIDE Core Programme Module B (for bank)
 - Internal: Islamic Banking training for Board of Directors – Riba (Interest) and Compounding
 - Internal: BNP Paribas Cybersecurity briefing for Board of Directors



- 4.4 Induction programmes will be organised for any new Directors onboarded. This will expedite the familiarisation for new Directors with the environment that the Bank operates in, business operations and the Bank's organisation structure including Management's roles and responsibilities.
- 4.5 Through this process, new Director(s) will have a solid foundation upon which he/she can rely 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 establishment of the Shariah Committee (“SC”) is aligned with BNM Shariah Governance policy document (“BNM SGPD”) which came into effect on 1 April 2020.
- 6.2 The primary objective of the SC is to advise the Board and the Islamic Banking Window of the Bank on Shariah matters in line with BNM SGPD. This is to ensure that, Najmah operations, business and activities are in compliance with Shariah principles at all times.
- 6.3 The SC consist of two (2) members as at 31 December 2021. In line with BNM SGPD, BNM has granted an exemption for the Bank to operate with two (2) members until 30 April 2022, instead of minimum three (3) members.
- 6.4 The SC shall meet at least two (2) times a year. For FY 2021, the SC convened seven (7) meetings and the meeting attendance of the SC members were as follows:
- | | |
|---|-----|
| Muhammad Ali Jinnah
<i>Chairman (resigned effective 1.5.2021)</i> | 4/7 |
| Mazrul Shahir Md Zuki
<i>Interim Chair from 1.5.2021 to 25.8.21 (resigned effective 1.10.2021)</i> | 6/7 |
| <i>Dr Sa’id Adekunle Mikail (Interim Chair effective 26.8.2021)</i> | 7/7 |
| Dr Nurul Aini Muhamed
<i>(appointed effective 1.10.2021)</i> | 1/7 |
- 6.5 The SC continues to table Shariah reportings to the Board at each quarterly sittings.
- 6.6 As at 31 December 2021, Najmah team consisted four (4) officers including the Head of Najmah.



7. Corporate Governance: The Board and Impact of the Prolonged COVID-19 pandemic

- 7.1 The Directors had and continue to exercise independent judgement, reasonable care, skill, 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 regards to the Federal Government of Malaysia's implementation of Movement Control Order spanning from January to May 2021, Total Lockdown in June 2021 and implementation of four (4) phases of the National Recovery Plan until end of the year as a preventive measure towards the prolonged COVID-19 pandemic, the Board was assured by Management who continuously acted quickly in prioritising the safety and well-being of employees through ongoing initiation of spilt teams.
- 7.4 With regards to the prolonged pandemic and in order to create an environment for the Bank to be agile, the Board is fully aware and understands any potential risks faced by the Bank and to its various stakeholders. The Board has and continues to be kept informed at regular sittings of the Board / Committees on financial performance, operational, risk management, governance, IT/ cybersecurity and any other material events, overall economic conditions in Malaysia as well as businesses of BNP Paribas across the globe.
- 7.5 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 industry-wide bottom-up stress test in assessing the impact of the prolonged pandemic and system-wide vulnerabilities was conducted.
- 7.6 With regard to the prolonged pandemic which affected all and despite lockdowns in its various forms during 2021, the Bank has and continues to adjust to a very different work approach as well as in the mode of conducting Board meetings.
- 7.7 During 2021, the Board conducted its meetings during the year via virtual / hybrid as precautionary measures to limit any threat of the contagion. Conducting Board meetings in such manner did not inhibit posing of questions during Board deliberations.
- 7.8 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 and continues to comply with the requirements on attendance to Board meetings set out in the BNM CG policy.

8. Internal Control Framework

8.1 Internal Control Definition, Objectives and Standards

The Bank'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 Framework 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 Internal Control Charter serves as the Bank's basic internal reference document for internal control. Widely distributed within the BNP Paribas ("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 BNPP's 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.

8.2 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 the Bank. 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.

8.3 Fundamental Principles of Internal Control

Internal control at BNPP 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 monitoring and oversight.
- **Formalisation and traceability:** internal control relies on the instructions of executive officers, written policies, 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 (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).

8.4 Organisation of Internal Control

Reflecting the Group's approach, internal control at the Bank 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.

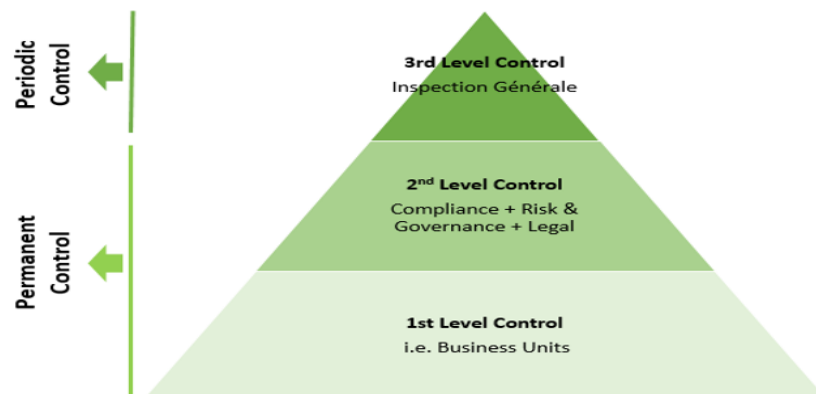
The functions exercising the second and third lines of defense are called Functions exercising independent control.



8.5 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:**
 - 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 BNPP 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 and 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** 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





9. Remuneration

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

9.1 Objectives of Remuneration Policy

- (i) The policy reflects the Bank’s objectives for good corporate governance for all employees. This will enable the Bank 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 BNP Paribas (“BNPP”) policies and procedures, including but not limited to Group Code of Conduct, Group remuneration policy and principles, Internal Controls, Global Policy on the Protection of Interests of Client, 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.

9.2 Board Oversight

- (i) The Board monitors compliance with the Remuneration Policy periodically 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 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 fee annually and recommend the same for approval by the shareholder at the Annual General Meeting.
- (iii) 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.
- (iv) 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.

9.3 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 the Group.



(ii) Short Term Variable Compensation

The variable compensation is determined in such a way as to avoid incentives that could run counter to the protection of customer interests or lead to conflicts of interest between employees and customers.

The Group principles concerning the protection of interests of clients are defined in the following policies:

- Global policy on the Protection of Interests of Client: “Good Sales Practices”
- Group Conflicts of Interest Global Policy
- Global policy on remuneration practices that could present conflict of interest
- Compliance to local policies in Malaysia

- (i) Variable Compensation is intended to reward quantitative and qualitative achievements measured on the basis of observed performance and individual assessments related to fixed objectives and behaviours.
- (ii) Fixed objectives will include predetermined Key Performance Indicators set annually. These comprise of measures designed to inculcate a control mindset and to drive employee behaviour towards compliance of the Bank’s control environment.
- (iii) It does not constitute a right and is set in a discretionary manner each year in accordance with the remuneration 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.

9.4 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 the Bank 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 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.



9.5 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 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 Group entities, such as the Bank, is available at <https://invest.bnpparibas.com/en/compensation-regulated-employees>

In terms of local regulatory requirements, the Bank is aligned with the remuneration requirements of the BNM policy on CG.

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

(i) **Details of Directors’ Remuneration for FY 2021 of the Bank are as follows:**

Directors	Fixed Remuneration		Variable Remuneration	Total Remuneration (Net of tax) (RM/year)
	Gross Director’s Fees (RM/year)	Benefits-in-kind (RM/year)	Other Allowances (RM/year)	
Dato’ Mohamed Khadar Merican	316,351.86**^	Nil	Not applicable	273,561.80
Yves Maurice Guy Marie Drieux	170,000.00	Nil	Not applicable	115,600.00
Wahid Ali Mohd Khalil	170,000.00	Nil	4,500 ^{&}	139,920.00
Joris Maria A. Dierckx	-	-	-	-
Vijayam Nadarajah	170,000.00	Nil	Not applicable	135,020.00
Faisal Ismail	170,000.00	Nil	Not applicable	135,420.00
Dato Abdullah Mat Noh	100,000.00 [†]	Nil	Not applicable	100,000.00
Jean-Pierre Roger Beno Bernard	42,500.00 [#]	Nil	Not applicable	29,750.00
Chia Seng Leng	113,334.00 [@]	Nil	Not applicable	75,933.00
TOTAL				1,005,204.80

Legend:

[^] Pro-rated during FY 2021 (1.3.2021 to 31.12.2021)

^{**} Net of SST is only applicable for Dato’ Mohamed Khadar Merican

^{*} Pro-rated during FY 2021 (1.1.2021 to 31.3.2021)

[#] Pro-rated during FY 2021 (1.1.2021 to 31.3.2021)

[@] Pro-rated during FY 2021 (1.1.2021 to 31.8.2021)

[&] HR confirmed that, among the five (5) SC meetings he attended, there was one (1) meeting allowance for attending an SC meeting in October 2020 was paid in 2021. Hence, it is an income received. Therefore, it is reported in the year 2021 statement.



(ii) **Details of the Chief Executive Officer’s (“CEO” and also known as “Senior Management”) remuneration for FY 2021:**

Total Value of Remuneration Awards for FY 2021	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	381	309
• Shares and share-linked instruments	Nil	552
• Others	Nil	Nil

(iii) **Senior Officers and Other Material Risk Taker remuneration details for FY 2021:**

Total Value of Remuneration Awards for FY 2021	Unrestricted (RM’000)	Deferred (RM’000)
Senior Officers and Other Material Risk Taker:		
<u>Fixed remuneration:</u>		
• Cash-based	3,894	Nil
• Shares and share-linked instruments	Nil	Nil
• Others (includes Benefits-in-kind)	553	Nil
<u>Variable remuneration:</u>		
• Cash-based	1,060	280
• Shares and share-linked instruments	Nil	496
• Others	Nil	Nil

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

FY 2021	Number	Amount (RM’000)
Number of Officers having received a Variable Remuneration	8	
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)		3,658
- Cash (a)		1,580
- Shares & Shares linked instruments (b)		2,078
- Others (c)		Nil
Total Amount of Deferred Remuneration Paid Out during FY 2021		1,459