



**BNP PARIBAS**

The bank  
for a changing  
world

**BNP PARIBAS MALAYSIA BERHAD**

Registration No. 201001034168 (918091-T)

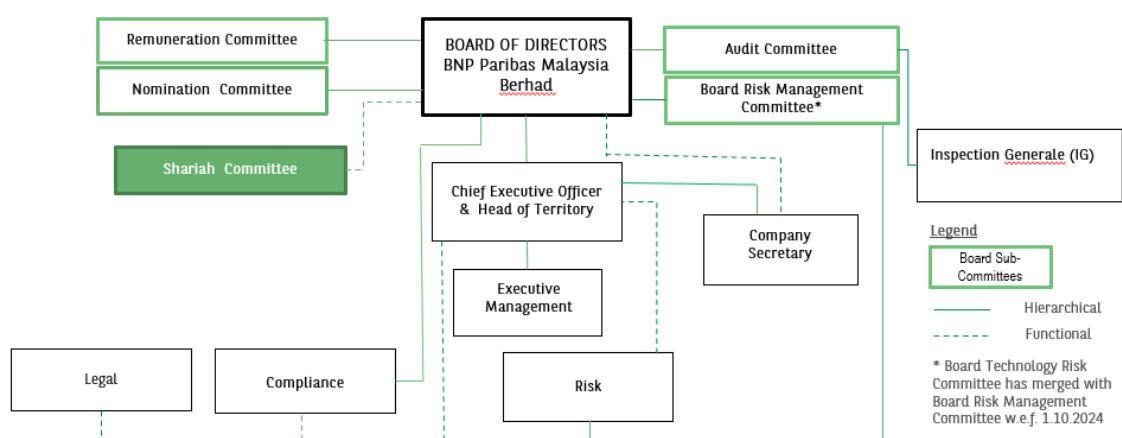
**STATEMENT ON CORPORATE GOVERNANCE**

This Statement on Corporate Governance forms part of the Directors' Report in the Audited Financial Statements for the financial year ended 31 December 2024

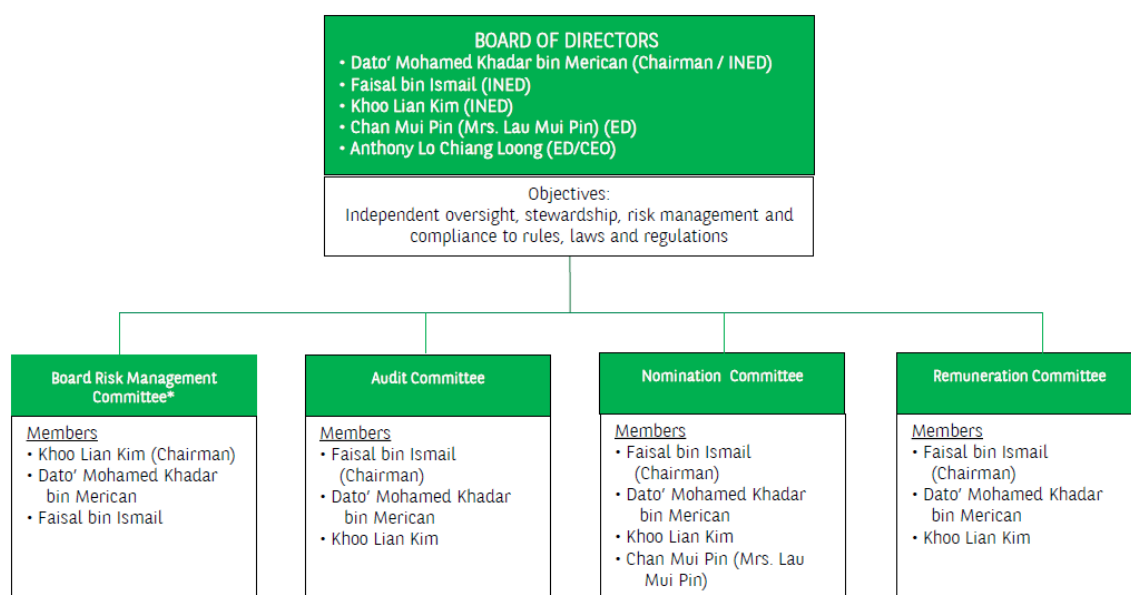


## 1. Overview

- 1.1 The Statement on Corporate Governance of BNP Paribas Malaysia Berhad (the “Bank”) outlines the key aspects of the Corporate Governance (“CG”) framework of the Bank.
- 1.2 The Board of Directors (the “Board”) ensures that the policies and practices of the Bank are aligned with BNP Paribas Group policies and procedures and local laws, rules, and regulations. Strong CG is essential for the long-term sustainability and growth of the Bank.
- 1.3 The CG framework of the Bank promotes accountability, oversight, good governance, risk management, and ethical business practices. The Code of Ethics of the Bank instils ethical practices for the Board and Management.
- 1.4 The Board’s structure is illustrated below.



## 2. Board of Directors and Board Committees of the Bank



Legend:

\* Board Technology Risk Committee had merged with Board Risk Management Committee w.e.f. 1.10.2024

INED – Independent Non-Executive Director

ED – Executive Director



- 2.1 The Board has fiduciary duties to the Bank and exercises them with independent judgement, good faith and due professional care. The Board's authority and responsibilities are stated in the Board Charter. The Board Charter is available for reference at the Bank's website:  
<https://apac.bnpparibas/en/malaysia/corporate-governance>
- 2.2 The Board is responsible for protecting all stakeholders' interests including that of the shareholders, customers, and employees.
- 2.3 There are five (5) directors whose details are provided below:

**DATO' MOHAMED KHADAR BIN MERICAN****Chairman, Independent Non-Executive Director**

Nationality : Malaysian  
 Age : 68  
 Date of appointment : 1 March 2021 (Independent Non-Executive Director)  
 : 23 March 2021 (as Chairman)

**Career:**

Extensive working experience in financial and general management and positions held include:

- Auditor and consultant in an international accounting firm, before joining a financial services group.
- Held senior management positions including President and Chief Operating Officer of Pemas International Holdings Berhad.

**Directorships in public companies incorporated in Malaysia:**

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• <b>Current -</b></li> <li>Capital A Berhad</li> <li>Iris Corporation Berhad</li> <li>Tune Protect Group Berhad</li> <li>Rashid Hussain Berhad (<i>in members' Voluntary Liquidation</i>)</li> </ul> | <ul style="list-style-type: none"> <li>• <b>Past -</b></li> <li>RHB Group of companies</li> <li>Astro Malaysia Group of companies</li> </ul> |
|--|--|

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

- Member of the Nomination Committee ("NC")
- Member of the Remuneration Committee ("RC")
- Member of Board Risk Management Committee ("BRMC")
- Member of Audit Committee ("AC")

**Length of Service as an Independent Non-Executive Director (as at March 2025):**

- 4 years

**FAISAL BIN ISMAIL****Independent Non-Executive Director**

Nationality : Malaysian  
 Age : 61  
 Date of appointment : 1 October 2020

**Career:**

Extensive working experience in commercial organisations and positions held include:

- Various managerial positions in Peremba Group and Executive Director of Landmarks Berhad
- Executive Director, Head of Strategic Advisory Division, BinaFikir Sdn Bhd
- Director, Investments, Khazanah Nasional Berhad
- Group Managing Director, Pantai Holdings Berhad and Pantai Support Services Sdn Bhd
- Deputy CEO, Commercial, 1MDB Real Estate Sdn Bhd (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, a wholly owned subsidiary of Khazanah Nasional Berhad

**Directorships in public companies incorporated in Malaysia:**

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• <b>Current -</b></li> <li>Credit Guarantee Corporation Malaysia Berhad</li> </ul> | <ul style="list-style-type: none"> <li>• <b>Past -</b></li> <li>Danajamin Nasional Berhad</li> <li>JP Morgan Chase Bank Berhad</li> <li>Pantai Holdings Berhad</li> <li>Landmarks Berhad</li> <li>ShangriLa Hotels Malaysia Berhad</li> </ul> |
|--|---|

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

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• Chairman of RC</li> <li>• Chairman of AC</li> </ul> | <ul style="list-style-type: none"> <li>• Chairman of NC</li> <li>• Member of BRMC</li> </ul> |
|--|--|

**Length of Service as an Independent Non-Executive Director (as at March 2025):**

- 4 years 5 months

**KHOO LIAN KIM****Independent Non-Executive Director**

Nationality : Malaysian  
 Age : 55  
 Date of appointment : 1 September 2022

**Career:**

Extensive working experience in risk management in financial institutions and positions held include:

- Head, Risk / Chief Risk Officer and Head, Group Risk Operation, RHB Banking Group
- Head, Risk Management & Analytics, Head, Basel II Implementation and Equity Research, CIMB Banking Group

**Directorship in public company incorporated in Malaysia:**

- None

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

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• Chairman of BRMC</li> <li>• Member of NC</li> </ul> | <ul style="list-style-type: none"> <li>• Member of AC</li> <li>• Member of RC</li> </ul> |
|--|--|

**Length of Service as an Independent Non-Executive Director (as at March 2025):**

- 2 years and 6 months

**CHAN MUI PIN (MRS. LAU MUI PIN)****Executive Director**

Nationality : Singaporean  
Age : 60  
Date of appointment : 7 September 2022

**Career:**

Extensive working experience in BNP Paribas Group and other organisations, and positions held include:

- Equity Derivatives Middle Office / Trading, BNP Paribas Singapore
- Head of Fixed Income and Treasury Middle Office, Asia Pacific and Singapore
- Chief Operating Officer ("COO"), Fixed Income (Global Markets) and Treasury and Capital Markets Transversal Operations APAC
- COO, South East Asia ("SEA"), BNP Paribas Singapore
- COO, Compliance Asia Pacific / Regulatory Compliance Lead, Asia Pacific
- Head of Compliance for BNP Paribas Singapore and SEA
- Internal Auditor, Bishop Pipeline Corporation USA
- Accountant, Coastal Gas Marketing USA

**Directorship in public company incorporated in Malaysia:**

- None

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

- Member of NC

**ANTHONY LO CHIANG LOONG****Executive Director, Chief Executive Officer**

Nationality : Malaysian  
Age : 49  
Date of appointment : 1 October 2024

**Career:**

Working experience in BNP Paribas Group and other organisations, and positions held include:

- Lead audit engagement teams and special assignments, Arthur Andersen
- Executive Director, ING Barings Advisory Sdn Bhd
- Managing Director, Head of Coverage for Malaysian Corporates & Head of Investment Banking Malaysia, BNP Paribas Malaysia Berhad
- Currently, Chief Executive Officer of BNP Paribas Malaysia Berhad and Head of Territory.

**Directorship in public company incorporated in Malaysia:**

- None

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

- None



### 3. Attendance of Directors at Board and Board Committees' meetings

3.1 The following table shows the attendance of directors at Board meetings (including special meetings) during FY 2024:

Directors	No. of Meetings Attended	%
Dato' Mohamed Khadar bin Merican	9 out of 9	100
Faisal bin Ismail	9 out of 9	100
Khoo Lian Kim	9 out of 9	100
Chan Mui Pin (Mrs. Lau Mui Pin)	9 out of 9	100
Anthony Lo Chiang Loong	4 out of 4*	100
<u>Resigned / Ceased</u>		
Joris Maria A. Dierckx	7 out of 7	100
Vijayam a/p Nadarajah	4 out of 5	80

\* He was appointed as an executive director on 1.10.2024. Hence, his attendance as a director at Board meetings is marked starting 1.10.2024 for FY 2024.

3.2 The following table shows the attendance of directors at Board Committees' meetings (including special meetings) during FY 2024:

Directors	No. of Meetings Attended			
	BRMC	AC	NC	RC
Dato' Mohamed bin Khadar Merican	7 out of 7	2 out of 2	4 out of 4	3 out of 3
Faisal bin Ismail	7 out of 7	5 out of 5 (Chairman)	4 out of 4 (Chairman)	3 out of 3 (Chairman)
Khoo Lian Kim	7 out of 7 (Chairman)	5 out of 5	3 out of 3	3 out of 3
Chan Mui Pin (Mrs. Lau Mui Pin)	N/A	N/A	3 out of 3	N/A
Anthony Lo Chiang Loong	N/A	N/A	N/A	N/A
<u>Resigned / Ceased</u>				
Joris Maria A. Dierckx	N/A	N/A	4 out of 5	N/A
Vijayam a/p Nadarajah	4 out of 5	3 out of 3	4 out of 4 (past Chairman)	N/A

Legend

BRMC : Board Risk Management Committee  
AC : Audit Committee  
NC : Nomination Committee

RC : Remuneration Committee  
N/A : Not Applicable

3.3 The Board and Board Committees (except NC and RC) are conducted at least four (4) times a year, and special meetings are convened on a need basis. NC and RC meetings are conducted at least once a year and special meetings are convened on a need basis.



- 3.4 The Board is assisted in specific areas of governance by the Board Committees as set out in their respective Terms of Reference.
- 3.5 The agendas for the Board and Board Committees are determined by the respective chairs in consultation with the Company Secretary and the Chief Executive Officer. The agendas are drafted to ensure that the Board and Board Committees deliberate on all essential papers requiring the oversight / endorsement / approval of the Board.

The Board and Board Committees meetings are allocated sufficient time to discuss, debate, and challenge Management on all papers.

#### **4. Conflict of Interest / Time commitment**

- 4.1 All directors shall exercise their duties in the interest of the Bank and would declare any conflict of interest if they exist. The Board shall collectively exercise its independence of management and professional duty of care in its oversight responsibilities.
- 4.2 The Bank has a policy that no director shall hold more than five (5) directorships in public companies. This is to ensure that all directors provide sufficient time and commitment to Board matters. During FY 2024, there were no directors who had held more than five (5) directorships in public companies.

#### **5. Company Secretary**

- 5.1 The Board is supported by a licensed and competent Company Secretary. All directors have unrestricted access to the Company Secretary, who records and highlights points / actions related to governance matters in addition to scheduling Board meetings, consolidating and safekeeping Board papers, and minuting Board discussions.

#### **6. Board Composition, Succession Planning and Evaluation**

- 6.1 The Board has three (3) independent directors and two (2) executive directors who bring a variety of skills and experience to discharge its oversight duties. The NC had, through an annual Board Evaluation exercise, assessed the Board, Board Committees, individual directors, and the Chief Executive Officer.
- 6.2 For purposes of appointment of directors, the NC will engage external search consultants to provide resumes of potentially suitable candidates. The appointment of new directors involves an internal review of skills and experience of existing directors and gaps to be filled.
- 6.3 In the Bank, there is a conscious effort to subscribe to gender diversity. Currently, the Bank has two (2) women directors. In selecting directors, the NC considers the capability of directors to collectively enhance the Board's ability to oversee the affairs of the Bank effectively.
- 6.4 The Board is guided by policies on succession planning, directors' induction & training, (re)appointment, resignation and removal of directors. These policies are reviewed periodically or whenever there are material changes for relevance.



## 7. Directors' Training and Development

7.1 Collectively, the directors had, but not limited to the following, attended the following training programmes, conferences, seminars, workshops, etc. during the financial year 2024:

Organiser	Training events
FIDE FORUM	<ul style="list-style-type: none"> <li>➤ BNM-FIDE FORUM Engagement: Responsibility Mapping with Directors of Financial Institutions</li> <li>➤ Directors Masterclass Series: What Directors Must Know: Recent Developments in Climate Science</li> <li>➤ Engagement Session with FIDE FORUM members on BNM Annual Report 2023, Economic and Monetary Review 2023 and Financial Stability Review 2H 2023</li> <li>➤ Data Innovation to Drive Financial Inclusion – Pushing New Frontiers</li> <li>➤ Preventing Fraud: The Board's Roles and Responsibilities</li> <li>➤ Masterclass I: Boardroom Climate Essentials</li> <li>➤ Masterclass IV: Taking Effective Climate Action Now</li> <li>➤ Launch of the Directors' Remuneration Report 2024</li> <li>➤ Economic Outlook &amp; Post-Budget 2025 Forum</li> </ul>
Internal	<ul style="list-style-type: none"> <li>➤ Islamic Banking and Shariah – Application of Hajah and Darurah in Islamic Finance</li> <li>➤ Cybersecurity briefing</li> <li>➤ ESG training</li> <li>➤ (Compliance) SEC Security-Based Swap Dealer (SEC SBSD) Associated Persons</li> <li>➤ (Compliance) Personal Account Dealing 2023</li> <li>➤ APAC IT Security Awareness Basics</li> <li>➤ (Compliance) Volcker Rule and French Banking Law e-learning - Awareness – Certifiers</li> <li>➤ APAC Information Barrier 2024</li> <li>➤ Conduct Journey – Edition 2024</li> <li>➤ Business Continuity</li> <li>➤ MY Effective Communication with Stakeholders</li> <li>➤ Manager Conduct Training 2024</li> <li>➤ Document and Email Classification / AIP</li> <li>➤ CIB Data Classification / AIP</li> <li>➤ (IT Group) Cyberdefense Awareness 2024</li> <li>➤ (Compliance) Financial Security Mandatory 2024</li> <li>➤ CIB APAC Sustainability Forum</li> <li>➤ Respect for Persons – Managers</li> <li>➤ MY Teambuilding 2024 – The Carbon Race</li> <li>➤ Counterparty Credit Risk Training Presentation</li> <li>➤ New TAC NAC Conduct Breaches Framework</li> <li>➤ Be Safe by CIB – Security Awareness</li> <li>➤ APAC CIB &amp; WM Client Complaint Policy</li> <li>➤ CIB APAC Sustainability Forum</li> <li>➤ 2024 Conduct at CIB – Dilemma Based Session (9<sup>th</sup> Edition)</li> </ul>



Organiser	Training events
Others:	<ul style="list-style-type: none"> <li>➤ Asia School of Business: Fireside Chat with the Former Central Bank Governors: Central Banking in an Evolving International Financial System</li> <li>➤ Iclif Executive Education Center: FIDE Core Programme – Module B (for banking institution)</li> <li>➤ BNM: Sasana Symposium 2024</li> <li>➤ Mandatory Accreditation Program – Part II Leading for Impact</li> <li>➤ TCFD training by Malaysian Institute of Accountants</li> <li>➤ Directors' training on Insuretech</li> <li>➤ Anti-Corruption laws in Malaysia and key legal issues in digital transformation</li> <li>➤ Greenhouse gas training</li> <li>➤ Audit oversight Board – Conversation with Audit Committee – Training on Sustainability reporting</li> <li>➤ Discussion with CGC's Finance team on accounting for investment assets with particular focus on FVOCI</li> <li>➤ GFIEF Global Forum on Islamic Economics and Finance – Shaping a Resilient Global Islamic Economy Through Values-based Reforms</li> <li>➤ Asia School of Business / FIDE FORUM – Kuala Lumpur International Sustainability Forum</li> <li>➤ Asia Institute of Corporate Bankers AICB – Association of Bankers Malaysia ABM – 3<sup>rd</sup> Malaysian Banking Conference 2024 – Banking in the Era of GenAI – Reshaping Banking, Innovating for the new Economy &amp; Accelerating Sustainability</li> <li>➤ CGC – Microsoft 365 Copilot briefing session</li> <li>➤ CGC – Training for directors and Group Management – Cyber Security &amp; Data Privacy: The Fight against Financial Crime</li> <li>➤ ICAEW Certificate in Finance, Accounting and Business</li> <li>➤ 2024 Institute of Internal Auditors Malaysia IIAM National Conference – Future Proofing Governance</li> </ul>

## 8. Key Focus Areas of the Board for 2024

### 8.1 Environmental, Social & Governance (“ESG”)

The Bank continues to support ESG initiatives and demonstrates this in setting financials and non-financial strategies. The Bank's Chief Sustainability Officer continues to apprise the Board, via Board Risk Management Committee's meetings, on the Bank's activities on sustainability and to provide status updates in compliance with local regulatory requirements.

### 8.2 Culture / Diversity, Equity and Inclusiveness

The Board continues to set a clear tone in encouraging the Bank to embrace values of safety, respect, courage, collaboration and diversity. The Bank has consciously increased women in leadership and workforce.

### 8.3 Information Technology (“IT”) and Cybersecurity

The Board continues to increase its focus on IT and cybersecurity considering new and emerging risks in this space. The Board had undergone an annual training on cybersecurity to enhance its knowledge and keep abreast with new developments in cybersecurity, cloud computing and exposures to outsourced activities.



## 9. Shariah Committee

9.1 The Shariah Committee ("SC") is responsible to provide objective and sound advice to BNP Paribas Malaysia Berhad to ensure that its Islamic Banking Window's aims, operations, business, affairs and activities comply with Shariah rules and principles.

9.2 As of 31 December 2024, there are three (3) SC members and their profiles are provided below:

Assoc. Prof. Dr. Sa'id Adekunle Mikail (Member: effective June 2018, Chairman: effective June 2023)  
Assoc. Prof. Dr. Sa'id, a Nigerian, obtained his Bachelor's Degree in Shariah from Islamic University of Madinah, Kingdom of Saudi Arabia. He also has a Master's of Comparative Laws and PhD in Law from International Islamic University Malaysia (IIUM).

Currently, he serves as an Associate Professor and Senior Researcher at the ISRA Research Management Centre, INCEIF University, Malaysia. He also holds positions as a Shariah Board Member in many local and international organisations, the most prominent of which, is with the Islamic Development Bank (IsDB).

Dr. Hussein 'Azeemi Abdullah Thaidi (Member: effective October 2023)

Dr. Hussein, Malaysian, obtained his Bachelor's Degree in Fiqh and Fatwa (Hons) from Islamic Science University of Malaysia and a Master's Degree in Shariah (Fiqh and Usul Fiqh) from University of Malaya. He has a PhD in Religious Studies (Islamic Studies) from University of Aberdeen.

Currently, he is a Senior Lecturer at the Faculty of Shariah and Law at Islamic Science University of Malaysia and a member of the Malaysian Muamalat Association.

Dr. Nur I'ffah Muhammad Nasir (Member: effective July 2024)

Dr. Nur I'ffah, Malaysian, obtained her Bachelor's Degree in Shariah (Fiqh and Usul Fiqh) from Mu'tah University, Jordan. She holds a Master's Degree and PhD in Islamic Banking and Finance from International Islamic University Malaysia.

Currently, she is a Senior Lecturer in the Faculty of Economics and Muamalat at Islamic Science University of Malaysia.

9.3 The following table shows the attendance of the SC members at SC meetings during FY 2024:

Members	No. of Meetings Attended	%
Assoc. Prof. Dr. Sa'id Adekunle Mikail (Chairman)	5 out of 5	100
Dr Hussein 'Azeemi Abdullah Thaidi	5 out of 5	100
Dr. Nur I'ffah Muhammad Nasir	3 out of 3	100

9.4 The SC tables their report, which summarises all SC-related matters, to the Board at every Board meeting. Additionally, the annual Board and the SC dialogue session was conducted in July 2024.



## **10. Internal Control Framework**

### **10.1 Internal Control Objectives**

The internal control framework aims to ensure the overall monitoring and control of risks and provide reasonable assurance that the Bank's objectives in this area are in line with the Risk Appetite Statement of the Bank.

The Bank adopts BNP Paribas ("BNPP") Group's Internal Control framework and is to be read together with the local regulatory and governance setup that are applicable to the Bank. The framework outlines the Bank's overall governance structure to monitor and control risks in a manner that is efficient and coherent with its risk appetite that is appropriate to the nature, scale and size of business activities.

The framework aims at ensuring:

- i. Sound and prudent management of risks, aligned with BNPP Group's values and code of conduct as well as the policies defined in line with the Group's social and environmental responsibilities;
- ii. Operational security of internal operations;
- iii. Relevance and reliability of accounting and financial information;
- iv. Compliance with applicable laws, regulations and internal policies.

The implementation of the internal control framework relies, in particular, on the promotion of a culture in terms of risks and ethics among all staff and in the relationships of the Bank with its third parties, customers, intermediaries and suppliers as well as its shareholders.

The management of the Bank has the duty to implement the principles defined in the framework, under the oversight of its Board of Directors (the "Board").

### **10.2 Scope of Application**

It covers every kind of risk the Bank may be exposed to (credit risk, counterparty risk, market risk, funding and liquidity risk, interest rate and foreign exchange risk in banking book, operational risk, information technology risk, non-Compliance risk, ESG risk including climate -related, Shariah risk).

It also covers outsourced activities and services, in accordance with regulatory guidelines.

### **10.3 The Principles for Action**

The internal control of the Bank is based on its values and code of conduct as well as the following complementary principles for action:

#### **i. Clearly Assigned Responsibilities**

Internal Control is the responsibility of every employee of the Bank, irrespective of his/her hierarchical position. Managers/Heads have the responsibilities of ensuring the proper implementation of internal control framework on the scope they are in charge of. In order to do so, responsibilities and delegation are clearly assigned and communicated to every stakeholder.

**ii. Structured Framework for Identifying, Assessing and Monitoring Risks**

Any internal control framework is expected to be organised around the following elements:

- identification and assessment of risks.
- monitoring of risks, which entails definition and implementation of:
  - ✓ a decision-making and delegation framework, and when the type of risk makes it possible, the definition and implementation of indicators/metrics and limits, operating through a properly defined governance and set of responsibilities;
  - ✓ principles framing organisational and operational processes;
  - ✓ effective control measures;
  - ✓ a reporting and alert framework;
  - ✓ follow-up on remediation actions in order to adequately address any attention points.

To be efficient at individual and consolidated level, this framework must rely on:

- a coherent taxonomy and compatible methodologies, between the different parties to the internal control framework.
- reliable, timely and flexible information, in coherence with the needs for controlling and monitoring.

**iii. Independent Control and Oversight of Risks**

The internal control framework requires the mandatory and early involvement of Functions exercising independent second level controls. This involvement shall include the following:

- identification, assessment and monitoring of risks;
- provide independent views and feedback where required for decision making; and
- exercise independent controls on the framework implemented by the Bank.

The provisions for the involvement of a Function exercising second level controls (level of delegation in the decision-making process, intensity and depth of second level controls) represent a key element of the Internal Control framework and have, for the most important ones, to be validated by Management with oversight by the Board.

Inspection Générale operates third level independent controls in order to assess the effectiveness of risk management, control and governance processes.

**iv. Segregation of Duties**

The segregation of duties is one of the key elements of internal controls to provide a check and balance in performing operational tasks. As an example, tasks related to the origination, approval, accounts posting, payment and accounting reconciliation of a transaction must be performed by different staff.

**v. Organised Decision-Making Process**

At a minimum, the delegated scope is defined through job descriptions. When responsibilities justify it, delegations must be formalised by mission statements that precisely define the object and the scope of their application and specify if sub delegation is possible and to what extent.

Regarding significant acts involving third parties, the principle of two signatures is, in most cases, included in the delegation system.

**vi. Duty of Transparency**

All staff are required to notify their managers of any conflicts of interest, including:

- any information necessary to a good understanding of the situation of the Bank, that can have an impact on risks or reputation.
- all matters he/she may not be able to solve by him/herself when performing his/her duties.
- all abnormal situations he/she notices.

Moreover, each staff member has the right to alert under confidential conditions as provided by the Code of Conduct of the Bank, through the whistleblowing process that is organised by the Compliance Function.

Inspection Générale and every Function exercising second level controls have the right to access<sup>3</sup> to all information they consider necessary for performing their duties. They have to be alerted when an important situation or event occurs, along the rules they independently and freely set, consistently with their respective framework.

**vii. Formalisation and Traceability Requirements**

All opinions, decisions and results derived from the application of the internal control framework shall be formalised and traceable, this shall allow among others, the reporting of such information to Management, Board, as well as its sub-committees, where relevant.

**viii. Management of Human Resources that Embeds Internal Control Objectives**

Assessment of compliance with internal control objectives includes:

- the effective implementation of Internal Control framework by every staff in his/her appraisal;
- relevant trainings on risks and controls within his/her responsibilities;
- the selection of employees, particularly for key positions, shall take into account his/her abilities to fulfil responsibilities regarding Internal Control; and
- a compensation structure that contributes to the compliance of such objectives.

---

<sup>3</sup> In compliance with applicable regulations related to banking secrecy, personal data protection and market abuse prevention



- 
- ix. **Continuous Monitoring of the Framework**  
Internal Control framework shall be monitored in a dynamic way by its stakeholders. Adaptation and changes shall be made as and when required and periodic review shall be continuously performed.
- x. **Proportionality when Implementing the Internal Control Framework**  
The implementation of the Internal Control framework must be operated according to an approach and intensity that commensurates with the risks. This proportionality is assessed with respect to one or several of the following criteria:
- intensity of risks as identified in risk assessment programmes (Risk ID for the identification of key risks to which the Bank is exposed, Risk & Control Self-Assessment).
  - amount of capital allocated and/or ratios in terms of solvency and liquidity.
  - criticality of activities with regards to systemic issues.
  - regulatory provisions for conducting activities.
  - size of the activities performed.
  - type of clients and distribution channels used.
  - complexity of designed or sold products and/or of services provided.
  - complexity of processes operated and/or importance of the use of outsourced activities through internal or external legal entities.
  - sensitivity of the environment where the activities are located.

#### 10.4 The Internal Control Stakeholders

The Bank's Internal Control framework is organised around three lines of defence, under the accountability of its "*Dirigeants Effectifs*", and the oversight of the Board.

The permanent control consists of the continuous implementation of the risk management framework by the first and the second lines of defence. Periodic control, ensured by the third line of defence, is the verification and assessment function that operates according to a dedicated audit cycle.

Functions ensuring the second and third lines of defence are named Functions exercising independent controls. They report directly to the "*Dirigeants Effectifs*". Compliance, Risk and Inspection Générale, report or have unfettered access to the Board. Legal has unfettered access to the Board.

#### 10.5 The First Line of Defence

Managers and their respective staff are accountable for achieving the objectives set and for monitoring the risks of their businesses or services. In doing so, they act in full compliance with the framework, formalised through policies and procedures.

Heads or Managers of the Bank are responsible to:

- i. identify and assess current and potential risks they are exposed to, in particular the major ones.
- ii. design, implement and regularly adapt a risk monitoring framework in compliance with:
  - the Risk Appetite Statement and its metrics.
  - policies and procedures including those issued by Functions exercising independent controls.
  - applicable laws and regulations.



This risk monitoring framework operated by the first line of defence corresponds to the first level control framework. It is implemented by the staff and/or their managers and/or dedicated control teams, who are responsible for:

- i. ensuring the implementation and the proper functioning of a governance that allows:
  - the spreading of a culture of risk and ethics,
  - the escalation of attention points and alerts,
  - the taking of decision further to attention points and alerts, consistent with the rules applicable to decision making, and
  - the monitoring and timely implementation of actions decided, recommendations or any others actions<sup>4</sup> they are responsible for.
- ii. communicating transparently on their risk issues and adapt the communication with respect to the needs of the different stakeholders, and this includes:
  - within their reporting lines, either hierarchical or functional, such as their manager/supervisor,
  - the Functions exercising independent controls, and
  - the management of supervisory functions, where relevant.

#### 10.6 The Functions Exercising Second Level Controls – Second Line of Defence

The Function exercising second level controls are accountable to ensure sound functioning of the risk monitoring framework and its compliance with laws and regulations.

They have the following responsibilities:

- ensuring the effective operation of the risk management framework.
- acting within defined responsibilities, including decision-making limits and delegated authorities established in advance that may only be revised through a formal escalation process, including oversight measures conducted after decisions are made.
- implement this framework where relevant and responsible for the first and second level permanent controls within their domain of expertise.
- ensuring the risk monitoring framework established is in alignment with the identified risks, as formally agreed by relevant stakeholders.
- effective implementation of this framework relies on independent controls and a follow-up on remediation measures taken, which must be formalised by an opinion to be shared and discussed, and an escalation process to be initiated in case of disagreement.
- contribute to a culture of risk awareness and ethics, throughout the Bank.
- the heads of these Functions provide to the “Dirigeants Effectifs” and to the Board of Directors their opinion on the level of risks, actual or potential, as per the Bank’s Risk Appetite Statement, and to recommend any remediation actions they may deem relevant.

Integrated Functions exercising second level of controls are:

- risk and related functions, accountable for organising and supervising the management framework related to the risks the Bank is exposed to, and in particular credit and counterparty risk, market risk, funding and liquidity risk, foreign exchange and interest rate risk in the banking book, operational risk, cyber risk, ESG risk including climate-related, and Shariah risk.
- compliance, accountable for organising and supervising the management framework of non-compliance risk.
- legal, accountable for organising and supervising the management framework of legal risk.

<sup>4</sup> Recommendations addressed by Inspection Générale, a Supervisor, Statutory Auditors or actions addressed by a Functions exercising second level controls.

**10.7 Inspection Générale– The Third Line of Defence**

The Inspection Générale is an independent and hierarchically integrated control Function, which reports directly to the Audit Committee. It performs a third level control. It is accountable for assessing the processes related to risk management, control, and governance as well as their compliance with laws and regulations and proposes ways to strengthen their effectiveness. It acts through:

- assurance assignments that lead to the issuance of findings with associated recommendations.
- special assignments that report the sequences of events and determine responsibilities of the employees involved in suspicious or fraudulent operations.
- fact-finding and research assignments, aimed at anticipating risks or threats to which the Bank may be exposed.

Its action plan is formalised in an annual audit plan, validated by the Audit Committee. This audit plan may be updated during the year in order to take into account significant changes in the risk profile or further to some specific incidents. These adjustments are decided on the initiative of Inspection Générale and in case of significant changes in the audit plan, after validation by the Audit Committee.

**10.8 Management**

The “Dirigeants Effectifs” are the Chief Executive Officer and the Chief Operating Officer. Operationally, the “Dirigeants Effectifs” take their main decisions with the support of relevant management committees and of the most relevant experts in the area under review.

The “Dirigeants Effectifs” are responsible for the internal control framework. To fulfil these responsibilities, the “Dirigeants Effectifs”:

- set the main policies and procedures which organise the internal control framework.
- directly oversee the Functions exercising independent controls and provide them with the resources enabling them to fulfil their responsibilities.
- assess and periodically control the effectiveness of the Internal Control policies, procedures and framework and decides upon appropriate remediation actions further to potential deficiencies.
- report to the Board or to its committees on the functioning of the internal control framework.
- special assignments that report the sequences of events and determine responsibilities of the employees involved in suspicious or fraudulent operations.

The roles and responsibilities of key management committees:

Name of Committee	Roles and Responsibilities
<b>Executive Committee (“EXCO”)</b>	To oversee and discuss any important matters, current and upcoming, in relation to the running of the bank.
<b>Extended EXCO</b>	To oversee and discuss on capital management and planning.
<b>Executive Risk Committee</b>	To monitor credit, market, operational, legal, financial and any other relevant risks not covered in a dedicated committee, and to review and critically evaluate / self-assess on an ongoing basis the effectiveness of the Bank’s risk management policies and framework.



Name of Committee	Roles and Responsibilities
<b>Credit Committee</b>	To determine appropriate credit evaluation, review and monitoring including risk related to ESG.
<b>Asset &amp; Liability ("ALCO")</b>	To ensure that the management of assets and liabilities as set out in ALMT framework that is consistent with the objectives and strategies of the Bank.
<b>Territory Compliance Committee</b>	To ensure the implementation of the established compliance frameworks, assessment of compliance related risk and implementing corrective action plans for any identified shortcoming or non-compliance.
<b>Territory Internal Control Committee</b>	To provide an overview of the Bank's permanent control framework and operational risks and serves as the governance for a collegial analysis and decision process on these topics i.e. to validate the action plans needed to put identified risk areas under control, procedures, control plans and outputs, resources, other actions and means.
<b>Country Client &amp; Credit Support Committee ("C2CS")</b>	To provide a regular forum between Business Lines, Coverage, Client Management, Compliance, Coverage & Territories Credit Management (CTCM) and Credit Transaction Management (CTM) to discuss and follow-up on Client Onboarding, KYC/due diligence, Client Servicing, and credit related matters.
<b>Outsourcing Committee</b>	To review, deliberate and endorse any new and/or evolution of existing outsourcing arrangements; to review the performance & risk indicators and compliance with outsourcing framework and outsourcing risk appetite.
<b>IT Steering Committee</b>	To facilitate development, monitoring and implementation of an effective data management and MIS framework in alignment with business and risk strategies.
<b>Business Continuity Committee</b>	To safeguard the security of staffs and visitors in the premises during crisis, to safeguard BNPP's reputation and contain the risk during the crisis which may impact the stability in the financial market.
<b>FRS9 Committee</b>	To determine the appropriate credit provision level which may include tightening of the staging criteria or deciding to add a buffer to the calculated expected credit loss (ECL) figures.
<b>Client Acceptance Committee</b>	To provide an overview, validation/approval framework as relevant, for KYC completion and recertification process including on ESG validation.
<b>Technology Risk Management ("TRM") Committee</b>	To provide an overview of management of technology / ICT risks and related governance including regulatory ICT requirements.
<b>Policies and Procedures Management Committee</b>	To provide an overview of applicability of Group driven policies and procedures, and the status of repository of local policies and procedures.
<b>Data Protection Committee</b>	To provide an overview of data protection matters related to customer and staff data, breaches and regulatory updates aligned with regional and local regulatory requirements e.g. Management of Customer Information and Permitted Disclosures (MCIPD), Personal Data Protection Act (PDPA).

**10.9 Board of Directors**

In the case of the Bank, the governing body in charge of the overall oversight and stewardship of the Bank is the local Board that carries out its roles and responsibilities in line with the relevant guidelines of the BNPP Group, and local laws and regulations.

The Board will ensure that appropriate steps are taken to ensure that business and operational decisions are aligned with the risk appetite statement. This includes management's implementation of internal control framework, and adherence to the risk appetite statement. The Board will also ensure that all control functions and internal audit have the proper authority to carry out their duties independently and effectively.

The Board is given the means and ability to seek information on risk implications as appropriate before coming to any conclusion or making any significant policy decisions.

The Board, directly or through its committees, exercises essential duties regarding Internal Control. In particular, the Board:

- determines, further to proposals by the “*Dirigeants Effectifs*” the strategy and orientations of internal control activities and oversees their implementation.
- examines and approves financial statements, supervises the management of the Bank and oversees the quality and reliability of financial information communicated to the shareholders and the markets; to this extent, it performs or requests the performance of any controls and checks it considers appropriate.
- takes up any matter concerning the sound functioning of the Bank.
- examines, assesses and controls regularly the efficiency of the framework of governance, notably the clear allocation of responsibilities, and of Internal Control, especially the procedures for reporting risks, and takes appropriate measures to remedy potential deficiencies it observes.
- validates the Risk Appetite Statement, periodically approves and reviews strategies and policies surrounding the Bank's activities.
- reviews, at least once a year, proposals of budgets, of management reports and of various legal or regulatory reports.
- special assignments that report the sequences of events and determine responsibilities of the employees involved in suspicious or fraudulent operations.
- fact-finding and research assignments, aimed at anticipating risks or threats to which the Bank may be exposed.



The role and responsibilities of the respective Board Committees:

Name of Committee	Roles and Responsibilities
<b>Board Risk Management</b>	To oversee management's activities in managing various risks such as credit, market, liquidity, operational including Information Technology ("IT") risk, shariah non-compliance risk, legal and other risks, and to ensure that the risk management process is in place and functioning.
<b>Audit Committee</b>	To oversee on matters relating to the internal and external audit functions, financial reporting, internal control system and ensuring checks and balances.
<b>Remuneration Committee</b>	To oversee on matters related to the remuneration policy for Directors, in-scope officers/employees.
<b>Nomination Committee</b>	To oversee on matters related to the appointment of members of the Board, Chief Executive Officer and in-scope officers/employees, including fit and proper assessment and performance evaluation.

#### 10.10 Shariah Committee

Shariah committee provides guidance to the Board and Management in discharging their duties in matters related to Shariah governance and compliance.

#### 10.11 Key Policies and Procedures Risk Appetite

Define the risk level by risk types that the Bank is willing to accept or conversely seeking to avoid in pursuit of its business strategy in coherence with its values and medium to long term risk profile.

#### ESG Risk Management

In line with the BNP Paribas Group commitments and initiatives, the Bank has implemented the following:

- adopted the strategy in its business activities:
  - (i) to reduce its support for oil and gas exploration and production;
  - (ii) to fund the development of renewable energies;
  - (iii) to support innovation for the energy and ecological transition;
  - (iv) to encourage companies to work towards carbon neutrality; and
  - (v) to raise awareness among its customers.
- the analysis of ESG risks, particularly climate related risk has been embedded in lending process.
- adoption of relevant BNPP Group policies such as on sector policies (financing and investment policies) governing activities in sectors involving major energy and climate related issues such as Coal-Fired Power, Palm Oil and Unconventional Oil & Gas Industry.

#### Compliance Framework

The compliance function at the Bank ensures regulatory adherence, mitigating compliance risks such as financial loss, reputational damage and regulatory sanctions. As an independent and integral function (i.e. second-line defence), the compliance function oversees adherence to internal policies and external regulatory requirements. The Chief Compliance Officer (CCO) provides assurance to Management and the Board that compliance risk is effectively monitored, controlled and mitigated. The Compliance Function collaborates with other control functions to support remediation efforts and enhance risk governance. Non-compliance may lead to disciplinary action, reinforcing adherence to policies and governance frameworks.

**Shariah Compliance**

Shariah compliance policy sets out the expectations for effective Shariah governance structures, processes and arrangements of the Bank's Islamic window activities, which is in line with the requirements of BNM Shariah Governance Policy Document.

**Code of Conduct**

The Bank adopted the BNPP Group Code of Conduct that sits at the heart of every action. The Code of Conduct comprises three parts. The first section, on mission and values, is intended to guide and inspire all behaviours. The second section covers the rules of conduct to be shared and implemented. The third section, called the Code of Conduct in practice, provides helpful guidelines on how to apply the rules of conduct.

BNPP Group has an update to its Code of Conduct. While the underlying principles of the Code have not changed, the updated Code of Conduct has been strengthened in three specific areas:

- involvement with society, in particular, our support for energy transition.
- anti-corruption and influence peddling.
- competition laws.

The Human Resources Department has stepped up its enforcement in this area. There is zero tolerance for any type of misconduct, including but not limited to disrespectful or sexist language, a lack of civility, or harassment.

**AML / Counter Financing of Terrorism**

The Bank is committed to fighting financial crime and ensuring compliance with relevant laws and regulations. Financial crime risks are managed to protect the Bank's integrity and reputation. The Bank has established comprehensive controls to anticipate, prevent, detect and respond to money laundering, terrorist financing and sanctions risks.

**Whistleblowing**

The Bank is committed to the highest standards of ethics and integrity in its conduct of business and operations. The Bank's Whistleblowing Policy sets up the governance and standards to promote an ethical, responsible and secure whistleblowing practice.

**IT / Cyber Security**

The framework defines the technical, administrative and physical controls that need to be placed in order to ensure the confidentiality, integrity and availability of the application and data environment.

**Business Continuity Management**

The framework serves as a comprehensive approach to minimise the impact and losses that the Bank may incur by taking prompt actions to sustain the operations of critical businesses in the event of disruption, including significant events of reputational risk, substantial volatility in liquidity, threat to staff's life and safety, severe failure of computer and communication facilities, continuous disturbance or inoperability of the primary business location.



## 11. 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.

### 11.1 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 competitive and market aligned remuneration packages 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 the Group Code of Conduct, Group Remuneration Policy and Principles, Internal Controls, Global Policy on the Protection of Interests of Clients, 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 behaviours of BNP Paribas employees in developing and maintaining a control mindset in the governance of daily work.

### 11.2 Board Oversight

- (i) The Board monitors compliance with the Remuneration Policy 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 Takers. In the case of Directors’ remuneration, the Board, through the RC, shall also review the Directors’ fees annually and recommend the same for approval by the shareholder at the Annual General Meeting.
- (iii) The RC works as a preparatory committee to review and prepare the Board with respect to notably the annual compensation review process 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 timing of earnings. To carry out this mission, the Chairman of BRMC is a member of the RC and provides the inputs / views of the BRMC.



## 11.3 Structure of Compensation

### (i) Fixed Compensation

The fixed compensation is intended to reward competence, experience, qualification level, as well as the level of involvement in assigned tasks. 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 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 Clients: “Good sales Practices”;
  - Group Conflicts of interest Global Policy;
  - Global policy on remuneration practices that could present conflict of interest; and
  - Compliance to local policies in Malaysia.
- a) 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.
  - b) Fixed objectives will include predetermined Key Performance Indicators set annually. These include measures designed to inculcate a control mindset and to drive employee behaviour towards compliance of the bank’s control environment.
  - c) 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 value created.

The variable compensation of employees is subject to deferral in accordance with the ‘Compensation Principles and Compensation Policy for Employees Subject to Regulatory Requirements’. Conditions sets are intended to promote an awareness of the impact of activities in the fiscal year in question, on the results of subsequent fiscal years, and for the alignment of individual behaviours to the strategy and interests of the Bank.

## 11.4 Performance and Compensation Reviews

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

- (i) Managers are required to conduct performance reviews of their staff in an objective and transparent manner, as the results go towards contributing in the assessment of discretionary bonus and salary increments of the staff.
- (ii) Managers are expected to review the job descriptions of their staff, quantitatively and qualitatively with clear Key Performance Indicators that drive BNPP Malaysia Bhd and the Group’s desired behaviours, and to write them with enhanced clarity separating scopes of responsibilities 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.
- (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 an impact 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.

#### 11.5 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 the 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.

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

(i) Details of Directors' Remuneration for FY 2024 of the Bank are as follows:

Directors	Fixed Remuneration		Variable Remuneration	Total Remuneration
	Gross Director's Fees (Net of SST)** (RM/year)	Benefits-in-kind (RM/year)	Other Allowances (RM/year)	(Net of tax) (RM/year)
Dato' Mohamed Khadar Merican	383,018.86 *	-	-	331,095.25
Joris Maria A. Dierckx	-	-	-	-
Lau Mui Pin	175,000.00	-	-	122,500.00
Vijayam Nadarajah	127,500.00**	-	-	101,988.50
Faisal Ismail	175,000.00	-	-	149,848.50
Khoo Lian Kim	175,000.00	-	-	149,600.00
<b>TOTAL</b>				<b>855,032.25</b>

**Legend:**

\* Net of SST is only applicable for Dato' Mohamed Khadar Merican. Gross Director's fee for Dato Khadar is RM400,000.

\*\* Ms Vijayam was a director until 30 September 2024.

(ii) **Details of the Chief Executive Officer's ("CEO" and also known as "Senior Management") Remuneration for FY 2024:**

Total Value of Remuneration Awards for FY 2024	Unrestricted (RM'000/year)	Deferred (RM'000/year)
<b>CEO</b>		
<b><u>Fixed remuneration:</u></b>		
Cash-based	1,100.00	Nil
Shares and share-linked instruments	Nil	Nil
Others (includes Benefits-in-kind)	35.20	Nil
<b><u>Variable remuneration:</u></b>		
Cash-based	457.15	354.96
Shares and share-linked instruments	Nil	664.50
Others	Nil	Nil

(iii) **Senior Officers and Other Material Risk Taker Remuneration Details for FY 2024:**

Total Value of Remuneration Awards for FY 2024	Unrestricted (RM'000)	Deferred (RM'000)
<b>Senior Officers and Other Material Risk Taker:</b>		
<b><u>Fixed remuneration:</u></b>		
Cash-based	4,403.70	Nil
Shares and share-linked instruments	Nil	Nil
Others (includes Benefits-in-kind)	494.55	Nil
<b><u>Variable remuneration:</u></b>		
Cash-based	1,196.09	236.18
Shares and share-linked instruments	Nil	455.14
Others	Nil	Nil

(iv) **Additional Remuneration Related Information Pertaining to Senior Management, Senior Officers and Other Material Risk Taker:**

FY 2024	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	1	297.00
Total Amount of Outstanding Deferred Remuneration = (a) + (b) + (c)		4,666.61
Cash (a)		1,922.41
Shares & Shares linked instruments (b)		2,744.20
Others (c)		Nil
Total Amount of Deferred Remuneration Paid Out during FY 2024		842.47

**Legend:**

\*Total of 9 staff in identified roles (CEO, all Senior Officers and Other MRT) during FY 2024, 1 left the employment in September 2024.