

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## CHAIRMAN'S CORPORATE GOVERNANCE ("CG") OVERVIEW REPORT



### TAN SRI HAJI AMBRIN BUANG

Chairman/Independent Non-Executive Director

This CG Overview Statement is prepared in compliance with Bursa Malaysia Securities Berhad Main Market Listing Requirements and is to be read together with the CG Report 2017 of the Company which is available on BMB Holdings Berhad's website:

<http://www.bimbholdings.com/sites/default/files/cgreport-2017.pdf>

The CG Report 2017 provides the details on how the Company have applied each Practice as set out in the MCCG 2017 during the financial year 2017.

“The Board is conscious that best practice in the area of CG is evolving continuously and will therefore continue to response to further CG development.”

Our CG is a reflection of our value, system and compassing our culture, policies and relationship with our stakeholders. Integrity and transparency are key to our CG practices to ensure that we gain and retain the trust of our stakeholder at all times. BHB is subject to an extensive range of legal, regulatory and governance requirements and is committed to observing the requirements applicable to publicly listed companies in Malaysia. The Board is conscious that best practice in the area of CG is evolving continuously and will therefore continue to response to further CG development.

The Board is responsible for the leadership, oversight, control, development and long-term success of BHB and Group and also for instilling the appropriate culture, values and behaviour throughout the organisation.

Our Board is satisfied that our current Board composition provides the appropriate balance in terms of skills, knowledge and experience to promote the interests of all stakeholders and to govern our Company effectively. Our governance processes, culture of integrity and openness, and a diversity of perspective continue to support the Board in delivering a sustainable and successful BHB Group. The Board Committees continue to play a vital role in supporting the Board. The Company's governance framework is shown on page 92.

The Board is receptive to Bursa Malaysia Securities Berhad's enhanced corporate governance disclosure requirements which are set out in Para 15.25 and Practice Note 9 of the Main Market Listing Requirements, which was introduced in line with the Malaysian Code of Corporate Governance 2017 ("MCCG 2017"). Pursuant to these disclosure requirements, the Board has taken the necessary steps to set out a summary of the Company's corporate governance practices during FY2017 in this Corporate Governance Overview Statement (CG Overview Statement). In addition, the application of each of the Practices set out in the MCCG 2017 is disclosed in our Corporate Governance Report (CG Report).

### TAN SRI HAJI AMBRIN BUANG

Chairman

The Board of Directors of BIMB Holdings Berhad (“**BHB**” or “**the Company**”) is committed to upholding high standards of corporate governance to preserve stakeholders’ trust, safeguard their interest and enhance their value in line with BHB Group’s objective to be the premier Islamic financial services provider. The Board of Directors (“**Board**”) acknowledges the importance of governance and has given full commitment to ensure the adoption of high standards of practices in both the Group’s businesses and operations.

A midst an increasingly challenging business environment, the Board continuously strives to refine the company’s corporate governance practices and processes to meet the challenges head-on, to ensure that the group competitive edge remains undiminished. Testament to the Board’s unwavering commitment in the area of corporate governance, BHB has received the following awards:-

**2017 MALAYSIAN NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA)**

- Certificate of Merit recipients in Annual Report

**MINORITY SHAREHOLDER WATCHDOG GROUP (MSWG)**

- Top 20 Merit award for overall Corporate Governance and Performance
- Top 20 Merit award for Corporate Governance Disclosures

**ASIA SUSTAINABILITY EXCELLENT AWARD 2017**

- Best Sustainability Strategies
- Best Sustainability Report

**THE EDGE BILLION RINGGIT CLUB CORPORATE AWARDS 2017**

- Silver, Highest Growth in Profit after Tax in 3 years – Finance Sector (below RM10 Billion Market Cap)



This CG Overview Statement summarises the main corporate governance practices and policies in place during the 2017 financial year and at the date of this statement relating to the consolidated entity comprising BHB and its subsidiaries. The Company’s corporate governance practices are reviewed regularly and will continue to be developed and refined to meet the needs of the Company and taking into account best practices and guidelines.

The regulatory environment continues to evolve with major changes in 2017 in particular the amendments to the Bursa Securities Main Market Listing Requirement on 29 November 2017 and MCCG 2017 which came into effect on 26 April 2017.

BHB’s corporate governance framework is consistent and complies with the following requirements and guidelines:-

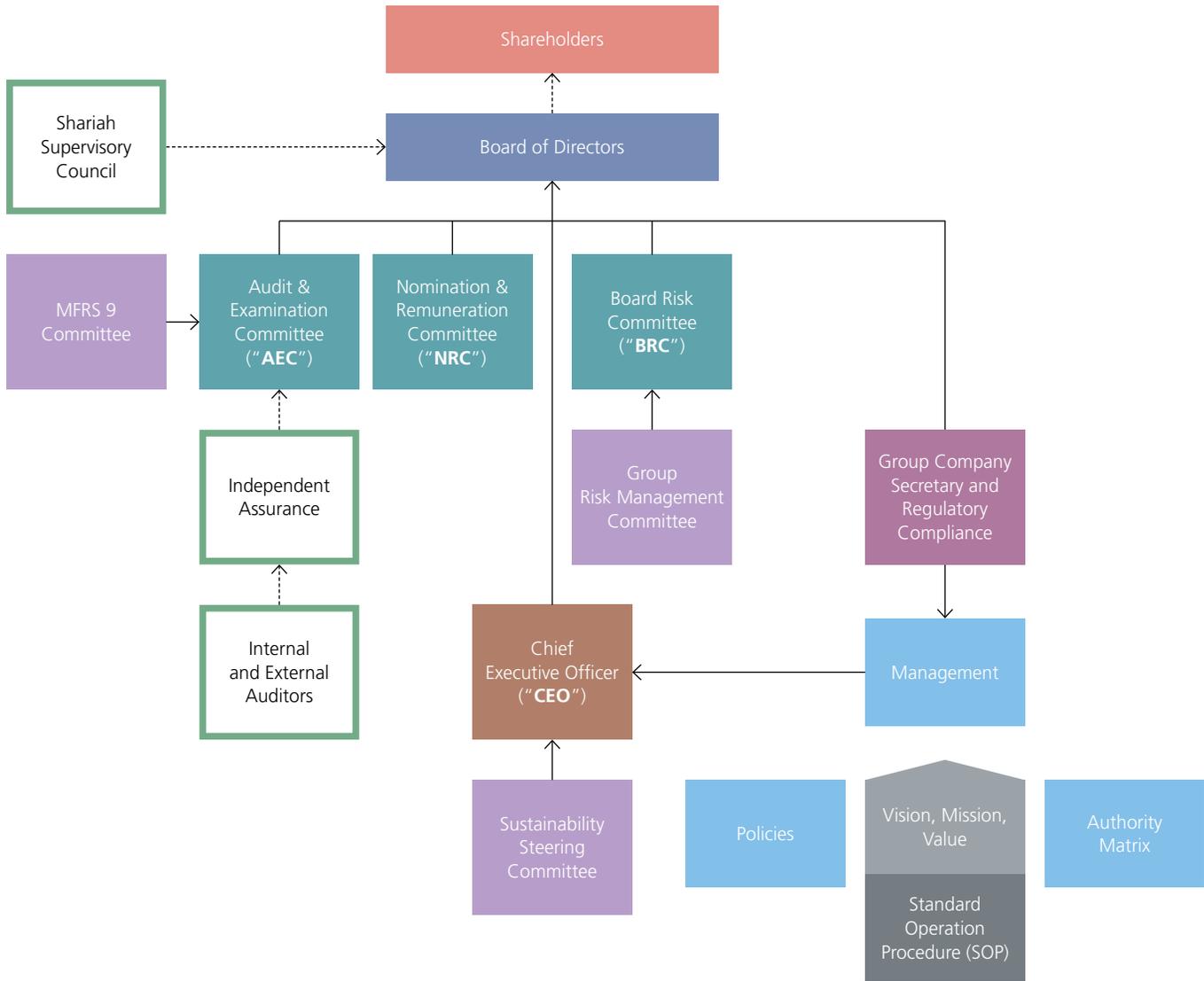
- (a) Companies Act 2016.
- (b) Bank Negara Malaysia’s (“**BNM**”) Corporate Governance Policy (“**BNM CG Policy**”);
- (c) MCCG 2017;
- (d) Bursa Malaysia Securities Berhad (“**Bursa Securities**”) Main Market Listing Requirements (“**Listing Requirements**”);
- (e) Corporate Governance Guide (“**CG Guide**”): Towards Boardroom Excellence 2<sup>nd</sup> Edition by Bursa Securities;
- (f) Green Book on Enhancing Board Effectiveness (“**Green Book**”) by the Putrajaya Committee on Government Linked-Companies High Performance; and
- (g) MSWG’s Malaysia – ASEAN Corporate Governance Scorecard.

The application of the respective principles and best practices on corporate governance are highlighted in the various sections of this CG Overview Statement.

BHB’s established structures, processes and policies help to ensure compliance with laws and regulations and provide clear lines of sight for decision-making and accountability.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## BHB'S GOVERNANCE FRAMEWORK



BHB has corporate governance in place and is committed to fostering a culture of compliance that values personal and corporate integrity, accountability and continuous improvement.

Shareholders and the Board of Directors jointly provide oversight of the control and management of BHB. The ultimate decision making authorities rest with the shareholders at the Annual General Meeting where the re-appointment of the Board of Directors and re-appointment of External Auditors are approved amongst others.

The Board is accountable to the shareholders for the performance of the Company. It directs and monitors the business and affairs of the Company on behalf of shareholders and is responsible for the Company's overall corporate governance. It oversees and appraises BHB's overall strategy objectives, direction and performance some of which are delegated to the Board Committees.

## Subsidiary Governance

The Board operates on the basis that each subsidiaries is a separate and distinct legal entity, which is required to comply with the local laws and regulation that it operates within.

The Board plays the role of a shareholder and maintains control and oversight through the appointment and removal of the directors on the board of the subsidiaries. The Board may appoint a member of the Board as a director on each major subsidiary, which ensures continuous flow of information and promotes alignment to the Group's strategic directions. While lines of reporting are maintained to the Group, the Boards of each entity remained as the final approving authority.

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### BOARD OF DIRECTORS

The operations and affairs of the Group are managed under the direction and oversight of BHB Board, which also has the responsibility to periodically review and approve the overall strategies, business, organisation and significant policies of BHB. The Board also sets the Company's core values, adopts proper standards to ensure that the Company operates with integrity and complies with the relevant rules and regulations.

#### Board Charter

BHB has developed its Board Charter, which set out the key corporate governance principals adopted by the Company. It clearly defined the roles and responsibilities of the Board, Chairperson, Senior Independent Non-Executive Director and Chief Executive Officer ("CEO") in the areas of strategies setting, management of company, succession planning, risk management, integrity of internal controls and communication plan.

The Board Charter served as a focal reference on governance and provides guidance to the Board in the assessment of its performance. The Board Charter contains broad principles and requirements on the Board's governance in accordance with the principles of good corporate governance as set out in the recommendation and guidelines issued by the relevant regulatory authorities. The Board Charter addresses the following pertinent matters:-

<b>Board Conduct</b>	<ul style="list-style-type: none"><li>• Code of Conduct</li><li>• Conflict of Interest</li><li>• Shareholders Communication</li><li>• Dealings in Securities</li><li>• Whistle Blowing</li></ul>
<b>Duties &amp; Responsibilities</b>	<ul style="list-style-type: none"><li>• Fiduciary Duties</li><li>• Roles &amp; Responsibilities of the Board, Board Committees, Chairman, Independent Director, Nominee Director, CEO &amp; Management and Company Secretary</li></ul>
<b>Powers of the Board</b>	<ul style="list-style-type: none"><li>• Authority &amp; delegation</li><li>• Matters Reserved for the Board</li></ul>
<b>Board Effectiveness</b>	<ul style="list-style-type: none"><li>• Board Composition</li><li>• Appointment/Removal/Succession Planning</li><li>• Director's Training</li><li>• Director's Evaluation</li><li>• Director's Remuneration</li></ul>

In addition to the Board Charter, in discharging its duties, the Board is also guided by its Terms of Reference ("TOR"), a document which specifies the Board's role, power, duties and functions.

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The Board Charter and the TOR are dynamic documents that are reviewed and updated from time to time to reflect relevant changes to policies, procedures and processes as well as amendments to rules and regulations. The TOR and Board Charter are subject to review once every two (2) years, or when there are material changes to the governance structure, process or procedures.

The TOR and Board Charter are available on the Company's website [www.bimbholdings.com](http://www.bimbholdings.com).

## Director's Handbook

In addition to the Board Charter, BHB has in place the Director's Handbook which acts as a guidance to the Board in discharging its duties effectively. The Director's Handbook highlights the guiding principles and matters relating to Board organisation, responsibilities, relevant policies and procedures which are applicable to the Board including those mentioned in the Board Charter.

## Board Roles and Responsibility

The Board has the fiduciary duties to exercise their authority for a proper purpose, in good faith and in the best interest of the Company. In discharging their duties, the Directors of BHB exercise reasonable care, skill and diligence with the knowledge, proficiency and experience which is expected of a Director.

The Board has the overall responsibility for promoting the sustainable growth and financial soundness of BHB and for ensuring reasonable standards of fair dealing, without undue influence from any party. This includes a consideration of the long-term strategy and direction of the Board's decision on BHB, its stakeholders and the general public.

The role of the Board is contained in its TOR as well as the Board Charter. The TOR also prescribed matters specifically reserved for the Board amongst others covering areas such as strategy, business planning and budget, financial management, investment, divestment, corporate restructuring, risk and control, human capital including succession planning, related party transaction and capital financing.

The key objectives of the Board are to:

- ✓ Oversee the conduct of the Company's business including the formulation of strategy and performance objectives, control and accountability systems, corporate governance framework, risk management practices and human capital management.
- ✓ Approve and monitor the progress of major capital expenditure, fund-raising, acquisitions and divestitures.
- ✓ Fulfil statutory and fiduciary responsibilities by monitoring the operational, financial and risk management processes of the Company and Group.
- ✓ Set the risk appetite within which the Board expects Management to operate and ensure that there is an appropriate risk management framework to manage and monitor significant financial and non-financial risks.
- ✓ Review the efficiency and quality of the Company and the Group's financial reporting process and systems of accounting and internal controls.
- ✓ Ascertain the independence of the internal and external auditor function.
- ✓ Monitor compliance with established policies and procedures.
- ✓ Evaluate the performance of the Board and Board Committees. The Board sets the strategic direction and oversees that the conduct of the businesses of the Company and the Group is in compliance with the law and ethical values.

The roles of the Chairman and the CEO are separated and clearly defined in the Board Charter. Overview of the roles and responsibilities of the Chairman, Non-Executive Directors, CEO, Group Chief Financial Officer and Group Company Secretary include but not limited to the following:

ROLE	KEY RESPONSIBILITIES
<p><b>CHAIRMAN</b> Tan Sri Ambrin Buang</p>	<p>The role of the Chairman:-</p> <ul style="list-style-type: none"> <li>• Leadership, operation and governance of the Board;</li> <li>• Setting the agenda for Board meetings ensuring that they operate effectively, and provide appropriate opportunity for challenge and debate to support sound decision-making;</li> <li>• Ensuring constructive relations exist between the Executive and Non-Executive Directors;</li> <li>• Overseeing the performance evaluation of the Board and its Committees;</li> <li>• Meeting with shareholders, analysts and other representatives of institutional investors;</li> <li>• Meeting with managers and employees at various locations throughout the Group;</li> <li>• Leading Board meetings and discussions;</li> <li>• Ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole; and</li> <li>• Leading the Board in establishing and monitoring good corporate governance practices.</li> </ul>
<p><b>SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR</b> Tan Sri Ismail Adam</p>	<p>The role of the Senior Independent Non-Executive Director:-</p> <ul style="list-style-type: none"> <li>• Providing a sounding board for the Chairman;</li> <li>• An intermediary for other Directors when necessary and specifically serves as the principal conduit between the Independent Non-Executive Directors and Chairman on sensitive issues;</li> <li>• Promote high standards of corporate governance and ensure that the Company's obligations to shareholders are understood and complied with;</li> <li>• Ensure the composition of the Board in regards to the number of Independent Directors is in adherence to relevant requirements and regulations;</li> <li>• Being available for confidential discussions with other Non-Executive Directors who may have concerns which they believe have not been properly considered by the Board as a whole;</li> <li>• Being available to shareholders if they have any concerns which are unable to be resolved through the normal channels of Chairman, Chief Executive Officer and Group Chief Financial Officer, or if contact through these channels are deemed inappropriate; and</li> <li>• If necessary, the Senior Independent Non-Executive Director can be emailed at <a href="mailto:ismailadam@bimbholdings.com">ismailadam@bimbholdings.com</a></li> </ul>

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ROLE	KEY RESPONSIBILITIES
<p><b>NON-EXECUTIVE DIRECTORS (both Independent and Non-Independent)</b> Encik Mohd Tarmidzi Ahmad Nordin Puan Noraini Che Dan Datuk Rozaida Omar Puan Rifina Md Ariff</p>	<p>The role of the Non-Executive Directors:-</p> <ul style="list-style-type: none"> <li>• Scrutinising, measuring and reviewing the performance of Management;</li> <li>• Constructively challenging and assisting in the development of strategy;</li> <li>• Reviewing the Group financial information, ensuring systems of internal control and risk management are appropriate and effective; and</li> <li>• Reviewing the succession plans for the Board/key Senior Management.</li> </ul>
<p><b>CHIEF EXECUTIVE OFFICER</b> Encik Khairul Kamarudin</p>	<p>The CEO is responsible for:-</p> <ul style="list-style-type: none"> <li>• Delivering strategy as agreed by the Board;</li> <li>• Leading the Management Committees which oversee the operational and financial performance of, and issues facing the Group;</li> <li>• Leading and supporting each of BHB's businesses and the functions of Human Resource, Strategy and Development and Corporate Affairs; and</li> <li>• Representing BHB externally to stakeholders, shareholders, customers, suppliers, regulatory and government authorities and the community.</li> </ul>
<p><b>GROUP CHIEF FINANCIAL OFFICER</b> Mr. Malkit Singh Maan</p>	<p>The Group Chief Financial Officer is responsible for:-</p> <ul style="list-style-type: none"> <li>• Providing strategic financial leadership of the Company and day-to-day management of the finance function;</li> <li>• Leading the finance management teams; and</li> <li>• Representing BHB externally to stakeholders, shareholders, customers, suppliers, regulatory and government authorities and the community.</li> </ul>
<p><b>GROUP COMPANY SECRETARY</b> Puan Maria Mat Said</p>	<p>The Group Company Secretary is responsible to the Board for:</p> <ul style="list-style-type: none"> <li>• Managing all Board and Board Committee meeting logistics, attending and recording minutes of all Board and Committee meetings and facilitating Board communications;</li> <li>• Advising the Board on its roles and responsibilities;</li> <li>• Facilitating the orientation of new Directors and assisting in Directors' training and development;</li> <li>• Advising the Board on corporate disclosures and compliance with Company regulation and other regulatory bodies i.e., Bank Negara Malaysia, Bursa Securities Listing Requirements and Securities Commission;</li> <li>• Managing processes pertaining to the general meetings;</li> <li>• Monitoring corporate governance developments and assisting the Board in applying governance practices to meet the Board's needs and stakeholders' expectations;</li> <li>• Serving as a focal point for stakeholders' communication and engagement on corporate governance issues; and</li> <li>• The Board Members have unlimited access to the professional advice and services of the Group Company Secretary.</li> </ul>

The Board Charter also include a section on the role of the CEO who is responsible for implementing action plans to achieve BHB's goals and visions in accordance with the strategy, risk appetite, policies and performance requirement approved by the Board. The CEO leads the Management team in carrying out the strategy and vision of the Company and is accountable to the Board for the day-to-day management and operations of the Company.

Whilst the Board has delegated the day-to-day responsibilities to the Management, there are matters that are formally reserved for the Board's collective decision. There is a clear segregation of the Management and the Board's roles & responsibilities. This is to ensure that the Board and Management are clearly aware of where the limit of responsibilities lies and that due consideration is given to issues at the appropriate level. Matters reserved for the Board comprises amongst others, acquisition and disposal of assets, related party transactions, financial results and declaration of dividends.

Other than the above, the Board also represents the interests of the Shareholders. Therefore, the Directors are required to exhibit high standards of integrity, commitment and independence of thought and judgment. The Board's decisions are free from any undue influence and interference from any specific group or interest.

#### **Board Code of Conduct and Ethics**

BHB adopts the Code of Ethic in accordance with the following:

- BNM/GP7-Part 1 Code of Ethics: Guidelines on the Code of Conduct for Directors, Officers, and Employees in the Banking Industry;
- Company Directors' Code of Ethics established by the Companies Commission of Malaysia; and
- Code of Ethics for the Financial Services Industry issued by Financial Services Professional Board.

The Code of Ethics provides guidance for proper standards of conduct with sound and prudent business practices as well as standards of ethical behaviour for the Board, based on the principles of integrity, responsibility, sincerity and corporate social responsibility.

BHB's Board's Code of Conduct and Ethics encompasses three (3) major areas, namely:

- Corporate Governance;
- Relationship with shareholders, employees, creditors and customers; and
- Social responsibility and the environment.

Based on the aforesaid, BHB's Directors are required to discharge their duties and deal with various stakeholders with utmost integrity. This is in line with the Company's core values which place emphasis on ethical dealings with third parties and employees.

#### **Whistle-Blowing Policy**

BHB is committed to the values of transparency, integrity, impartiality and accountability in the conduct of its business and affairs. Wrongdoing such as fraud, corruption, financial impropriety and gross mismanagement should be reported and dealt with in accordance with the Company's established due process. A whistle-blowing policy reflects BHB's commitment to be vigilant at all times. It also assists BHB to manage its risks and contingencies as well as to avoid recurring acts of wrongdoing.

BHB promotes an open communication and transparent work culture by setting up internal procedures to address concerns regarding any likely wrongdoing. The policy complements the normal channels of communication and reporting lines within BHB. It also provides an alternative route for employees to raise concerns if the usual lines of communication are not available when the complaint relates to his or her immediate supervisor or head of department.

BHB encourages its employees to aspire to the highest possible standards of compliance and ethics. Whistle-blowing policies have therefore been integrated into BHB's practices and culture to help to deter fraud, corruption and mismanagement. Through the effective implementation of this policy, BHB is able to preserve its integrity and transparency.

#### **Authority Matrix**

The Authority Matrix outlines principles to govern decision-making within the Company, including appropriate escalation and reporting to the Board. The Board has also delegated to the Chief Executive Officer and other Management, the responsibility to manage the Company's day-to-day activities. The Authority Matrix encompass both monetary and non-monetary limits of authority for recommending and approving operational and management decision-making activities prior to its execution. This allows for a balanced and effective oversight with appropriate empowerment and accountability of the Management.

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## Indemnification of Directors and Officers

Directors and Officers are indemnified under Directors and Officers Liability Insurance against any liability incurred by them in the discharge of their duties while holding office as Directors and Officers of the Company. The Directors and Officers shall not be indemnified where there is any negligence, fraud, breach of duty or breach of trust proven against them.

The existing policy period of insurance is from 31 August 2017 to 30 August 2018 with worldwide coverage of up to RM50.0 million for each and every claim. It protects the Directors and Officers from loss resulting from claims made against them alleging a wrongful act in the discharge of their duties on behalf of BHB. This insurance does not, however, provide coverage in the event of any negligence, fraud, breach of duty, breach of trust or fine upon conviction.

Based on the analysis of the risk factors and previous trends, the Board agreed that the existing coverage is adequate to cover the Directors and Officers against claims. During the year under review, the Directors jointly contributed a portion of the premium for this policy. Moving forward, pursuant to the Companies Act 2016, premium payment for the policy will be fully covered by the Company.

## Access to Information

The Board of Directors has full and unrestricted access to all information pertaining to BHB's affairs including, inter alia, the Group's financial results, annual budgets, reviews against business plans and progress reports on corporate developments to enable them to discharge their duties effectively.

The schedule of Board Meetings is circulated in advance to the Board members. The Agenda and Board meeting papers are disseminated to the Directors at least five (5) days prior to the Board meeting to allow sufficient time for the Directors to study and review the issues and, where necessary, to obtain further information and explanation to facilitate an informed decision. At the Board meeting, the Directors deliberate at length on the agenda prior to making decisions.

The Management and the external advisers may be invited to attend the Board meetings when necessary, to furnish the Board with explanations on items tabled or to provide clarification on issue(s) that may be raised by any Director(s).

The deliberations and resolutions passed by the Board are recorded properly, and minutes of the meeting are confirmed at the next Board Meeting.

The Company Secretary also regularly updates the Board and/or Management on any changes to regulations and guidelines as issued by BNM, Bursa Securities, Securities Commission, Companies Commission of Malaysia or other regulatory authorities.

In addition, the Board has direct and unlimited access to the advice and services of the Management and has the right to seek independent advice on specific matters that in their opinion requires unbiased evaluation, at the expense of BHB. A procedure is in place to facilitate the Board in seeking independent professional advice as follows:

- (a) A Director may request for independent professional advice by providing the following details:
  - The nature of the independent advice;
  - The likely cost of seeking the independent advice;
  - Details of the independent adviser proposed;
- (b) The Chairman will consult the Company Secretary whether the request should go directly to the Board or whether it warrants a thorough feasibility study in accordance with relevant BHB policies;
- (c) Depending on the complexity of the request, the Company Secretary will initiate the process to engage the required advisors;
- (d) A copy of the report or independent advice will be made available to the Board for deliberation; and
- (e) All documentation seeking the independent advice must clearly state that advice is sought for the benefit of BHB and must not concern matters of a personal or private nature to the Director or any other individual.

## **Conflict of Interest**

Pursuant to BNM CG Policy, the Listing Requirement and the Companies Act 2016, the Directors are required to declare their interest, including whether such interest arises through close family members.

The Board is attentive to the possibility of potential conflict of interest situations involving the Directors and the Company and affirms its commitment to ensure that such situation of conflict is avoided. The Board Charter accentuates that in the event where there may be a conflict of interest, the interested Director shall declare at the beginning of the Board meeting the facts and nature of the conflict and to abstain from participating in discussions and decisions on the matters which directly involved the said Director. In circumstances where a Director is unsure as to whether or not a conflict of interest exists or is material, he/she would discuss the matter with the Chairman prior to the meeting.

Where a conflict of interest exists and the Director does not declare his or her interest and/or offer to withdraw, the Chairman should, if he is aware, take appropriate action to highlight the conflict.

In the event of any non-compliance with any requirement on conflict of interest, the Board may or impose such actions as it considers appropriate in the best interest of the Company.

## **Directors Trading During Closed Period**

Directors of BHB are prohibited from trading in any affected securities based on price sensitive information and/or knowledge which have not been publicly announced. In accordance with Paragraph 14.04 of the Listing Requirements, the Directors of the Company are reminded that they must not engage in dealings of the Company's shares or of other listed issuers as long as the Directors are in possession of price-sensitive information relating to such listed issuers.

However, Directors who are not in possession of price-sensitive information relating to the Company may engage in dealings with such listed securities during a 'closed period' (i.e. the period commencing 30 calendar days before the targeted date of announcement to the Bursa Securities of the quarterly results, up to one full market day after the announcement of the Company's results for the financial quarter) provided that the Directors comply with Paragraph 14.08 of the Listing Requirements.

The Board of Directors are reminded on quarterly basis to refrain from dealing in the Company's shares one (1) month prior to the release of BHB's quarterly financial results.

BHB has in place a process that must be complied with if any of the Directors wishes to deal in the Company's shares as follows:

- (a) Prior to the proposed dealing, the Director must give written notice to BHB of his/her intention to deal;
- (b) Upon receipt of such notice, BHB will make an immediate announcement to Bursa Securities stating the following:-
  - (i) the Director's current shareholdings in the Company; and
  - (ii) the Director's intention to deal in the shares of the Company during a closed period;
- (c) The proposed deal can only be effected after one full market day of the announcement being made to Bursa Securities;
- (d) Subsequently, the Director must give notice of the deal in writing to the Company Secretary within one full market day after the deal has occurred. BHB will immediately announce such notice to Bursa Securities stating the following:-
  - (i) the date on which the deal occurred;
  - (ii) the consideration for the deal; and
  - (iii) the number of shares involved in the deal, both in absolute terms and as a percentage of all issued shares of that class in the Company;
- (e) The Company Secretary will then table at the forthcoming meeting of the Board of Directors, a summary of dealings notified by the Director for notification purposes.

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In the event where a Director deals in the Company's shares outside the closed period, the Director must give written notice of the said deal to the Company Secretary within 3 market days after the deal has occurred. BHB will then immediately announce the notice to Bursa Securities.

During the year under review, there were no transactions by any of the Directors in the shares of the Company.

## BOARD ACTIVITIES AND MEETINGS

### Board Activities

Some of the activities in 2017/2018 considered by the Board in relation to strategic priorities are set out below:-

ACTIVITIES	MATTERS CONSIDERED BY THE BOARD
<p><b>Reviewing and adopting a strategic plan</b></p>	<p>The Board plays a pivotal role in reviewing the Company's strategic direction and approving corporate strategic initiatives developed by the Management. The Board deliberates annually on the Company's strategy and business plans as proposed by the Management, including the annual capital and revenue budget for the ensuing year as well as the Key Performance Indicators ("KPIs"). This will ensure that the KPIs correspond with the Company's annual strategic and business plan. The Board reviews and deliberates on the Management's views/assumptions in ensuring the best decisions are reached after considering all relevant aspects.</p> <p>Based on the annual evaluation for the financial year under review, the Board collectively concurs that it has reviewed the Company's strategic and financial plan as well as monitored its implementation, including the setting of suitable KPIs in achieving the Company's objectives.</p>
<p><b>Oversee and Evaluate the Conduct of the Company's business</b></p>	<p>The CEO is responsible for managing the day-to-day operations of the Company and implementing the Company strategies and policies as agreed by the Board. In doing so he is well supported by the Management.</p> <p>The performance of the Management is measured through the Company's and Group's quarterly financial reports. The Board, on a continuous basis, is well informed of the progress of the Company's strategic initiatives and critical operational issues as well as of the Group's performance.</p>
<p><b>Identify and Manage Principal Risk</b></p>	<p>The Board Risk Committee ("<b>BRC</b>") assists the Board in overseeing the establishment, implementation and effectiveness of the risk management system. The BRC on behalf of the Board also approves risk management policies/practices, review periodic reports on risk management and makes relevant recommendations to the Board for its approval. Details of the BRC and the risk management dashboard are set out in the BRC Report and Statement of Risk Management and Internal Control of this Integrated Annual Report.</p> <p>Based on the annual evaluation for the Financial Year under review, the Board collectively agrees that it has discharged its roles in identifying principal risks and in ensuring that the Group has put in place an adequate risk management framework to effectively monitor and manage the risk of its operational business.</p>

ACTIVITIES	MATTERS CONSIDERED BY THE BOARD
<p><b>Succession Planning</b></p>	<p>The Board, through the Nomination and Remuneration Committee (“<b>NRC</b>”) is required to review potential candidates for Management positions and establish their remuneration. The Company’s nomination, selection and succession policies are formulated by the NRC.</p> <p>During the Financial Year under review, the Board/NRC had reviewed and appointed Encik Khairul Kamarudin as the new CEO on 8 August 2017 replacing the former Group CEO, i.e., Dato’ Sri Zukri Samat who retired on 8 June 2017.</p> <p>The Board/NRC had also considered and approved the proposed appointment of Tan Sri Ambrin Buang as the new Chairman, to replace Tan Sri Samsudin Osman who retired on 31 January 2018.</p> <p>The mix of skills, experience, expertise and qualification were analysed prior to their respective appointments.</p> <p>The Board is satisfied that the NRC has effectively discharged its duties pertaining to the nomination, remuneration and succession management functions as sets out in its TOR.</p> <p>Based on the annual evaluation for the Financial Year under review, the Board collectively concur that the succession plan for the CEO and Management as well as for the Company’s future leaders has been appropriately developed.</p>
<p><b>Development and implementation of shareholder communication policy</b></p>	<p>BHB continuously maintains its commitment to pursue the highest standards of corporate disclosure by disseminating accurate, consistent, transparent and timely information to its stakeholders. BHB’s Investor Relations (“<b>IR</b>”) Policy acts as the guiding principle for IR functions, assisting effective communication between the Management and the financial community, locally and abroad. During the period under review, three (3) analysts briefing sessions were held.</p> <p>Based on the annual evaluation for the Financial Year under review, the Board collectively agrees that the Management has successfully conducted the IR programmes.</p>
<p><b>Review the adequacy and integrity of the Company’s information and internal control system</b></p>	<p>The Board is responsible for ensuring that a sound reporting framework of internal controls and regulatory compliance is in place throughout the Company. Based on the annual evaluation for the Financial Year under review, the Board collectively concur that it has discharged its roles through the BRC/Audit and Examination Committee (“<b>AEC</b>”) whereby regular meetings were held in reviewing the effectiveness of the Company’s internal control system.</p> <p>Details of the Company’s internal control system and its effectiveness are provided in the Statement of Risk Management and Internal Control in this Integrated Annual Report.</p>

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## Board Meeting

BHB has a highly engaged Board with diverse perspectives. The Board and Board Committee meetings are held regularly to discuss key matters such as strategic, governance and operational issues.

The Board and Board Committees' procedures were as follows:-

BEFORE MEETING	AT EVERY MEETING	FREQUENT AND EFFECTIVE ENGAGEMENT WITH THE BOARD
<ul style="list-style-type: none"> <li>• All Board and Board Committee meetings are planned and scheduled well in advance in consultation with the Directors</li> <li>• The Chairman oversees the setting of the agenda of Board meetings in consultation with the CEO to ensure that there is sufficient information and time to address all agenda items</li> <li>• The agenda of the Board meetings is carefully thought out and well-managed. At the same time, the agenda allows for flexibility when it is needed</li> <li>• Directors are provided with complete information related to the agenda a timely manner. For example, Management provides Board members with detailed reports on the Group's financial performance prior to the Board meeting</li> <li>• A comprehensive Board paper comprising the objectives, background, purposes, implications, risk, appropriate analysis/statistic, recommendations and other relevant information is prepared to enable the Board to make informed and effective decisions</li> </ul>	<ul style="list-style-type: none"> <li>• The Chairman promotes open and frank debates by all Directors at Board meetings. The Board members come well prepared and engage in robust discussions on key matters pertaining to the Company and Group</li> <li>• If there are any situations where there is a conflict of interest, the Director in question will excuse himself or herself from the discussions and abstain from participating in the deliberation of the said matter</li> <li>• Chairperson of each Board Committees provide a thorough update on significant matters discussed at the Board Committee meetings which are typically scheduled before the Board meeting</li> <li>• The CEO gives a complete and comprehensive update on the Group's business and operations as well as a macro perspective on industry trends and development</li> <li>• The Group Chief Financial Officer ("GCFO") presents the financial performance and significant financial highlights</li> <li>• Key Senior Management and external advisors may be invited to attend Board meeting to advise the Board when matters under their purview are being considered to enable informed decision-making</li> </ul>	<ul style="list-style-type: none"> <li>• The Board is regularly updated on the performance of BHB and Group</li> <li>• Where there is no scheduled Board meetings, Board's approvals for matters in the ordinary course of business can be obtained through the circulation of written resolutions</li> <li>• Ad-hoc meetings are held when necessary. There were four (4) ad-hoc special Board meetings held in 2017</li> <li>• The GCFO provides the Board with detailed financial performance reports every two (2) months</li> <li>• Directors have direct access to the Management and may request from Management any additional information to make informed and timely decisions</li> <li>• Throughout the year, the Directors also have various opportunities to interact with members of the Group Management Committee (for instance at Hari Raya gathering or Induction)</li> </ul>

BEFORE MEETING	AT EVERY MEETING	FREQUENT AND EFFECTIVE ENGAGEMENT WITH THE BOARD
<ul style="list-style-type: none"> <li>• All materials for Board and Board Committee meetings are circulated to Board members electronically and in hard copies at least five (5) days prior to the meetings. This permits prior review by the Directors and if necessary, the provision of further information for deliberation at the meeting to ensure informed decision-making</li> <li>• Any Director may request matters to be included in the agenda</li> <li>• When exigencies prevent a Director from attending a Board or Board Committee meeting in person, that Director can participate by telephone or video-conference</li> <li>• Directors have the discretion to engage external advisers</li> </ul>	<ul style="list-style-type: none"> <li>• As members of the key Senior Management are present at all Board meetings, Directors have the opportunity to discuss specific areas with them and give constructive challenge to ideas</li> <li>• In compliance with the BNM CG Policy and Listing Requirements, disclosures of the individual Directors and their respective related concerns are tabled</li> <li>• External professionals or in-house subject matter experts are also invited to present key topics identified by the Board as well as updates on corporate restructuring, corporate governance, risk management, capital, tax, accounting, listing and other regulations, which may have an impact on BHB' affairs</li> <li>• Decisions of the Board and Board Committees are made unanimously or by consensus. These decisions and conclusions are recorded in the Board minutes</li> <li>• Minutes of the meetings are circulated earlier to all Directors for their perusal prior to the meetings. The Directors may request for clarification or raise comments on the minutes prior to their confirmation. After the Directors' confirmation, the Chairman of the meeting signs the minutes as a correct record of the proceedings. The Directors are also informed of announcements made to Bursa Securities for their notification</li> </ul>	<ul style="list-style-type: none"> <li>• Directors have ongoing interactions across various levels, functions within BHB and Group. This allows Directors to have a better understanding of the business and operations of BHB and Group. In addition, some Directors also sit on the Boards of the subsidiaries in the Group; this arrangement gives the Board access to first hand insight on the activities of these subsidiaries</li> <li>• Directors have separate and independent access to the Group Company Secretary at all times. The Group Company Secretary attends all Board and Board Committees meetings and generally assists Directors in the discharge of their duties. The Group Company Secretary facilitates communication between the Board, its Board Committees and Management. The Group Company Secretary helps with the induction of new Directors. The appointment and removal of the Group Company Secretary require the approval of the Board</li> </ul>

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## Board Attendance

In FY2017, the Board held 10 Board meetings, six (6) of which were scheduled and four (4) unscheduled. The four unscheduled meetings were held to discuss, among others, the strategic direction and leadership of the corporate restructuring exercise.

All Directors has complied with the Listing Requirements of attending not less than 50% of the Board meetings held during the Financial Year. This reflects Board members' commitment and dedication in fulfilling their duties and responsibilities. In relation to BNM CG Policy, all Directors had attended at least 75% of the Board meetings held except for Tan Sri Ismail Adam and Puan Noraini Che Dan who attended 70% of the Board meetings. Directors who were unable to attend a meeting were encouraged to give the Chairman their views and comments on matters to be discussed in advance.

The breakdown of Board, Board Committees and General Meetings held and Directors' attendances are set out below.

## Directors' attendance at Board meetings and General meetings

DIRECTORS	DESIGNATION	BOARD MEETINGS		ANNUAL GENERAL MEETING
		ATTENDANCE	%	
<b>Current Directors</b>				
Tan Sri Ismail Adam	Senior Independent	07/10	70	01/01
Datuk Rozaida Omar	Non-Independent	09/10	90	01/01
Mohd Tarmidzi Ahmad Nordin	Independent	10/10	100	01/01
Rifina Md Ariff	Non-Independent	09/10	90	01/01
Noraini Che Dan	Independent	07/10	70	01/01
Tan Sri Ambrin Buang (appointed w.e.f. 2 February 2018)	Chairman/Independent	n/a	n/a	n/a
<b>Former Directors</b>				
Tan Sri Samsudin Osman (retired w.e.f. 31 January 2018)	Chairman/Independent	10/10*	100	01/01
Datuk Zaiton Mohd Hassan (retired w.e.f. 1 February 2018)	Independent	10/10*	100	01/01
Zahari @ Mohd Zin Idris (retired w.e.f. 17 May 2017)	Non-Independent	04/04*	100	01/01

### Notes:

\* Reflects the number of meetings held during the time the Directors held office.

OVERALL PERCENTAGE OF THE BOARD MEETINGS ATTENDED BY THE MEMBERS

90%

TOTAL BOARD MEETINGS HOURS

23.15 HOURS

AVERAGE NUMBER OF HOURS SPEND ON EACH BOARD OF DIRECTORS' MEETING WAS 2 HOURS AND 28 MINS

ALL MEMBERS HAVE COMPLIED WITH THE MINIMUM ATTENDANCE AS STIPULATED IN THE LISTING REQUIREMENTS OF NOT LESS THAN 50% AND SIX MEMBERS HAVE COMPLIED WITH BNM CG POLICY OF NOT LESS THAN 75%

TOTAL HOURS OF BOARD AND BOARD COMMITTEE MEETINGS WAS 43.05 HOURS

## BOARD DIVERSITY AND COMPOSITION

### Board Composition

Currently, the Board comprised six (6) Directors of which:-

(a) Two (2) are Non-Independent Non-Executive Directors; and



(b) Four (4) are Independent Non-Executive Directors.



The present composition of the Board meets the minimum 1/3 requirement of independent directors as stipulated in the Listing Requirements as well as the requirement of having a majority of Independent Directors on the board as set out in BNM CG Policy. The majority Independent Non-Executive Directors assure effective checks and balances in the function of the Board.

The two (2) Non-Independent Non-Executive Directors namely Datuk Rozaida Omar and Puan Rifina Md Ariff are nominees of Lembaga Tabung Haji. The composition also reflects the interest of BHB's majority shareholder which is adequately represented by the appointment of its Nominee's Director.

A Nominee Director has the fiduciary duty to act in the best interest of the Company. In the event of any conflict such Nominee Director shall not subordinate his/her duty to act in the best interest of the Company to his/her duty to the nominator. The conduct/manner of the Nominee Director in exerting the influence of the shareholder is assessed via the annual Board evaluation exercise. This is a requirement under BNM's Shareholders Suitability Policy.

In 2017 and 2018, there were changes to the Board composition as follows:-

- Encik Zahari @ Mohd Zin Idris retired as a Non-Independent Non-Executive Director on 17 May 2017;
- Tan Sri Samsudin Osman retired as an Independent Non-Executive Chairman on 31 January 2018;
- Datuk Zaiton Mohd Hassan retired as an Independent Non-Executive Director on 1 February 2018; and
- Tan Sri Ambrin Buang appointed as an Independent Non-Executive Director on 2 February 2018.

The Board is committed to ensuring diversity and inclusiveness in its composition and deliberations and the Company embraces the proposition that having a diverse Board would have a positive, value-relevant impact on the Company. In this regard, the Board considers diversity from a number of different aspects, including gender, age, educational background, professional experience, skills, knowledge and length of service.

In term of gender, the Board has surpassed the 30% women on Board in Public Listed Companies as champion by the Minister of Woman, Family and Community Development as set out under the Corporate Governance Blueprint.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

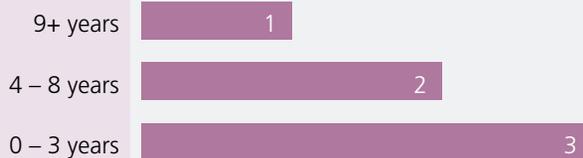
## BOARD COMPOSITION



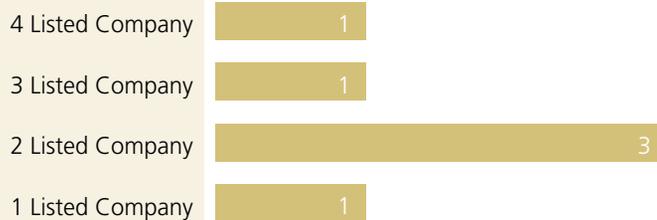
## GENDER



## BOARD TENURE



## DIRECTORSHIP IN LISTED COMPANY (INCLUDING BHB)



## BOARD SKILLS



The age, ethnicity and tenure of the existing BHB's Directors as the date of this statement are depicted below:-

NO.	DIRECTOR'S NAME	AGE	NATIONALITY/ ETHNICITY	DATE OF APPOINTMENT	TENURE YEAR (YR)/ MONTH (MTH)
<b>Independent Non-Executive Directors</b>					
1	Tan Sri Ambrin Buang	69	Malaysian/Malay	2 February 2018	3 mths
2	Tan Sri Ismail Adam	67	Malaysian/Malay	3 January 2011	7 yrs 3 mths
3	Encik Mohd Tarmidzi Ahmad Nordin	63	Malaysian/Malay	29 June 2015	2 yrs 10 mths
4	Puan Noraini Che Dan	62	Malaysian/Malay	1 April 2016	2 yrs
<b>Non-Independent Non-Executive Directors</b>					
5	Datuk Rozaida Omar	55	Malaysian/Malay	1 December 2009	8 yrs 4 mths
6	Puan Rifina Md Ariff	51	Malaysian/Malay	1 April 2014	4 yrs

The Independent Non-Executive Directors continue to be independent of Management and free from any undue influence from interested parties which could materially interfere with the exercise of their independent judgement. In discharging their responsibilities during each Board and Committee meeting, the Independent Non-Executive Directors were thorough in deliberating issues of concern, inquisitive, frank and judicious in every decision-making process. They were impartial in their views and liberal with their advice based on their expertise, safeguarding the Company's and stakeholders' best interests in every major decision. The Independent Non-Executive Directors participated actively in the Board's deliberations and decision-making, challenging the Management to perform better and more efficiently. These values are most clearly illustrated in the main Board Committees chaired by the Independent Non-Executive Directors namely the Audit & Examination Committee, the Board Risk Committee and the Nomination & Remuneration Committee.

Specific disclosure on the activities of the NRC in relation to Practice 4.4 of the MCCG 2017 are provided at pages 124 to 134 of this Integrated Annual Report and in the CG Report.

#### **Board Commitment**

Each Director has devoted his/her time sufficiently to carry out his/her responsibilities. The Board Charter states that a Director, upon acceptance of his/her appointment, must commit sufficient time to carry out his duties and declare to the Board details of all other significant business and interests, indicating broadly the time spent on such commitments. Prior to accepting any new directorship, the Director should notify the Chairman on the new directorship. The Director must advise the Board and the Group Company Secretary of any subsequent changes to these commitments and the Group Company Secretary is to monitor the number of directorships and the changes, if any, of each Director on the Board.

The Board also took note of the expectation on Directors' time commitment to carry out their responsibilities. In this regard, BHB's Board Charter, stipulates that the maximum number of external professional commitments of each Director must not be more than ten (10) unless with prior approval of the Board.

To date, the Directors of BHB have complied with the Listing Requirements of not holding more than five (5) directorships in listed companies. The Board is satisfied that the current number of directorships held by the Board Members does not impair their ability or judgement in discharging their roles and responsibilities.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## BOARD COMMITTEES

Three (3) Board Committees are established to assist the Board in the discharge of its statutory and fiduciary responsibilities. The Board Committees roles and their attendance are as follows:

BOARD COMMITTEE						
<b>AUDIT AND EXAMINATION COMMITTEE ("AEC")</b>						
	<table border="1"> <thead> <tr> <th colspan="2">MEETING</th> </tr> <tr> <th>ATTENDANCE</th> <th>%</th> </tr> </thead> </table>		MEETING		ATTENDANCE	%
MEETING						
ATTENDANCE	%					
<b>Chairman:</b>						
Puan Noraini Che Dan (redesignated from Member to Chairman w.e.f. 2 February 2018)	07/07	100				
Datuk Zaiton Mohd Hassan* (retired w.e.f. 1 February 2018)	07/07	100				
<b>Members:</b>						
Tan Sri Ismail Adam	06/07	86				
Mohd Tarmidzi Ahmad Nordin	07/07	100				
Zahari @ Mohd Zin Idris* (retired w.e.f. 17 May 2017)	03/03	100				
All current members are an Independent Non-Executive Directors						
<b>Role and Responsibilities:</b>						
Provide review and independent oversight of BHB's financial reporting, internal as well as external audit programme, scope and plan and internal control system as well as ensuring check and balance within the Company.						
<b>NOMINATION AND REMUNERATION COMMITTEE ("NRC")</b>						
	<table border="1"> <thead> <tr> <th colspan="2">MEETING</th> </tr> <tr> <th>ATTENDANCE</th> <th>%</th> </tr> </thead> </table>		MEETING		ATTENDANCE	%
MEETING						
ATTENDANCE	%					
<b>Chairman:</b>						
Tan Sri Ismail Adam	04/05	80				
<b>Members:</b>						
Mohd Tarmidzi Ahmad Nordin	05/05	100				
Datuk Zaiton Mohd Hassan* (retired w.e.f. 1 February 2018)	05/05	100				
Zahari @ Mohd Zin Idris* (retired w.e.f. 17 May 2017)	02/02	100				
Noraini Che Dan* (appointed w.e.f. 2 February 2018)	n/a	n/a				
All current members are an Independent Non-Executive Directors						

## BOARD COMMITTEE

### Role and Responsibilities:

- ✓ Establish a formal and transparent procedure for the appointment of directors, Chief Executive Officer, Board Committee members and key senior management personnel.
- ✓ Assess and evaluate the performance and effectiveness of the individual directors, independence of independent directors and members of the Board Committees as a whole.
- ✓ Recommending a framework of remuneration for directors and Board Committees.
- ✓ Ensure that the compensation structure is competitive and consistent with the Company's culture, objectives and strategy.

### BOARD RISK COMMITTEE ("BRC")

	MEETING	
	ATTENDANCE	%
<b>Chairman:</b>		
Encik Mohd Tarmidzi Ahmad Nordin	06/06	100
<b>Members:</b>		
Tan Sri Ismail Adam* (appointed w.e.f. 31 May 2017)	04/04	100
Noraini Che Dan* (appointed w.e.f. 2 February 2018)	06/06	100
Zahari @ Mohd Zin Idris* (retired w.e.f. 17 May 2017)	02/02	100

All current members are an Independent Non-Executive Directors

### Role and Responsibilities:

- ✓ Oversee the Group activities in managing Credit risk, Market risk, Liquidity risk, Operational risk, Legal risk, Shariah risk and other risks.
- ✓ Ensure that the risk management process is in place and functioning effectively.

#### Notes:

\* Reflects the number of meetings during the time the Member held office

Details of activities of the Board Committees are set out within the relevant Committee reports from pages 114 to 138 of this Integrated Annual Report.

Each committee's TOR sets out its role, responsibilities, composition and structure. Although the Board has granted such discretionary authority to these Board Committees to deliberate and decide on certain key and operational matters, the ultimate responsibility and the final decision on specific matters lies with the Board. The AEC, the BRC and the NRC are chaired by Independent Directors. The Chairman of the respective Committees is responsible for the effective operations of that Committee and the fulfilment of their duties which are clearly outlined in the TOR approved by the Board. The TOR of the Board Committees are regularly reviewed to ensure that they remain relevant and aligned with BHB's corporate mission and vision.

Board Committee members are appointed by the Board on the recommendation of the NRC. The Committee memberships are structured to spread responsibility and optimise the range of skills across the Board. Membership of the various Committees is reviewed regularly and is structured to provide the appropriate overlap of membership to ensure cohesive information flow between the Committees. The Committee members are expected to attend each Committee meeting, unless there are exceptional circumstances that prevent them from doing so. Each Board Committee is entitled to seek information from any employee of the Company and to obtain professional advice as the Board Committee deems appropriate in its discretion.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

During each Board meeting, the Chairman of each Board Committee shall then present to the Board its recommendations for the Board's approval accordingly. This permits the Board to raise any comments/views on all deliberations. All deliberations and recommendations must be minuted and approved by each Board Committee and confirmed by the Chairman of each Board Committee at their respective Board Committee meetings.

The Chairman of the Committees as well as Shariah Supervisory Council reports on matters dealt with at their respective meetings to the Board. Minutes of the AEC, BRC and NRC meetings are also presented at Board meetings for further discussion and direction, if any.

Based on the annual evaluation of each standing Board Committee for this Financial Year under review, the Board unanimously resolves that each Board Committee has discharged its roles and responsibilities effectively as guided by its respective TOR.

The Board Committees activities for the year under review are as follows:-

BOARD COMMITTEE	MAIN AREAS OF OVERSIGHT	NUMBER OF MEETINGS IN 2017
<b>AEC</b> <ul style="list-style-type: none"> <li>Comprises 3 members, all of whom are Independent Directors</li> </ul>	<ul style="list-style-type: none"> <li>Financial reporting</li> <li>Internal controls</li> <li>Internal audit report</li> <li>Internal audit function</li> <li>External audit</li> <li>Related party transactions</li> <li>Compliance reporting</li> </ul>	7 meetings held to discuss the following: <ul style="list-style-type: none"> <li>Matters relating to BHB</li> <li>Matters relating to quarterly financial performance</li> <li>Matters relating to Internal Audit report of BHB and its wholly-owned subsidiaries</li> <li>Annual performance review for Internal Audit</li> <li>Matters relating to compliance and internal guidelines</li> <li>2 meetings with the External Auditors without the presence of Senior Management</li> </ul>
<b>NRC</b> <ul style="list-style-type: none"> <li>Comprises 3 members, all of whom are Independent Directors</li> </ul>	<ul style="list-style-type: none"> <li>Membership and performance of Board and Board Committee</li> <li>Independence of Directors</li> <li>Succession planning of CEO and Senior Management</li> <li>Remuneration of Directors and Senior Management</li> <li>Appointment and re-appointment of Directors</li> </ul>	5 meetings held to discuss the following: <ul style="list-style-type: none"> <li>Board Composition</li> <li>Board Nomination at Group level</li> <li>Board Effectiveness Assessment</li> <li>Board and Board Committees Remuneration</li> <li>CEO and Senior Management Remuneration</li> <li>Material Risk Taker</li> </ul>
<b>BRC</b> <ul style="list-style-type: none"> <li>Comprises 3 members, all of whom are Independent Directors</li> </ul>	<ul style="list-style-type: none"> <li>Risk appetite</li> <li>Risk governance</li> <li>Risk framework</li> <li>Risk management practices and policies</li> <li>Compliance risk</li> <li>Risk strategy</li> </ul>	6 meetings held to discuss the following: <ul style="list-style-type: none"> <li>Risk Management Policies</li> <li>Risk Appetite</li> <li>Risk Profile</li> <li>Risk Strategy</li> <li>Risk Management Objectives</li> </ul>

**Notes:**

Further information on the Board Committees can be found in their respective TOR, available at [www.bimbholdings.com](http://www.bimbholdings.com); *About Us – Corporate Governance – Board Committees*

The members of the Board Committees together with their attendance can be found on pages 108 to 109 of this Integrated Annual Report.

## **PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT**

### **Audit and Examination Committee**

The AEC of BHB comprises three (3) Independent Non-Executive Director. The AEC is chaired by an Independent Non-Executive Director, Puan Noraini Che Dan, who is a member of the Malaysian Institute of Accountant (“MIA”) as well as the Malaysian Institute of Certified Public Accountants (MICPA). This is in line with the requirements under paragraph 15.09(1)(c) of the Listing Requirements and BNM CG Policy that at least one member of the Committee must be a member of the MIA or equivalent expertise or experience in the field of finance.

The composition of the AEC is reviewed by the NRC and recommended to the Board for its approval. With the view to maintain an independent and effective AEC, the NRC ensures that only an Independent Non-Executive Director who possess the appropriate level of expertise and experience, and has strong understanding of the Company’s business would be considered for AEC’s membership.

The AEC also separately assessed KPMG as BHB’s External Auditors. The AEC is guided by the factors as prescribed under Paragraph 15.21 of the Listing Requirements as well as the Auditor Independence guided by BNM CG Policy, in the annual assessment on the suitability, objectivity and independence of the External Auditors.

The composition of the AEC, its duties and responsibilities as well as details of meetings attended by each member can be found in pages 114 to 123 of this Integrated Annual Report and Section B of the CG Report.

### **Risk Management and Internal Control Framework**

The Board has established an organisation structure and charter with clear defined lines of responsibility, authority limits and accountability in association with BHB’s Group business and operational requirements in order to maintain a sound control environment.

The effectiveness of risk management and internal controls is ensured by the establishment of the BRC and the Group Risk Management Committee (“GRMC”). The BRC regularly evaluates the adequacy and effectiveness of the Group’s risk management by reviewing the actions taken on lapses/deficiencies identified in reports presented by the respective subsidiaries at the GRMC.

### **Board Risk Committee**

The BRC consists exclusively of Independent Non-Executive Director and is chaired by Encik Mohd Tarmidzi Ahmad Nordin who is an Associate member of the Chartered Insurance Institute (UK) and Fellow of Malaysian Insurance Institute.

The composition of the BRC, its duties and responsibilities as well as details of meetings attended by each member can be found in pages 135 to 138 of this Integrated Annual Report and Section B of the CG Report.

The BRC assists the Board in ensuring that the risk exposures and outcomes affecting BHB and the Group are effectively managed and addressed by the Board. Specifically, the BRC is responsible for formulating policies and frameworks to identify, monitor, manage and control material risks impacting the Group.

The BRC is supported by the GRMC where the members consist of the Group Chief Strategy Officer and GCFO of BHB together with the Risk Officer of each major key operating subsidiary. The GRMC assists the BRC to oversee the risk management matters relating to the activities of the Group.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## Internal Audit

Internal audit is independent of the activities of its audit. The Internal Auditors of BHB and its subsidiaries (save for Syarikat Takaful Malaysia Berhad) is carried out by the Internal Audit Division of Bank Islam (“**Internal Audit**”). Its objectives, scope of activities and responsibilities are defined in the Internal Audit Charter. Internal Audit reports functionally to the AEC. Internal Audit adopts a risk-based approach in its auditing activities. An annual audit plan is developed using a structured risk and control assessment framework through which the inherent risk and control effectiveness of each auditable entity in BHB is assessed.

Disclosure on the activities of the Internal Audit are provided at pages 122 to 123 of this Integrated Annual Report and in the CG Report.

## PRINCIPLE C: INTERGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

The Board has direct control over the Company, and therefore owes fiduciary duties to the Stakeholders. The duty of care requires Directors to exercise good business judgement when making decisions to safeguard the interest of the Company and its Stakeholders. The Board recognises the importance of timely, complete, accurate and equal dissemination of information with regard to the Company and its Group’s performance and other matters affecting Stakeholders’ interest.

### Corporate Disclosure Policy (“CDP”)

A CDP has been formulated to enhance BHB’s corporate governance, particularly in the area of transparent disclosure to the public. The purpose of the CDP is to enable Shareholders and stakeholders to access business information beyond the Company’s financial disclosure. In addition, it ensures that both the Board and Management are able to communicate effectively with stakeholders on a timely basis.

### Investor Relations/Stakeholders Policy

The Company has in place an IR Policy to ensure that stakeholders, investors and the investment community, both local and international, as well as the general public are provided with relevant, timely and comprehensive information about BHB. The Company is committed to providing effective and open communication in order to improve disclosure and transparency. The objective of the IR Policy is to lay down the principles and practices to be adopted by BHB in handling its communication so that investors and potential investors could make an informed investment decision and for the public at large to have a clear understanding of the Group and its objectives. Our investors relations activities promote regular, effective and fair communication with shareholders. Briefing sessions for the media and analysts are conducted when quarterly results are released.

BHB and its major subsidiaries have been keeping a high standard of dissemination of relevant and material information through various channels in order to maintain a close relationship with our institutional investors, fund managers and research analysts. These channels include:

- Quarterly and Full Year Financial Results Announcements
- Analysts Briefing Presentations
- Conference and Roadshows
- Media Coverage
- IR section of the website

Disclosure on the activities of the Investor Relations are provided in the CG Report.

## **General Meetings**

The Annual General Meeting (“**AGM**”) and Extraordinary General Meeting (“**EGM**”) represent the primary platforms for direct two-way interaction between the shareholders, the Board and Management of BHB and its major subsidiaries. In respect to shareholder democracy and as stipulated in the Listing Requirements and the Companies Act 2016, shareholder’s approval is required on all material issues including, but not limited to, major mergers, acquisitions and divestments exercises, dividend payments, increase of Directors’ fees, election/re-election and appointment/reappointment of Directors as well as the appointment of auditors.

A summary presentation of financial results is given before the Chairman deals with the formal business of the meeting. Shareholders are encouraged to attend the AGM and to use the opportunity to ask questions on the Company’s performance under review and thereafter to receive the audited financial statements and the reports of Directors and Auditors. The Notice of the 21<sup>st</sup> AGM of the Company was issued to the shareholders of the Company more than 21 days prior to the date of the said meeting.

BHB conducts its AGM by poll/e-voting in accordance with Paragraph 8.29A of the Listing Requirements (voting by poll). The outcomes of voting on the proposed resolutions are disclosed to the market and posted on the Company’s website after the AGM. The External Auditors and Chief Executive Officer of the respective major subsidiaries attend the AGM to answer shareholders’ questions. BHB further encourages shareholders to access the Integrated Annual Report online to complement the Company’s commitment to the environment, as well as to achieve greater cost efficiencies. Nevertheless, shareholders are still provided with the Integrated Annual Report in CD-ROM format together with a summarised version of the Financial Statements, Notice of AGM and Proxy Form.

## **CONCLUSION**

The Board is fully satisfied that in the year under review, BHB has taken additional steps and observed good governance practices in accordance with the MCCG 2017, Listing Requirements, BNM CG Policy, the Green Book, MSWG’s Malaysian ASEAN Corporate Governance Scorecard and Bursa Securities’ 2nd Edition Corporate Governance Guide and the Companies Act 2016.

This Corporate Governance Overview Statement was approved by the Board of Directors of BHB on 28 March 2018.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## AUDIT & EXAMINATION COMMITTEE CHAIRMAN'S REPORT



### PUAN NORAINI CHE DAN

Chairman/Independent Non-Executive Director

“The Audit & Examination Committee facilitates and assists the Board of Directors by reviewing the financial information, the system of internal controls which Management and the Board have established and reporting requirement to ensure compliance with the relevant laws and regulations.”

On behalf of the Audit & Examination Committee, I am pleased to present the Audit & Examination Committee's report for the period under review to the shareholders of BHB.

The purpose of this report is to apprise the shareholders and other stakeholders on the responsibilities and the performance of the Audit & Examination Committee during the period under review. The Audit & Examination Committee's duties and responsibilities are carried out in accordance with its Terms of Reference (“**TOR**”). Discussions with the Internal Auditors, External Auditors and relevant members of the Management are held to ensure that the financial statements of the Company and the Group are appropriately prepared in compliance with the Malaysian Financial Reporting Standards (“**MFRS**”) and fairly present the financial position of the Group together with the results of its operations.

The Audit & Examination Committee facilitates and assists the Board of Directors by reviewing the financial information, the system of internal controls which Management and the Board have established and reporting requirement to ensure compliance with the relevant laws and regulations. The Audit & Examination Committee also evaluates the performance of the Internal Auditors which is outsource to Bank Islam Malaysia Berhad (“**Bank Islam**”) as well as the External Auditors. The Audit & Examination Committee is primarily responsible for recommending the appointment, re-appointment and the removal of the External Auditors.

In 2017, seven (7) Audit & Examination Committee meetings were held where we discussed numerous topics focusing on key issues on the effectiveness of internal control and reporting requirements in the Group's business activities as well as the impact of the new MFRS 9.

I am confident that the Audit & Examination Committee, supported by the Management and the External Auditors, has remained focus on its responsibilities and has carried out its duties in the year under review, effectively in accordance with its mandate and TOR.

On behalf of the Audit & Examination Committee members, I would like to take this opportunity to express our sincere appreciation to Datuk Zaiton Mohd Hassan for her unconditional contribution and guidance during her tenure from 10 December 2014 until 1 February 2018 as the Chairman of the Audit & Examination Committee.

**PUAN NORAINI CHE DAN**

Chairman

## AUDIT & EXAMINATION COMMITTEE (“AEC”) REPORT

The members of the AEC are as follows:



- 1. Noraini Che Dan**  
Chairman/Independent Non-Executive Director  
(appointed w.e.f. 2 February 2018)
- 2. Datuk Zaiton Mohd Hassan**  
Chairman/Independent Non-Executive Director  
(retired w.e.f. 1 February 2018)
- 3. Mohd Tarmidzi Ahmad Nordin**  
Member/Independent Non-Executive Director
- 4. Tan Sri Ismail Adam**  
Member/Senior Independent Non-Executive Director
- 5. Zahari @ Mohd Zin Idris**  
Member/Non-Independent Non-Executive Director  
(retired w.e.f. 17 May 2017)

OVERALL PERCENTAGE  
OF THE AEC MEETINGS  
ATTENDED BY THE MEMBERS

97%

TOTAL AEC  
MEETINGS HOURS

8.15 HOURS

ALL MEMBERS HAVE COMPLIED WITH THE  
MINIMUM ATTENDANCE AS STIPULATED IN THE  
LISTING REQUIREMENTS OF NOT LESS THAN 50%  
AND BNM CG POLICY OF NOT LESS THAN 75%

### Notes:

Details Board of Directors' Profile section and background of the AEC members can be found on pages 71 to 75 of the Integrated Annual Report.

Further information on the AEC's Terms of Reference is available at [www.bimbholdings.com](http://www.bimbholdings.com),

*About Us – Corporate Governance – Board Committees – Audit & Examination Committee*

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## MEMBERSHIP & ATTENDANCE

The AEC members and details of their attendance of the AEC meetings held during the Financial Year can be found on page 108 of this Integrated Annual Report. Presently, the AEC consists of three (3) Independent Non-Executive Directors. All members of the AEC have sufficient understanding of the Company's business, whilst the Chairman is a member of the Malaysian Institute of Accountants ("**MIA**"). The AEC provides an independent oversight of the internal and external audit functions, internal controls and reporting requirements as well as checks and balances within the Company.

The Board has established a transparent and appropriate relationship with its external auditors through the AEC. The representatives of the External Auditors, were present at the AEC meeting during deliberations which require their input and advice. In addition, the AEC had met twice with the External Auditors without the presence of Management in compliance with Main Market Listing Requirements ("**Listing Requirements**"). During such session without the presence of the Management, the External Auditors will discuss with the AEC on any issues and concerns, arising from the audit and any other relevant matters the External Auditors wish to highlight. Other Officers of the Company were also invited to the AEC meetings during the deliberation of matters related to them.

The Chairman of the AEC regularly provides updates to the Board on key matters deliberated at the AEC meetings. In addition, minutes of the AEC meetings are circulated to the Board for notification. Any members of the Board may enquire or seek clarification on the matters deliberated by the AEC as recorded in the minutes.

## OVERVIEW OF 2017

The AEC facilitates and assists the Board in fulfilling its statutory, oversight and fiduciary responsibilities to its stakeholders. The AEC's salient responsibilities include the review of the following:

- (a) integrity of the financial statements;
- (b) performance of the External Auditors;
- (c) effectiveness of internal controls;
- (d) performance of the Internal Audit; and
- (e) compliance with legal and regulatory requirements.

### Financial Reporting

The AEC assists the Board in ensuring the financial statements of the Company and its Group is prepared in accordance with the applicable financial reporting standards. The AEC will review and determine whether in the preparation of the financial statements appropriate accounting policies have been adopted and supported by reasonable and prudent judgment and estimates. The Group Chief Financial Officer ("**GCFO**") is responsible for the financial management of the Company.

Mr. Malkit Singh Maan ("**Mr. Malkit**"), the GCFO, has 25 years of banking related experience and was previously the CFO of Bank Islam. Mr. Malkit is a Certified Practising Accountant ("**CPA**"), a member of the Australian Society of CPAs and Chartered Accountant of MIA.

With effect from 2 February 2018, Puan Noraini binti Che Dan was appointed as the AEC Chairman, replacing Datuk Zaiton Mohd Hassan who retired on 1 February 2018. Whilst the AEC TOR requires the AEC to meet six (6) times a year, during the year under review, the AEC met seven (7) times. Aside from the AEC members, the Chief Executive Officer, the Group Chief Financial Officer and the Group Company Secretary are in attendance at all the AEC meetings.

Details of his profile are available on page 86 of this Integrated Annual Report.

The AEC key responsibilities on financial reporting for 2017 were as follows:

- (a) Reviewed the unaudited quarterly financial reports and the audited financial report for submission to Bank Negara Malaysia (“**BNM**”), Bursa Malaysia Securities Berhad (“**Bursa Securities**”) as well as Securities Commission with the Management before recommending to the Board of Directors for its approval prior to submission to the relevant regulatory authorities. When reviewing the report, the AEC would seek for the assurance that the condensed consolidated interim financial statements have been prepared in accordance with the Malaysian Financial Reporting Standards 134: Interim Financial Reporting, Paragraph 9.22 of the Listing Requirements and International Accounting Standards 34: Interim Financial Reporting issued by the International Accounting Standards Board;
- (b) Reviewed the audited statutory accounts of the Company and of the Group, raised issues and concerns, if any, arising from the statutory audit with the External Auditors, prior to recommending to the Board of Directors for its approval. The AEC’s review included a critical scrutiny of the statutory accounts based on an analytical approach. At the same time, the AEC seek assurance from the Management and the External Auditors that the financial statements disclosures are in compliance with relevant and applicable statutory requirements and the Malaysian Financial Reporting Standards. The AEC’s scrutiny of the statutory accounts also included a review of the reasonableness of accounting policies and estimates applied by the Group, and reporting on going concerns, as concurred by the External Auditors in its Report to the AEC. The AEC also reviewed pertinent audit matters highlighted by the External Auditors in their report to the AEC which warrant the AEC’s attention;
- (c) Reviewed and approved the Report of the AEC pursuant to Listing Requirements for inclusion in the Company’s Annual Report;
- (d) Reviewed the disclosures forming the contents of the Company’s Annual Report as required in Part A of Appendix 9C of the Listing Requirements;
- (e) Reviewed the updates on the internal accounting control in accounting and auditing process to achieve operational effectiveness and efficiency, reliable financial reporting and compliance with regulations and policies;
- (f) During the year under review, the GCFO and the External Auditors have highlighted on the new/revised requirements on financial reporting standards. This is to enable the Management and the Board to understand the requirements of the new/revised standards and to facilitate actions to address and meet the new requirements within the stipulated deadline; and
- (g) For the key audit matters, the External Auditors have focused particularly on credit and valuation. The AEC has also received reports and updates from the External Auditors. The AEC is therefore made aware of all materially relevant issues of concern during the year.

In particular, the External Auditors have brought the AEC’s attention to the following matters:

**1. Allowance for impaired financing and advances and others**

Throughout the year, Management had continuously monitored the financing and advances portfolios and assessed the adequacy of allowances for impairment. Specific names and industries were monitored based on economic and sectoral assessment. The AEC was also regularly updated on the status of these financing accounts and portfolios.

The Credit Management Division of Bank Islam identified portfolios that were susceptible to emerging events in the external environment and focused its effort to manage the risk. The team continuously monitored the Group’s exposure to the various high risk sectors. Reviews done during the year on high risk sectors include exposure to Commercial Property as well as the Small and Medium Enterprise portfolio.

The AEC also requested and received information on potential risks, their impact as well as the measures taken to manage the risks so that impairment allowance estimates incorporated timely recognition of potential risk.

The Group also performed regular stress testing on the financing portfolios to assess the impact on the capital and profitability of Bank Islam under the various stress scenarios.

For the financial year ended December 2017, the net allowances for impairment in respect of financing and advances and others was a write back of RM15.6 million compared to an amount charged of RM92.1 million in 2016.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

As at December 2017, the Group's allowance for impairment was more than adequate. However, the implementation of MFRS 9, which came into effect from 1 January 2018 is expected to have an adverse impact on the entire banking industry and the Group is no exception. The impact on Bank Islam's Total Capital Ratio is 30 basis points due to Day One adjustment of MFRS 9. To maintain the existing strong capital ratios, Bank Islam issued the third tranche of the subordinated Sukuk Murabahah amounting to RM300 million on 13 November 2017.

## Malaysian Financial Reporting Standards 9

MFRS 9 had replaced the guidance in MFRS 139.

The Standard requires changes in the way impairment allowances are computed. Impairment allowances are to be computed in anticipation of future losses rather than the previous practice of recognising impairment only when the financing has been classified as impaired. This means impairment allowances have to be provided even for new financing as well as undrawn facilities.

In preparation for the MFRS 9 implementation, the AEC has been briefed on the proposed approach to be adopted and methodology to be applied in the implementation. Bank Islam and Syarikat Takaful Malaysia Berhad ("Takaful Malaysia") have appointed the same external consultants to assist in the implementation of MFRS 9. As part of its oversight role over the implementation of MFRS 9, AEC has reviewed the progress update reports as well as the financial impact reported to BNM.

## Collective Impairment Allowances

As at end December 2017, the Group's collective impairment allowances made up 78% (2016: 81%) of the total allowances for impairment.

In computing the BHB Group's collective impairment allowances, there is in place a process to appropriately group the lending exposures based on similar risk characteristics. The basis of grouping lending exposures into portfolios with similar credit risk characteristics include asset type, industry, geographical location, collateral type, past-due status and other relevant

factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

A multi-dimensional vintage analysis is done on each of the asset portfolios and the historical loss experience is adjusted based on current observable data to reflect the effects of current conditions. Also removed are the effects of conditions in the historical period that do not currently exist. Impairment allowances are provided based on the revised loss experience.

## Individual Impairment Allowances

Significant financing, that is, total financing outstanding of RM1 million or more are assessed individually. A financing asset is impaired and impairment losses are incurred if, and only if,

there is objective evidence of impairment. For individually assessed financing, objective evidence of impairment exists if the borrower has significant financial difficulty, if there is a breach of contract, if it becomes probable that the borrower will enter bankruptcy or other financial reorganisation or if there is consecutive downgrade of two notches for external ratings.

If any such objective evidence exists, then the impairment loss of the financing asset is estimated. The amount of impairment loss is measured

as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective profit rate. In estimating the future cash flows, judgements are made about the realisable value of the collateral pledged and the borrower's financial position.

The BHB Group also proactively monitors and identifies financing that show signs of stress and could potentially become impaired. The account management officers engage with such customers to advise, restructure and reschedule these accounts based on economic viability. The estimated future cash flows of these accounts are also reassessed and any shortfalls in impairment allowances are immediately provided for.

As at December 2017, the Group's collective impairment provision of 1.2% was in line with BNM requirement. The Group also has sufficient financing loss buffers with financing loss reserves at 160.0% against industry average of 82.9%, reflecting its prudent provisioning practices. In addition, the Group's impaired financing ratio as at end of 2017 was at 0.93% against the banking industry's gross impaired ratio of 1.53%.

The Group's AEC is also updated on the status of these large individual financing accounts and the factors taken into account in exercising judgement around the individual impairment provisions.

## **2. Valuation of Financial Instruments**

The valuation of the financial instruments was another one of the key focus areas due to the complexity involved in valuing the instruments and the application of valuation techniques which involve the exercise of judgement and the use of assumptions and estimates.

Quoted and observable market prices, where applicable, were used as the measure of fair value of financial instruments. These were for valuation of Level 1 instruments.

Where such quoted or observable market prices were not available, fair values were estimated based on models that use a significant degree of non-market based unobservable inputs. These valuation techniques were used in the valuation of Level 2 and Level 3 financial instruments.

For Level 2 financial instruments, valuation techniques are based on observable inputs for which pricing is obtained from independent sources. Input parameters include pricing from Bond Pricing Agency or BNM indicative yields.

However, significant valuation judgement is only used in respect of Level 3 financial instruments. Judgement in relation to the valuation of financial instruments are more subjective, where the value is based on models that use unobservable market data, i.e., reflect the Group's judgement and assumptions.

For the Group, the quantum of Level 3 financial instruments as at 31 December 2017 is not significant. It only represents RM256.4 million or 0.4% of the financial assets held at fair value. As for the Level 3 Sukuk – liabilities, the carrying amount is RM2.280 billion against the fair value of RM2.236 billion.

The valuation is undertaken by a unit independent of the business.

## **3. Valuation of takaful contract liabilities**

The takaful contract liabilities for family takaful business comprise provision for outstanding claims and participants' funds, while takaful contract liabilities for general takaful business comprise provision for outstanding claims and provision for unearned contribution and participants' funds.

The two key components in deriving to the takaful contract liabilities are the valuation of actuarial liabilities for the family takaful business and the provision for outstanding claims for both family and general takaful businesses.

Reports on valuation of liabilities in respect of family and general business were presented and approved by the Board of Takaful Malaysia on an annual basis based on BNM guidelines.

### **i. Actuarial liabilities – family takaful contract liabilities**

Actuarial liabilities for long-term family takaful business require actuarial significant judgement over the estimation of future expected benefits payable to participants. Actuarial liabilities for yearly renewal short-term family takaful business is calculated based on the higher of its unexpired risk reserves for expected benefits payable to participants and unearned contribution reserves. These estimations are made through the selection of best estimate assumptions such as mortality rates and morbidity/loss incidence rates, surrender rates and discount rates. The best estimate assumptions were derived using Takaful Malaysia's actual past experience. An appropriate allowance for Provision of Risk Margin for Adverse Deviation from best estimate assumption is made in the valuation of liabilities such that the overall level of sufficiency of actuarial liabilities at a 75% confidence level is secured.

The methodology used for calculating the actuarial liabilities comprise prospective actuarial valuation, cash flow projection valuation and unearned contribution valuation.

Although judgements are made about determining the appropriateness of discount, mortality, morbidity and surrender rate assumptions used in calculation of actuarial liabilities, there is update to the Board on an annual basis to ensure the assumptions used are in line with actual experience and are reasonable.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## ii. Provision for outstanding claims – family and general takaful contract liabilities

The provision for outstanding claims is made of cost of claims (together with related expenses) and Incurred But Not Reported Claims (“IBNR”) at the end of the reporting period by the appointed actuary.

A liability for outstanding claims is recognized when a claimable event occurs and Takaful Malaysia is notified. An explicit provision for IBNR is set up to cover delays in claims reporting. However, the ultimate cost of these claims cannot be known with certainty at reporting date. The IBNR is calculated using a range of standard actuarial claim projection techniques based on empirical data and current assumptions with a margin for adverse deviation to ensure the overall level of sufficiency at a 75% confidence level is secured.

For family takaful business, the IBNR is calculated using the Chain Ladder and Expected Loss Ratio methods, the same methods used in prior years. During the year, the appointed actuary has revised the Loss Development Factors (“LDF”) downward to align the factors with latest actual experience.

The appointed actuary will continue to closely monitor the LDF assumptions and will consider adopting a more realistic approach when the experience becomes more credible. The Management of Takaful Malaysia and the appointed actuary have reviewed the treatment for case reserves amount in the calculation of IBNR for family takaful products in 2017. The actuary will highlight and update the Board on any significant change to the assumptions used on a quarterly basis.

For general takaful business, the provision for IBNR was estimated using the Chain Ladder, Bornhuetter-Ferguson and Expected Loss Ratio methods.

The AEC of Takaful Malaysia acknowledged the methodologies and assumptions used and are satisfied that they are reasonable and in line with the requirements of Risk-Based Capital Framework for Takaful Operators and the Guidelines on Valuation Basis for Liabilities of Family and General Businesses issued by BNM.

## Internal Audit

- Reviewed the effectiveness of the internal audit functions which are outsourced to Bank Islam which include:
  - ~ Reviewed and approved the internal audit plan, procedures and frequency;
  - ~ Reviewed internal audit reports for BHB and its wholly owned subsidiaries issued by the Internal Auditors on the effectiveness and adequacy of governance, risk management, operational and compliance process; and
  - ~ Reviewed key audit reports and ensure appropriate necessary corrective actions have been taken by the Management in a timely manner to address control weaknesses, policies and other problems identified by the Internal Auditors and other control functions.
- Assessed the performance of the Internal Auditors, determine and recommend the audit fee for the year under review.

## External Audit

- Reviewed the audit plan of the Company for the year (inclusive of audit approach and scope of work) with the External Auditors prior to the commencement of the annual audit. The External Auditors briefed the AEC on their audit plan pertaining to the statutory audit of the Company, highlighting areas of audit emphasis, key regulatory developments, involvement of Internal Auditors and other experts;
- Reviewed the results of the annual audit, the External Auditor’s Report and the Management Representation Letter together with the Management’s corrective action to address the findings of the External Auditors;
- Met with the External Auditors without the presence of the Management to discuss issues and concerns if any, arising from the statutory audit and other matters the External Auditors may wish to highlight, amongst others the level of assistance provided by the Company’s employees to the External Auditors, and any difficulties encounter in the course of the audit work, including any restriction on the scope of activities or access to required information;

- Evaluated the performance, independence and suitability of the External Auditors and made recommendations to the Board of Directors on their re-appointment and remuneration. In reviewing the performance, independence and suitability of the External Auditors, the AEC reviewed the qualifications and the experiences of the audit team as well as conducted an assessment on the effectiveness and the performance of the External Auditors and other areas such as the scope of the audit, their independence and objectivity, audit fees and audit experience; and
- Reviewed the nature, scope and fees for non-audit services provided by the External Auditors and ensured they were fair and reasonable and in line with the laid down practices on non-audit services in order to safeguard the independence and objectivity of the External Auditors and reduce potential conflict of interest.

Details of the statutory audit, audit-related and non-audit fees paid/payable in the year under reviews to the auditors are set out below:

FEES PAID/PAYABLE TO AUDITOR FY2017	GROUP RM'000	COMPANY RM'000
<b>Fees paid/payable to KPMG Desa Megat PLT (KPMG)</b>		
<b>Statutory Audit</b>	<b>1,553</b>	<b>135</b>
<b>Regulatory-related</b>	<b>287</b>	<b>32</b>
– Validation of Perbadanan Insurans Deposit Malaysia Returns	163	–
– Verification of adoption of MFRS 9	80	–
– Statement of Risk Management and Internal Control	28	18
– Review of Statement of Realised and Unrealised Profit & Losses	14	14
– Verification of motor contribution income	2	–
<b>Non-audit</b>		
– Limited review & other non-audit expenses	<b>647</b>	<b>24</b>
	<b>2,487</b>	<b>191</b>
<b>Fees paid/payable to overseas affiliates of KPMG</b>		
<b>Statutory audit</b>	<b>345</b>	<b>–</b>
	<b>2,832</b>	<b>191</b>

#### Related Party Transactions

- Reviewed, with the assistance of the GCFO, related party transactions entered into by the Company and the Group to ensure that the transactions entered into were in compliance with Paragraphs 10.08 and 10.09 of the Listing Requirements (Chapter 10 Part E – Related Party Transactions);
- Reviewed the adequacy of the Company's and the Group's procedures to ensure that recurrent related party transactions are not more favorable to the related party than those generally available to the public and are not to the detriment of the minority shareholders. The review done by the AEC is to ensure that the related party transactions were conducted in the best interest of the Company and the Group;
- Reviewed and reported to the Board all related party transactions entered into by the Company and the Group; and
- Monitored any potential conflict of interest situations involving Directors and ensured that such situations of conflict were avoided and that the requirements under the Directors' Code of Ethics were adhered to.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## Other Activities

- Reviewed the reports of recurrent related party transactions and the Circular to Shareholders with regard to the proposed renewal of shareholders' mandate for existing recurrent related party transactions of a revenue or trading nature;
- Reviewed and endorsed the Statement of Risk Management and Internal Control for the Board's approval and inclusion in the Annual Report;
- Reviewed the Zakat Computation for the Company and its wholly owned subsidiaries for the year under review;
- Considered and reviewed the proposal for interim dividends and Dividend Reinvestment Plan for recommendation to the Board;
- Reviewed the report on the Company's status of compliance with regulatory requirements namely the Listing Requirements, Islamic Financial Services Act 2013, BNM's Guidelines, Companies Act 2016 and Capital Market and Services Act 2007. The report also highlighted any new regulatory requirements as well as consultation papers issued by the relevant regulators and the deadline for compliance. Where relevant, the Committee would review the action plan proposed by the Management in meeting the regulatory requirements and discussed the implications of any latest changes and pronouncements on the Company and the Group;
- Reported to the Board any significant issues and concerns discussed during the AEC meetings together with the relevant recommendations; and
- Reviewed the assurance provided by the CEO and GFCO on the scope and performance of the risk management and internal control system established by the Group prior to recommendation to the Board for acceptance.

## INTERNAL AUDIT ACTIVITIES REPORT

The Internal Audit functions of BHB and its wholly-owned subsidiaries, namely Syarikat Al-Ijarah Sdn Bhd, BIMB Securities Sdn Bhd and BIMB Securities (Holdings) Sdn Bhd have been outsourced to the Internal Audit Division ("IAD") of Bank Islam since December 2008. The IAD is led by the Acting Head of Internal Auditors, Encik Zalfitri Abd Mutalip ("**Encik Zalfitri**"). Encik Zalfitri joined Bank Islam's IAD in October 2007 and was appointed as the Acting Head of Internal Auditors on 1 June 2017. Encik Zalfitri is a Certified Public Accountant and a Fellow member of the ACCA, he is also a Certified Internal Auditor for financial institution (CIA FIN).

The Internal Audit functions report directly to the AEC and is independent of the activities of its auditees. The primary responsibilities of the IAD are to undertake regular and systemic reviews of the risk management process, internal control and governance practices of BHB and its wholly-owned subsidiaries. The reviews are done in compliance with the International Professional Practices Framework and the Internal Audit Charter to provide a reasonable assurance that the risk management process, internal controls and governance practices are operating satisfactorily and effectively, in line with the Group's goals and objectives.

The scope of the Internal audit reports covers improvement opportunities, audit findings, management responses and corrective actions in areas with significant risks and internal control deficiencies. All Internal Audit Reports on the Company and its wholly-owned subsidiaries were tabled to the AEC for deliberation. Management were present at the AEC meetings to respond and provide feedback on the progress of business process improvement opportunities identified by IAD. Minutes of the AEC meetings are subsequently tabled to the Board for notation.

The AEC reviewed the adequacy and relevance of the scope, functions, resources, procedures, risk based internal audit plans and results of the internal audit processes, with the IAD.

The Internal Audit would submit the Internal Audit Plan to be reviewed by the AEC. The audit plan which covers the audit scope, methodology and practices, timing and resources, assessment of risk, comparison of actual versus budgeted time spent on assignments and audit fee.

During the Financial Year under review, IAD issued four (4) reports and one (1) follow-up audits on corrective actions. The areas reviewed include procurement, finance, corporate governance, human resources, operations, information technology, investments, corporate strategy, media and communication and risk management.

The internal audit functions of Bank Islam and Takaful Malaysia are carried out by their respective internal audit divisions.

### Mission and Practices

IAD is committed to provide independent, risk based and objective assurance on the areas of operations reviewed, and gives insight and advice on best practices that will enhance, protect and add value to BHB and its wholly-owned subsidiaries.

This is accomplished through the following:

- i. Formulating a comprehensive and detailed Audit Plan using appropriate and structured risk-based methodology that is aligned to BHB's strategic objectives;
- ii. Adopting a systematic and disciplined approach in evaluating risk exposures and the adequacy and effectiveness of controls to manage the risks within BHB's governance, operations and information systems;
- iii. Embracing international standards and best practices such as Committee of Sponsoring Organisations (COSO) to further enhance the relevance and effectiveness of the internal audit activities;
- iv. Reviewing existing internal control systems and reporting on whether these provide reasonable assurance against material misstatement, loss and fraud;
- v. Reporting any significant issues that affect the processes of controlling the activities of, and managing the risks faced by the divisions/companies audited; and
- vi. Seeking the Management's agreed course of actions to rectify weaknesses identified and perform follow-up audits to confirm if the actions have been correctly implemented, and are adhered to consistently.

#### **Scope and Coverage**

The summary of the activities of the Internal Audit for the financial year ended 31 December 2017 were as follows:-

- i. Prepared the Audit Plan for approval of the AEC. The Audit Plan was developed based on assessment of the significant potential risk exposure of the auditable areas;
- ii. Issued Audit Reports to the AEC and Management, identifying weaknesses and issues as well as highlighting recommendations for improvement. Such recommendations were acted upon by Management with agreed timelines;
- iii. Followed up on the Management corrective actions on audit issues raised by the IAD. Determine whether corrective actions taken had generally achieved the desired results;
- iv. Reported to the AEC, review on the adequacy, appropriateness and compliance of risk management, internal controls and governance processes;
- v. Reported to the AEC on the reliability, integrity and continuity of Information Technology in compliance with the Company's Information Technology Policy together with the effectiveness and robustness of stress testing procedures and practices and the necessary back-up system to cover for contingencies and disaster;
- vi. Reviewed the reliability (including accuracy and comprehensiveness), integrity and timeliness of regulatory reporting, accounting records, financial reports and management information; and
- vii. Reviewed compliance with relevant legal, regulatory and internal policies as well as in compliance with Shariah rules and principles as determined by the Shariah Committee.

#### **Performance Review of the Committee**

During the financial year, the TOR of the Committee was reviewed to reflect the regulatory requirements arising from the company being approved and designated as a Financial Holding Company. The evaluation on the effectiveness of the Board, its committees and the members of the Board revealed that the Board is satisfied with the performance of the AEC and its members. The AEC has discharged its duties in accordance with its TOR and in line with the requirements of BNM and Bursa Securities.

This report is made in accordance with a resolution of the Board dated 28 March 2018.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## NOMINATION & REMUNERATION COMMITTEE CHAIRMAN'S OVERVIEW REPORT



### TAN SRI ISMAIL ADAM

Chairman/Senior Independent Non-Executive Director

“The responsibilities of the Nomination and Remuneration Committee are to ensure there is a formal and appropriate procedure on the appointment/re-appointment of Directors and Senior Management, the Board and Senior Management’s remuneration, Board evaluation and effectiveness, review on the Board composition and succession planning for the Board and Management.”

The NRC is pleased to present its report for the period under review to the shareholders of BHB.

On 13 October 2016, the Nomination and Assessment Committee and Remuneration Committee were merged and later known as the Nomination and Remuneration Committee. The merger of the two (2) committees was for the purpose of expediency since the composition of the committees was the same. The responsibilities of the Nomination and Remuneration Committee are to ensure there is a formal and appropriate procedure on the appointment/re-appointment of Directors and Senior Management, the Board and Senior Management’s remuneration, Board evaluation and effectiveness, review on the Board composition and succession planning for the Board and Management.

In discharging its duties as highlighted in the above, the Nomination and Remuneration Committee had held five (5) meetings in 2017.

The Nomination and Remuneration Committee is satisfied that it has discharged its responsibilities in accordance with the mandate given by the Board and its Terms of Reference (“TOR”).

**TAN SRI ISMAIL ADAM**

Chairman

## NOMINATION & REMUNERATION COMMITTEE (“NRC”) REPORT

The members of the NRC are as follows:



- 1. Tan Sri Ismail Adam**  
Chairman/Senior Independent Non-Executive Director
- 2. Noraini Che Dan**  
Member/Independent Non-Executive Director  
(appointed w.e.f. 2 February 2018)
- 3. Mohd Tarmidzi Ahmad Nordin**  
Member/Independent Non-Executive Director
- 4. Datuk Zaiton Mohd Hassan**  
Member/Independent Non-Executive Director  
(retired w.e.f. 1 February 2018)
- 5. Zahari @ Mohd Zin Idris**  
Member/Independent Non-Executive Director  
(retired w.e.f. 17 May 2017)

OVERALL PERCENTAGE  
OF THE NRC MEETINGS  
ATTENDED BY THE MEMBERS

95%

TOTAL NRC  
MEETINGS HOURS

2.50 HOURS

ALL MEMBERS HAVE COMPLIED WITH THE  
MINIMUM ATTENDANCE AS STIPULATED IN THE  
LISTING REQUIREMENTS OF NOT LESS THAN 50%  
AND BNM CG POLICY OF NOT LESS THAN 75%

### Notes:

Details Board of Directors' Profile section and background of the NRC members can be found on pages 71 to 75 of the Integrated Annual Report.

Further information on the NRC's Terms of Reference can be found at [www.bimbholdings.com](http://www.bimbholdings.com),  
*About Us – Corporate Governance – Board Committees – Nomination & Remuneration Committee*

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## MEMBERSHIP & ATTENDANCE

The NRC members and details of their attendance at NRC meetings held during the Financial Year can be found on pages 108 to 109 of this Integrated Annual Report. The NRC consists of three (3) Independent Non-Executive Directors and chaired by Tan Sri Ismail Adam (“**Tan Sri Ismail**”), a Senior Independent Non-Executive Director. Tan Sri Ismail was the former Director General of Public Service Malaysia and has served as a public servant for more than 38 years.

Whilst the NRC TOR requires the NRC to meet at least once a year, during the year under review, the NRC had met five (5) times. Aside from the NRC members, the Chief Executive Officer (“**CEO**”) and the Group Company Secretary are in attendance at all the meetings.

## ROLE OF THE COMMITTEE

The Committee ensures there is a formal and appropriate procedure for the appointment/re-appointment of Directors to the Board and of key Senior Management. The Committee is responsible for leading this process and making recommendations to the Board. The Committee makes recommendations to the Board on the Company’s framework and policy for the remuneration of the Non-Executive Directors and key Senior Management.

The main responsibilities of the NRC are as follows:

### Nomination

- Review the structure, size and composition of the Board and make recommendations to the Board on any adjustments that are deemed necessary including in terms of the appropriate size and skills, gender diversity and the balance between Executive Directors, Non-Executive Directors and Independent Directors regularly;
- Review and recommend to the Board the fit and proper criteria of a director, the CEO and key Senior Management;
- Perform the fit and proper assessment on the nominees for directorship, membership in Board committees, the CEO and key Senior Management and make appropriate recommendation to the Board;
- Recommend to the Board the removal of any directors, the CEO and key Senior Management from the Board/ Committee/Management if they are ineffective, errant and negligent in discharging their responsibilities;
- In consultation with the Chairman, regularly or at least once a year, review the performance of individual directors, CEO and key Senior Management and evaluate the effectiveness of the Board as a whole and report to the Board as may be necessary;

### Remuneration

- Review and recommend to the Board the overall remuneration policy for Directors, CEO, key Senior Management personnel and such function as determined by the Board. The remuneration policy should:
  - (i) Be documented and approved by the full Board and any changes thereto should be subject to endorsement of the full Board;
  - (ii) Support the Company’s culture, objectives and strategy;
  - (iii) Reflect the level of responsibility and commitment borne by the individual directors, the CEO and key Senior Management personnel; and
  - (iv) Be sufficient to attract and retain Directors, the CEO and key Senior Management personnel of calibre that are needed to manage the Company smoothly and effectively.
- Review and recommend to the Board specific remuneration packages for Directors, the CEO and key Senior Management personnel. The remuneration packages should:
  - (i) Be based on an objective consideration and approved by the full Board;

- Make recommendations to the Board on:
  - (i) review to the organisation structure of the Company;
  - (ii) succession plan for Directors, CEO and key Senior Management personnel;
  - (iii) re-appointment of any Directors, CEO at the conclusion of his specified term of office as approved by BNM;
  - (iv) re-appointment of Independent Director who has served a cumulative period of nine (9) years;
  - (v) any policies related to Directors including policies on Tenure of Directorship and Directors' Training;
  - (vi) Assess the conduct/manner of the Nominee Directors in exerting the influence of the shareholder before making any recommendation to the Board on his/her re-appointment; and
  - (vii) Approve any request for Directors to attend training overseas.

- (ii) Not be decided by the exercise of sole discretion of any one individual or restricted group of individuals; and
- (iii) Be competitive and consistent with the Company's culture, objectives and strategy.
- Review and recommend to the Board, the remuneration of the CEO of the Company;
- Review and recommend to the Board the remuneration of Senior Vice President and above within the Company;
- Review and recommend to the Board, the quantum and basis of bonus payments to the Management and staff of the Company; and
- To review and recommend to the Board, policies pertaining to staff salary, remuneration scheme and benefits.

## OVERVIEW OF 2017

During the Financial Year under review, the NRC held five (5) meetings on the following matters:

- Appointment of new Chairman/Independent Non-Executive Directors;
- Re-election and re-appointment of Independent Non-Executive Directors;
- Reviewed the status of independence of the Independent Non-Executive Directors;
- Annual Assessment of the Board and its Committees;
- Reviewed the composition of the Board and Board Committees;
- Proposed nomination of Nominee Director of the Company's key operating subsidiary;
- Reviewed and made recommendation to the Board with regard to Directors who sought re-election and re-appointment at the AGM;
- Assessed and recommended to the Board the renewal of contract of service and remuneration of key Senior Management;
- Reviewed the results of the annual Board evaluation;
- Reviewed the Board Charter and TOR of Board and Board Committees; and
- Reviewed the remuneration of Non-Executive Directors.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

The NRC reviewed the size, composition and diversity of the Board as well as the mix of existing and desired competencies of members in its succession planning.

Based on the recommendations of the NRC, the Board concurred that the current size and composition of the Board is conducive to facilitate effective decision-making based on a diversity of perspectives and skills, in the best interests of the Company.

In view of the need to ensure proper processes are in place to manage succession issues at the Board level, an appropriate process for the selection, nomination and appointment of suitable candidates to the Board has been put in place.

The NRC is entrusted with the responsibility of assessing and considering the capabilities, commitment and qualities of candidates to be appointed as Board Members as well as Board Committees' Members. In its assessment, the NRC will take into account the required mix of skills, background, experience/expertise/knowledge relevant to Company's business, existing commitment and potential conflict of interest.

Following each appointment, a letter of appointment will be issued and the Group Company Secretary shall undertake the necessary as authorised by the Board, so as to ensure the appointment is in accordance with the statutory requirements as prescribed by the Listing Requirements and BNM CG Policy. All necessary information will be obtained from the newly appointed Director for the Company's records and for meeting the statutory requirements and other applicable rules and regulations.

## SUCCESSION PLANNING

The Board assisted by the NRC is responsible for developing plans to identify the necessary and desirable competencies and skills of Directors and succession plans to ensure there is an appropriate dynamic of skills, experience, expertise and diversity on the Board. The NRC also perform an oversight function for the appointment as well as the succession planning for key Senior Management.

During the period under review, there were three (3) members of the Board who retired. They were Encik Zahari @ Mohd Zin Idris (retired on 17 May 2017), Tan Sri Samsudin Osman (retired on 31 January 2018) and Datuk Zaiton Mohd Hassan (retired on 1 February 2018).

Consequently, the composition of the Board Committees was revised and Tan Sri Ambrin Buang was appointed as the new Chairman of the Board on 2 February 2018. During the period under review, the following changes were made to the Board Committees:-

COMMITTEE	PREVIOUS COMPOSITION	NEW COMPOSITION
<b>AEC</b>	Chairman: Datuk Zaiton Mohd Hassan  Members: Noraini Che Dan Tan Sri Ismail Adam Mohd Tarmidzi Ahmad Nordin Zahari @ Mohd Zin Idris	Chairman: Noraini Che Dan  Members: Tan Sri Ismail Adam Mohd Tarmidzi Ahmad Nordin
<b>NRC</b>	Chairman: Tan Sri Ismail Adam  Members: Datuk Zaiton Mohd Hassan Mohd Tarmidzi Ahmad Nordin	Chairman: Tan Sri Ismail Adam  Members: Noraini Che Dan Mohd Tarmidzi Ahmad Nordin
<b>BRC</b>	Chairman: Mohd Tarmidzi Ahmad Nordin  Members: Zahari @ Mohd Zin Idris Noraini Che Dan	Chairman: Mohd Tarmidzi Ahmad Nordin  Members: Tan Sri Ismail Adam Noraini Che Dan

The changes that were made, took into account the requirements under BNM CG Policy. The members of the Board Committees comprised solely Independent Non-Executive Directors.

## COMPOSITION OF THE BOARD

The Board of BHB currently consists of six (6) Non-Executive Directors.



Four (4) are Independent Non-Executive Directors, including the Chairman, whilst two (2) are Non-Independent Non-Executive Directors whom are nominees of Lembaga Tabung Haji.



The Independent Directors make up more than half of the Board, as recommended by the MCCG 2017 and in compliance with the Listing Requirements and BNM CG Policy. The Independent Non-Executive Directors are independent of Management and free of any business or other relationship or circumstances that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

The Company's Constitution provides that the Company must have at least five (5) Directors but not more than 15 Directors.

The Board is satisfied that it currently has an appropriate balance of skills, experience, knowledge and independence to deliver the Group's strategy, to enable the Non-Executive Directors to effectively challenge the views of the Management and to satisfy the requirements of good governance.

Within the Board there is diversity and a wealth of knowledge, experience and skills in the area of accountancy, banking, takaful, public administration and fund management, human resources management, corporate finance and risk management. A brief profile of each member of the Board is provided on pages 70 to 75 of this Integrated Annual Report. The diverse background and expertise of the Directors brings new perspective to the Company and its Group's operations and enhances the effectiveness of the Board.

## APPOINTMENT OF A DIRECTOR

There is a formal and transparent process for the appointment of a new Director. The NRC, which has been delegated by the Board to oversee the process, will consider all proposals for the appointment of new Directors. The procedure is in line with the Company's Policy on Fit and Proper Criteria for Key Responsible Persons ("**KRP Policy**"). The KRP Policy outlines the attributes/qualifications required by a candidate to be deemed 'fit and proper' for the appointment as a Director and has been implemented since August 2011. The NRC makes the

recommendation to the Board on the suitability of candidates for appointment as Directors and that the candidates satisfy the requisite skills and core competencies in accordance with the KRP Policy of the Company, Listing Requirements, MCCG 2017, BNM CG Policy and BNM's Guideline on Fit & Proper. In assessing the suitability of a candidate, the NRC also conducts an interview with the candidate. Based on the NRC's recommendation, the Board will decide on the proposed appointment based on the merit and the KRP Policy.

In determining if an individual is 'fit and proper' to hold the position of a Director, the following shall be taken into consideration:

- His/her probity, diligence, competence and soundness of judgment;
- His/her reputation, character, integrity (including financial integrity) and honesty;
- His/her history of offence(s) involving fraud/dishonesty/violence;
- Whether he/she has been engaged in deceitful/oppressive/improper business practices or any practices which would discredit him/her;
- Whether he/she has been engaged/associated/had conducted himself/herself in a manner which may cast doubt on his/her fitness, competence and soundness of judgment;
- Whether he/she has contravened any provision made by or under any written law designed for protecting members of the public against financial loss due to dishonesty, incompetence or malpractice; and
- Whether he/she has been declared a bankrupt.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

Upon the Board's concurrence, an application for the appointment of a director would be submitted to BNM for its approval. *The selection criteria and process for the appointments of Directors to the Board are detailed in the Board Charter available at [www.bimbholdings.com](http://www.bimbholdings.com) About Us – Corporate Governance – Board Charter*

The process flow for the appointment of a new Director is as follows:



## RE-ELECTION AND RE-APPOINTMENT OF DIRECTORS

In February 2018, following the retirement of the former Chairman, Tan Sri Samsudin Osman, BHB had appointed Tan Sri Amrin Buang as its new Chairman, with effect from 2 February 2018. At the forthcoming AGM, Tan Sri Amrin Buang is retiring in accordance with Article 66 of the Company's Constitution, and being eligible, has offered himself for re-election.

Encik Mohd Tarmidzi bin Ahmad Nordin and Puan Noraini Che Dan, being Directors who are retiring by rotation in accordance with Article 61 of the Company's Constitution and being eligible, have also offered themselves for re-election.

The Directors' performance is used as the basis in recommending to the shareholders their re-election and re-appointment. An annual evaluation and independence assessment of the Directors are conducted and the results are assessed by the NRC and communicated to the Board. Where relevant, recommendations are made to the Board for certain actions to be taken to address issues or concerns on the Board's effectiveness and composition.

The annual evaluation and independence assessment of the Directors covers the assessment on the Directors' professionalism, experience, material relationship, competency and commitment in performing their respective duties. The NRC has concluded that all Directors who are seeking re-election at the forthcoming AGM have met the Board's expectation by continuously discharging their duties diligently as Directors of the Company.

For the re-appointment of Directors to BNM, the NRC will first assess the Directors who are due for re-appointment and then submit its recommendation to the Board for deliberation and approval. Upon obtaining the Board's endorsement, the relevant submission, supported by the justifications for such re-appointment, is made to BNM for its approval three (3) months prior to the expiry of the Director's tenure.

Details of the Directors who are due for re-election at the forthcoming AGM are disclosed on page 332 of this Integrated Annual Report.

## INDEPENDENCE ASSESSMENT OF INDEPENDENT DIRECTORS

BHB recognises the important contribution of the Independent Directors in line with the requirements under the BNM CG Policy where a majority of its Directors must be independent. The presence of majority Independent Directors within the current Board facilitates an effective and independent oversight over the Management providing the necessary checks and balances in ensuring the Company operates in a safe and sound manner. To ensure the independence of the Independent Directors are maintain at all time, all Independent Directors are required to declare their independence on a monthly basis. Through the annual evaluation and independence assessment of the Directors, the Independent Non-Executive Directors are also assessed on their ability to provide strong, valuable contributions to the Board's deliberations, without interference and acting in the best interest of BHB.

For the period under review, the NRC has considered the independence of each Independent Director in office and has concluded that each Independent Director has met the independence criteria as set out in the Listing Requirements as well as BNM CG Policy. This has been concurred by the Board.

The tenure of the Director is also taken into account when assessing the independence of the Independent Director. Additional criteria that are assessed to determine such individual Directors' ability to exercise independent judgement are:

- The Director is free from any business or other relationship which can materially pose any conflict of interest or interfere with the exercise of the Director's judgement or will be disadvantageous to BHB or BHB's interest;
- The Director's ability to provide objective challenges and constructive feedback to Management, focusing on root cause of issues and potential actions required to rectify the issues discussed;
- The Director's readiness to challenge other Directors' assumptions, beliefs or viewpoints for the good of BHB;
- The ability to challenge the assumptions, beliefs or viewpoints of others with the objective of questioning and challenging constructively in the interest of the Company;
- Willingness to stand up and defend his/her views, beliefs and opinions for the ultimate good of the Company; and
- Has a good understanding of the Company's business activities in order to provide appropriate responses on the various strategic and technical issues put forth and deliberated by the Board.

The effective participation of Independent Directors enhances accountability in the Board's decision making process. The responsibilities of an Independent Director include but not limited to the following:-

- Provide and enhance the necessary independence and objectivity to the Board;
- Ensure effective checks and balances on the Board;
- Mitigate any possible conflict of interest between the policy making process and the day-to-day management of the Company;
- Constructively challenge and contribute to the development of business strategy and direction of the Company; and
- Ensure that adequate systems and controls to safeguard the interests of the Company are in place.

In line with the above and based on the NRC's recommendation, during the period under review, the Board has agreed that the tenure of an Independent Non-Executive Director should not exceed a cumulative term of nine (9) years. This decision was made pursuant to the new Practice 4.2 of MCCG 2017. The Company now has a policy that limits an Independent Director to a maximum tenure of nine (9) years. However, an Independent Director who has served for nine (9) years, may, subject to the Shareholder's and BNM's approval, continue to serve the Company as an Independent Non-Executive Director. In any event, no Independent Director will continue to serve the Board for more than 12 years.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## BOARD TRAINING & DEVELOPMENT

The Company recognises the value of enhancing the skills and knowledge of its Directors on relevant new laws and regulations, the changing business environment and risk profile, as well as the latest developments and key challenges in the financial sector. During the period under review, apart from the external trainings that were attended by the Directors, the Management has also organised in-house trainings on the New Companies Act 2016, Masterclass Shariah Training, Fund Transfer Pricing Training and briefing on impact of IFRS 17 on Takaful Industry as part of the Board's Continuing Development, to enable them to discharge their responsibilities.



The Company has a policy on Directors' Training. The Directors' Training Policy provides, amongst others, the following requirements:-

- (a) Newly appointed Director to undergo an induction programme by the Management where the Company's governance structure, the key business and operations and important regulations and laws are highlighted. The induction programme is to be held as soon as practicable, no later than three (3) months upon the appointment of the Director;
- (b) To undergo and complete the Director's Mandatory Accreditation Programme by Bursa Securities within four (4) months of his/her appointment;
- (c) To complete a core training programme under the Financial Institutions Directors' Education Programme ("FIDE") within one (1) year and the same to be completed within two (2) years upon the Director's appointment to the Board; and
- (d) To attend at least two (2) trainings in the calendar year.

Based on the said Directors' Training policy, the list of trainings attended by the Directors is circulated to the Board.

Details of the conferences, seminars and training programmes attended by each Directors in 2017 are disclosed in Section B of the CG Report.

During the year under review, Puan Noraini Che Dan had completed her FIDE Core Programme within the stipulated period under the Directors' Training Policy.

The Company Secretary organised an induction programme for newly appointed Directors on the Company and its Group's business and operations, corporate governance and reporting procedures. The Directors are briefed on the policies and procedures of the Board, as well as their rights and responsibilities as Directors.

In addition, the Directors will receive a comprehensive information pack containing the Board Charter, the TOR, the Company's Constitution, relevant Acts affecting the Company, the latest Annual Report, Code of Conduct and Code of Ethics in order to facilitate the discharge of their duties.

New Board Members are provided with the opportunity to experience the Company's operations first-hand and to meet and discuss all aspects of this with the Management.

The induction session is also attended by key Senior Management, namely, the CEO, the Group Chief Financial Officer, the Group Chief Strategy Officer and the Group Company Secretary to assist newly appointed Directors to have an understanding on the Company's core businesses and its whole operation. Apart from the operational briefing, the Management also organised separate briefing sessions with the Board of major subsidiaries to have an understanding of the business operation as well as challenges faced by them.

## BOARD EVALUATION

An objective and well-managed board evaluation process can lead to substantial improvement in the Board's effectiveness which will eventually bring significant benefits to the Company.

Through a Board and Peer Annual Assessment ("**Board Evaluation**"), the NRC undertakes a formal and transparent process to assess the effectiveness of individual Directors, Board Committees and the Board as a whole. The factors considered, amongst others, include the following:

PEERS/INDIVIDUAL DIRECTOR	
<ul style="list-style-type: none"><li>• Contribution of the Director in meetings, when confronted with the conflict and his/her willingness to challenge prevailing opinion;</li><li>• Quality of input provided by the Director;</li></ul>	<ul style="list-style-type: none"><li>• Contribution to interaction and the Director's understanding of his/her roles and responsibilities i.e., in his/her capacity as a Director in general, Chairman of Board and Board Committees as well as an Independent Director.</li></ul>
BOARD COMMITTEE	
<ul style="list-style-type: none"><li>• Terms of Reference;</li><li>• Skill and competency;</li><li>• Meeting and administration;</li><li>• Conduct of meeting;</li><li>• Communication to the Board;</li></ul>	<ul style="list-style-type: none"><li>• Area of focus specific to each Board Committee;</li><li>• Effective role in supporting and facilitating the Board's effectiveness in discharging its responsibilities;</li><li>• Sufficient access to review matters deliberated.</li></ul>
BOARD	
<ul style="list-style-type: none"><li>• The responsibilities of the Board in relation to strategic planning, risk management, performance management, financial reporting and succession planning;</li><li>• Board communication and corporate governance;</li></ul>	<ul style="list-style-type: none"><li>• Board operation and interaction;</li><li>• The Board's composition, size and background;</li><li>• The contributions of each member at the Board meetings, decision-making and output.</li></ul>

Where necessary, an external consultant/expert will be engaged to assist in and lend objectivity to the annual assessment.

During the period under review, the process was internally facilitated and conducted through questionnaires circulated to the Board covering a variety of aspects associated with the board effectiveness such as Board Structure, Board Operations and Interaction, Board Roles and Responsibilities, Understanding the Committees' Roles, Mix of Skills and Knowledge and Commitment of Members. These questionnaires were designed to recognise the Board's strengths and to identify gaps or areas for improvement for the Board and its Committees.

Upon completion of the evaluation, the Group Company Secretary would compile the results for the Board's deliberation and approval of any action plan required. The Chairman will engage and discuss the peer assessment results with individual members if necessary.

Having considered the results of the annual evaluation for the Financial Year under review, the NRC concluded that the Directors and respective Board Committees as a whole have remained effective and have consistently met high performance standards and all expectations. This indicates that the Directors have continuously fulfilled their responsibilities as Members of the Board and Board Committees.

The key operating subsidiaries also performed individual assessment of its Directors, CEO as well as other key responsible persons and its Shariah Committee members annually. The assessment covers amongst other the person's probity, personal integrity and reputation, competence and capability, and financial integrity.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## DIRECTORS' REMUNERATION

Amongst the objectives of the NRC is to determine an appropriate remuneration policy that aligns remuneration with strategy to drive the long-term success of the Company and ensures that the Company can continue to attract, retain and motivate quality leaders.

During the period under review, the NRC implemented a new remuneration framework for the Directors, taking into account the FIDE Director's Remuneration Report 2015 (FIDE Report) and BNM CG Policy on Remuneration. In view of the above, the Company's policy on the remuneration for Directors' was revised as follows:

### (a) Fees and Other Emoluments

Non-Executive Directors are remunerated by way of monthly fees, a sitting allowance and other emoluments. Fees payable to Non-Executive Directors are subject to Shareholders' approval at the Annual General Meeting.

### (b) Benefits in Kind

Other benefits such as Directors' Health and Medical Benefit together with Directors' and Officers' ("D&O") liability insurance and travelling allowance are also provided.

The remuneration of the Directors is reviewed regularly to ensure the Directors are reasonably remunerated to reflect their role, responsibilities and efforts in discharging their fiduciary duties.

Details of each Director's and CEO remuneration for the financial year ended 31 December 2017 are disclosed in Note 38 on pages 240 to 242 of this Integrated Annual Report and in the CG Report.

## KEY SENIOR MANAGEMENT REMUNERATION

The remuneration package for the key Senior Management is structured to link rewards to corporate and individual performance. It comprises salary, allowances, bonuses and other benefits aligned with prudent risk-taking. The key Senior Management's

compensation package is determined by performance during the year against individual KPIs in a scorecard in consensus with the corporate objectives as approved by the Board. The NRC reviews the performance of the key Senior Management annually and submits views/recommendations to the Board on the remuneration and/or rewards to reflect the key Senior Management's contributions towards the Company's achievements for the year.

Bands of the senior management's remuneration for the financial year ended 31 December 2017 are disclosed in the CG Report.

The NRC is satisfied that it has discharged its responsibilities in accordance with the mandate given by the Board and its TOR.

This report was made in accordance with the resolution of the Board of Directors dated 28 March 2018.

The six (6) key considerations in the setting of Non-Executive Directors remuneration to ensure there was equitable remuneration for role, effort and risk highlighted in the FIDE Report were as follows:-

1. The number of meetings attended to be used as an indicator of a Non-Executive Director's contributions;
2. A meeting fee rate should be based on a comparable rate that the market pays for a talent with similar caliber and expected contributions;
3. The fixed fee (retainer fee) component to be reduced and the meeting fee (sitting fee) component to be increased so that the Non-Executive Directors were better recognised for their preparation and contributions at meetings including meetings with BNM. Fixed fee would be determined by taking into account the Non-Executive Director's expected time spent on Board's education, networking and engagement with stakeholders;
4. Rate for all meeting fees should be standardized for all Board and Board Committee meetings to recognize the value of each member's contributions;
5. The Chairman of the Board and the Board Committees to be remunerated at a premium given the additional role that they play in guiding and managing the Board and the Board Committees; and
6. The remuneration to be paid on a timely and periodic basis.

## BOARD RISK COMMITTEE CHAIRMAN'S OVERVIEW REPORT



**MOHD TARMIDZI AHMAD NORDIN**  
Chairman/Independent Non-Executive Director

“The Board Risk Committee’s primary responsibilities include, identifying critical risks area and key trends and deliberation of strategic action plans to mitigate the impact of such risks.”

The Board Risk Committee is pleased to present its report for the period under review to the shareholders of BHB.

The Board Risk Committee was established in the later part of year 2016 in accordance with BNM’s Corporate Governance Policy to fulfil the obligation of BHB as a Financial Holdings Company. The Board Risk Committee’s primary responsibilities include, identifying critical risks area and key trends and deliberation of strategic action plans to mitigate the impact of such risks. In discharging its responsibilities, the Board Risk Committee is assisted by the Group Risk Management Committee, consisting of the key senior management of BHB and its major subsidiaries.

The Company recognises that effective risk management is critical to the achievement of strategic objectives and the long-term sustainable growth of the business. In 2017, six (6) Board Risk Committee meetings were held to identify and mitigate the risks that would compromise the interest of the Group and its stakeholders at large.

The Board Risk Committee is satisfied that it has discharged its responsibilities in accordance with its mandate and Terms of Reference (“TOR”).

**ENCIK MOHD TARMIDZI AHMAD NORDIN**  
Chairman

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## BOARD RISK COMMITTEE (“BRC”) REPORT

The members of the BRC are as follows:



- 1. Mohd Tarmidzi Ahmad Nordin**  
Chairman/Independent Non-Executive Director
- 2. Tan Sri Ismail Adam**  
Member/Senior Independent Non-Executive Director  
(appointed w.e.f. 31 May 2017)
- 3. Noraini Che Dan**  
Member/Independent Non-Executive Director
- 4. Zahari @ Mohd Zin Idris**  
Member/Non-Independent Non-Executive Director  
(retired w.e.f. 17 May 2017)

OVERALL PERCENTAGE  
OF THE BRC MEETINGS  
ATTENDED BY THE MEMBERS

100%

TOTAL BRC  
MEETINGS HOURS

9.25 HOURS

ALL MEMBERS HAVE COMPLIED WITH THE  
MINIMUM ATTENDANCE AS STIPULATED IN THE  
LISTING REQUIREMENTS OF NOT LESS THAN 50%  
AND BNM CG POLICY OF NOT LESS THAN 75%

Notes:

Details Board of Directors' Profiles section and background of the BRC members can be found on pages 71 to 75 of the Integrated Annual Report.

Further information on the BRC's Terms of Reference can be found at [www.bimbholdings.com](http://www.bimbholdings.com),

About Us – Corporate Governance – Board Committees – Board Risk Committee

## MEMBERSHIP AND ATTENDANCE

The BRC members and details of their attendance of the BRC meetings held during the Financial Year can be found on page 109 of this Integrated Annual Report. The BRC consists of three (3) Independent Non-Executive Directors and chaired by Encik Mohd Tarmidzi Ahmad Nordin (“**Encik Mohd Tarmidzi**”). Encik Mohd Tarmidzi is an Associate member of the Chartered Insurance Institute (UK) (ACII) and Fellow of the Malaysian Insurance Institute (AMII). Encik Mohd Tarmidzi has more than 30 years of experience in takaful and finance. The BRC is supported by the Group Risk Management Committee (“**GRMC**”) which is chaired by the Group Chief Strategy Officer. The other members of the GRMC are the Group Chief Financial Officer of BHB together, the Risk Officer of each key operating subsidiaries. The GRMC assists the BRC to effectively manage the key risk areas of the Company and Group and to ensure that an appropriate risk management system and internal controls are in place and functioning effectively.

The BRC members have vast experience in fields such as finance, accounting, audit and procurement to enable them to discharge their responsibilities as members of the Committee.

## ROLE OF THE COMMITTEE

The BRC was established on 11 October 2016 by the Board to assist the Board to carry out its responsibilities. Whilst the Board is ultimately responsible for the Company and its Group’s risk management framework, the BRC, facilitates and assists the Board to perform the oversight on the implementation of the Group’s risk management framework, to safeguard shareholders’ investments and the Group’s assets. This is in line with the requirements of the MCCG 2017 and the Listing Requirements as well as BNM’s CG policy.

The purpose of the BRC is to assist the Board in ensuring that the Group has in place a sound and robust risk management framework and such framework has been effectively implemented to enhance the Group’s ability to achieve its strategic objectives.

The Committee facilitates and assists the Board in fulfilling its statutory, oversight and fiduciary responsibilities to its stakeholders. The BRC’s salient responsibilities include the following:

- Review and recommend to the Board the risk management policy statement and framework for the Company and its Group including the strategies, policies, the risk tolerance levels, governance and reporting structure;
- Review and assess the adequacy of the risk management policies and framework in identifying, measuring, monitoring and controlling risks and the extent to which these risks are operating effectively;
- Review and assess the adequacy of infrastructure, resources and systems at the subsidiaries and at the Company and its Group for an effective risk management;
- Review the adequacy of relevant policies at the subsidiaries and the Company in meeting the relevant regulatory requirements as a Financial Holding Company including capital plan, dividend policy, investment and financing policy, single customer limit, business continuity plan, etc.;
- Review and assess risk methodologies for measuring and managing risks arising from the subsidiaries’ overall management of all risks covering market, credit and operational through identified tools;
- Regularly review the risk profiling reports by the subsidiaries to ensure all risks at the subsidiaries are effectively managed and assess the potential impact of those risks to the Group as a whole;
- Review issues or findings by the relevant authorities that regulate the business and activities of the subsidiaries and the Company and assess the adequacy and effectiveness of the rectification measures; and
- Oversee the functions of the Group Risk Management Committee.

With effect from 31 May 2017, Tan Sri Ismail Adam was appointed as a member replacing Encik Zahari @ Mohd Zin Idris who retired on 17 May 2017.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## OVERVIEW OF 2017

During the year under review, six (6) BRC meetings were held. Apart from the members of the BRC, the BRC is also attended by the Chief Executive Officer, the Chief Strategy Officer, the Group Chief Financial Officer and the Group Company Secretary as well as the Chief Risk Officer of each key operating subsidiaries.

The Chairman of the BRC updates the Board on key matters deliberated at the BRC's meetings. In addition, minutes of the BRC meetings are tabled to the Board for notification. Any members of the Board may enquire or seek clarification on the matters deliberated by the BRC as recorded in the minutes.

The BRC activities in the year under review are summarised below:

- Deliberated the Group's strategic risks and the corresponding key operational risks as well as key controls taken to manage the risks. Further mitigations to strengthen the management of existing and emerging risks were recommended for Management's action;
- Deliberated the risk management dashboard/stress tests tabled by the key operating subsidiaries; and
- Reviewed reports on risk incidents which occurred in the financial year and deliberated the adequacy and effectiveness of preventive and corrective actions taken.

## RISK MANAGEMENT

In order to support the BRC, the GRMC is responsible for the ongoing development and co-ordination of the Company's risk management framework in the Group. GRMC is also responsible to consolidate, assess and report risk information from across the Group. It ensures the implementation of the risk management process across the Group. The Company risk management process is a step-by-step process of risk assessment (risk identification, risk analysis and risk evaluation) and risk treatment in the context of the internal and external environments.

The GRMC, which meets six (6) times a year, collates and reports the Group's credit, market as well as operational risk profiles. Emerging issues and risks are also deliberated in the meetings and further action is taken by the relevant key operating subsidiaries.

The BRC continues to diligently exercise its risk oversight responsibilities by ensuring that risk management is an integral part of strategic planning and decision-making for the achievement of the Group's strategic outcomes and long-term objectives.

The BRC is satisfied that it has discharged its responsibilities in accordance with its mandate and TOR.

This report was made in accordance with the resolution of the Board of Directors dated 28 March 2018.