

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5258
COMPANY NAME : BIMB HOLDINGS BERHAD
FINANCIAL YEAR : 31 DECEMBER 2017

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is responsible for the leadership, oversight, control, development and long-term success of BIMB Holdings Berhad (“BHB”) and Group and also for instilling the appropriate culture, values and behaviour throughout the organisation.</p> <p>The Board is satisfied that BHB's 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.</p> <p>Board Roles and Responsibility</p> <p>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.</p> <p>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.</p> <p>The role of the Board is contained in its TOR as well as the Board Charter which are available on the Company's website www.bimbholdings.com.</p> <p>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</p>

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.

Some of the activities in 2017 considered by the Board in discharging its key fiduciary duties, leadership functions and responsibilities are set out below:

Matters considered by the Board	Activities
<p>Reviewing and adopting a strategic plan</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</p>	<p>The Management of BHB and its subsidiaries presented their 2017 budget for Board’s notification and approval at the Board meeting held in January 2017. The Board deliberated in length and took note on the building blocks of the main drivers for the strategies for 2017.</p> <p>In ensuring that the Company’s strategic and business plans are met, the Board had at its Board meeting held in throughout year 2017 deliberated and provide guidance before decision was</p>

	<p>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. 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>made on the Corporate proposal tabled by the Management.</p>
	<p>Oversee and Evaluate the Conduct of the Company's business</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. 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>The Management tabled and updated the Board the performance and financial highlights of the Group on quarterly basis prior to submission of the financial results to the regulatory bodies.</p>
	<p>Identify and Manage Principal Risk</p> <p>The Board Risk Committee ("BRC") assists the Board in overseeing the establishment, implementation and effectiveness of the risk management system. The BRC on behalf of the Board also</p>	<p>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.</p>

	<p>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>	<p>In order to support the BRC, at Management level, the Group Risk Management Committee (“GRMC”) is responsible for the ongoing development and co-ordination of the Company’s risk management framework in the Group.</p> <p>The GRMC, in 2017 met six (6) times a year, collates and reports the Group’s credit, market as well as operational risk profiles. Emerging issues and risks were also deliberated in the meetings and further action was taken by the relevant key operating subsidiaries.</p>
	<p>Succession Planning</p> <p>The Board, through the Nomination and Remuneration Committee (“NRC”) 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>The mix of skills, experience, expertise and qualification were analysed prior to their respective appointments.</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>To ensure there is an effective and orderly succession planning in BHB, 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>Development and implementation of shareholder communication policy</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 (“IR”) Policy acts as the guiding principle for IR functions, assisting effective communication between the Management and the financial community, locally and abroad. 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>Details of the IR activities are provided in Practice 11.1 of the CG Report.</p>
	<p>Review the adequacy and integrity of the Company’s information and internal control system</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 (“AEC”) 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>
<p>Three (3) Board Committees are established to assist the Board in the discharge of its statutory and fiduciary responsibilities. The Board Committees and their roles and responsibilities are as follows:</p>		

Board Committees	Roles and Responsibilities
Audit and Examination Committee (“AEC”)	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.
Nomination and Remuneration Committee (“NRC”)	<ul style="list-style-type: none"> ✓ 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”)	<ul style="list-style-type: none"> ✓ 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.

BHB has corporate governance framework 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.

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)

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.

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:-

- i. Board Conduct;
- ii. Duties and responsibilities;
- iii. Power of the board; and
- iv. Board Effectiveness.

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.

Chief Executive Officer (“CEO”)

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.

At the last Annual General Meetings held on 17 May 2017, Shareholders were given the opportunity to ask questions or seek clarifications before any resolutions are put forth for approval. The CEO briefed Shareholders on the Group’s financial performance. The Board, the Management of BHB and of its subsidiaries and the Company’s External Auditors were available to respond to Shareholders’ queries during the General Meeting.

Stakeholders Engagement

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.

For this purposes, BHB had established the following policies and activities in its effort to ensure that the Company obligations to shareholders and other stakeholders are understood and met.

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.

In its effort to prevent any insider trading in the securities of the Company, the Board and principal officers of the Company must not trade on the basis of material information which is not known to the investing public. In this regard, notices on the closed period for trading in BHB listed securities based on the targeted date of announcement of the Group’s quarterly results are circulated by the Group Company Secretary on quarterly basis to refrain them from dealing in the Company’s listed securities based on the targeted date of announcement of the quarterly financial results

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

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.

There is also continuous communication between the company and stakeholders to facilitate mutual understanding of each other’s objectives and expectations. Details of the activities conducted for this purposes are disclosed in Practice 11.1 of this CG Report.

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

Application	: Applied.
Explanation on application of the practice	<p>Since 2007, former Chairman Tan Sri Samsudin Osman, an Independent Non-executive Chairman, who retired on 31 January 2018 headed the Board that catalysed BHB and the Group's successful transformation and series of pioneering milestones thereafter. Tan Sri Samsudin Osman has ably steered the company to be recognised as Malaysia's first and only Islamic FHC. Currently he is the Chairman of the Employees Provident Fund Board and also a Director of Sime Darby Berhad. He was formerly the Chief Secretary of the government of Malaysia from 2001 until 2006 and President of Putrajaya Corporation from 2006 until 2012. Tan Sri Samsudin Osman vast working experience and credential has effectively contributed towards enhancing the Board's role in meeting the Group's strategic and corporate objectives as well as strengthening governance of the Company.</p> <p>Based on the annual evaluation and independence assessment of the Directors conducted in 2017, Tan Sri Samsudin Osman had scored full mark in terms of Directors' professionalism, experience, material relationship, competency and commitment in performing their respective duties. Further, to show his exemplary commitment in steering the Board, Tan Sri Samsudin Osman had attended all ten (10) Board Meetings held in the Financial Year Ended 31 December 2017.</p> <p>In February 2018, following the retirement of the former Chairman, Tan Sri Samsudin Osman, BHB had appointed Tan Sri Ambrin Buang as its new Independent Non-Executive Chairman, with effect from 2 February 2018.</p> <p>Tan Sri Ambrin Buang holds a Degree in Economics from University of Malaya and a Master in International Business from University of south Carolina, USA. Details of Tan Sri Ambrin Buang present and previous working experiences are disclosed in the Profile of directors section of the Integrated Annual Report. His vast working experience in the public service and corporate sector is essential in contributing to the positive development of BHB and its subsidiaries.</p> <p>The Chairman's role and responsibilities has been clearly specified in the Board Charter which is available on the Company's website www.bimbholdings.com.</p>

	<p>The Chairman provides leadership to the Board and plays an important role in encouraging and inculcating a positive culture within the Board. Before every Board Meeting, the Chairman will oversee the setting of the agenda of Board meetings in consultation with the Chief Executive Officer to ensure that there is sufficient information and time to address all agenda items.</p> <p>During the Board meeting, apart from chairing the meeting, the Chairman promotes open and frank debates by all Directors. In order to ensure that relevant issues are discussed, the Chairman will lead the agenda for the Board meetings and request for views and input from the members. The Board members come well prepared and engage in robust discussions on key matters pertaining to the Company and Group. The Chairman ensures that a consensus is reached at the Board meeting. Where deemed necessary, the Chairman may call for a vote where a decision can be made by a vote of a simple majority. In the event that a consensus cannot be reached, the Chairman may defer the agenda, and request for additional information or research to be conducted on the subject matter, to enable the Board to make an informed decision.</p>
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Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

Application	:	Applied.
Explanation on application of the practice	:	<p>The roles and responsibilities of the Chairman and the Chief executive Officer (“CEO”) are distinct and separate. This is to ensure appropriate supervision of the Management, with a clear hierarchical structure.</p> <p>Our former Chairman Tan Sri Samsudin Osman, retired on 31 January 2018. Tan Sri Ambrin Buang currently helms the Board of Directors as Chairman. He provides leadership and manages the Board in meeting the group’s strategic and corporate objectives as well as strengthening governance of the Company.</p> <p>Our former Group Chief Executive Officer and Managing Director of Bank Islam, Dato’ Sri Zukri Samat who retired on 9 June 2017 had brought together a highly talented management team grounded on ethical conduct and laid the groundwork for effective talent management and succession initiatives. In this respect, Encik Khairul Kamarudin was appointed as the Chief Executive Officer (“CEO”) effective on 9 August 2017. He is also the CEO of Bank Islam Malaysia Berhad. Details of his qualification, present and previous working experiences are disclosed in the CEO of the Group section of the Integrated Annual Report. The CEO has the overall executive responsibility for the day-to-day operations of the Company which includes implementing the policies and strategies adopted by the Board, keeping the Board fully informed of all important aspect of the Company’s operation and ensuring sufficient information is disseminated to the Board members.</p> <p>The role and responsibilities of the CEO is contained in the Board Charter which is available on the Company’s website www.bimbholdings.com.</p> <p>This distinction allows for a better understanding and distribution of jurisdictional responsibilities and accountabilities. This clear structure and approach facilitates efficiency and expedites informed decision-making.</p>

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application	: Applied.
Explanation on application of the practice	<p>The Board is supported by the Group Company Secretary, Puan Maria Mat Said. She holds a Bachelor of Law from University of Malaya. She is also a Licensed Secretary by the Companies Commission of Malaysia. She has 25 years of experience in the banking industry, mainly, performing legal and secretarial function. Details of her profile is disclosed in the Management profile section of the Integrated Annual Report.</p> <p>Puan Maria Mat Said is responsible for advising the Board on issues relating to relevant laws, rules, procedures and regulations affecting the Board, as well as best governance practices. She is also responsible for advising the Directors on their obligations and duties and facilitates effective dissemination of information to the Board, the Board Committees and the Management.</p> <p>Apart from assisting the Chairman in preparing the agenda and the meetings, the Group Company Secretary also undertakes amongst others, the following roles:</p> <p>Company</p> <ul style="list-style-type: none">• Facilitating the highest standard of governance practices among BHB entities and identifying areas for enhancements;• Ensuring that BHB complies with statutory obligations under the relevant laws and regulations;• Monitoring and ensuring BHB's governance framework complies with the Islamic Financial Services Act 2013, the MCCG 2017, BNM CG Policy, Bursa Securities Listing Requirements, Companies Act 2016, Capital Market and Services Act 2007 and all others relevant laws and regulations; and• Maintaining the safe keeping of statutory records of the Company in compliance with applicable laws and regulations; <p>Board</p> <ul style="list-style-type: none">• Managing matters relating to the Board and Board Committees meeting;• Ensuring procedures for the appointment and re-appointment of Directors are adhered to;• Organising induction programmes for new Director;• Organising and assisting in Directors' training;

	<ul style="list-style-type: none"> • Updating the Board of Directors on any development and changes in relevant laws, regulations and the impact on BHB’s business operation; • Assisting Directors and Management in executing various corporate proposals by ensuring Board decisions and instructions are properly communicated and carried out; • Acting as the point of contact to source for information and to assist the Board in its decision-making; <p>Shareholders</p> <ul style="list-style-type: none"> • Assisting in managing Shareholders’ communication and resolving their queries; • Organising Shareholders’ meetings as well as preparing all relevant documents required for the meetings; and • Managing BHB’s relationship with external stakeholders. <p>The Company Secretary performs an oversight role in ensuring uniformity in conduct and adoption of best governance practices within BHB and its Group. The Company Secretary also serves as an adviser on matters pertaining to governance and facilitates the flow and sharing of information among the Board and Board Committees.</p> <p>For the period under review, the Company Secretary undertook the following:</p> <ul style="list-style-type: none"> • Reviewed the Group level composition of the Board of Directors and Board Committees; • Participated and reviewed on the production of the Annual Report; • Conducted Board effectiveness assessment; • Updated the Board on monthly basis the Status of Compliance of BHB with regulatory requirements namely Bursa Securities Listing Requirements, Islamic Financial Services Act 2013, BNM’s Guidelines, Companies Act 2016 and Capital Market and Services Act 2007; • Conducted monthly assessment on the Board members’ number of directorship and external professional commitment in order to ensure that a director must not have competing time commitments that may impair his/her ability to discharge his/her duties effectively; • Conducted monthly assessment on the status of independence of Independent Director; • Issued notices on quarterly basis to refrain the Board of Directors from dealing in the Company’s listed securities based on the targeted date of announcement of the quarterly financial results; and • Organized in-house briefing for Directors and Management 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.
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	<p>All Directors have direct and unlimited access to the advice and services of the Company Secretary. The Board is satisfied with the performance and support rendered by the Group Company Secretary.</p>
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Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application	: Applied.
Explanation on application of the practice	<p>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.</p> <p>Schedule Meeting, Notice and Agenda To assist the Board in managing their time schedule, the meeting calendar for the year is prepared and circulated in advance. The Agenda and Board meeting papers are disseminated to the Directors, electronically and in hard copies, 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.</p> <p>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).</p> <p>Minutes The deliberations and resolutions passed by the Board are recorded properly including matters which involve the interest of interested Director. Minutes of the meeting must also indicate whether any director abstained from voting or deliberating on particular matter and are confirmed at the next Board Meeting.</p> <p>The Group Company Secretary also communicate and follow up with the relevant division responsible for any outstanding matters arising from previous meeting and update the Board accordingly.</p> <p>Paperless Meeting In support of the Company's Sustainability agenda and our effort improve the Board performance and overall decision-making, the Board had embarked on the Paperless Meeting initiatives. The Board members are provided with the devices where the meeting materials can be access digitally. Beyond the environment benefits and reduction</p>

	<p>of purchasing cost, Paperless Meeting will also enhance the security of the confidential information where all meeting documents are saved to a director's portable devices. The Company plan to implement the Paperless Meeting in full by 2nd half of 2018.</p>
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Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Application	:	Applied.								
Explanation on application of the practice	:	<p>The Board had in January 2017 approved the Board Charter to comply with the Bank Negara Malaysia's Corporate Governance Policy. The Board Charter set out the key corporate governance principals adopted by the Company. It clearly defined the roles and responsibilities of the Board, Board Committees, 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.</p> <p>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:-</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;">Board Conduct</td> <td> <ul style="list-style-type: none"> • Code of Conduct • Conflict of Interest • Shareholders Communication • Dealings in Securities • Whistle Blowing </td> </tr> <tr> <td>Duties & Responsibilities</td> <td> <ul style="list-style-type: none"> • Fiduciary Duties • Roles & Responsibilities of the Board, Board Committees, Chairman, Independent Director, Nominee Director, CEO & Management and Company Secretary </td> </tr> <tr> <td>Powers of the Board</td> <td> <ul style="list-style-type: none"> • Authority & delegation • Matters Reserved for the Board </td> </tr> <tr> <td>Board Effectiveness</td> <td> <ul style="list-style-type: none"> • Board Composition </td> </tr> </table>	Board Conduct	<ul style="list-style-type: none"> • Code of Conduct • Conflict of Interest • Shareholders Communication • Dealings in Securities • Whistle Blowing 	Duties & Responsibilities	<ul style="list-style-type: none"> • Fiduciary Duties • Roles & Responsibilities of the Board, Board Committees, Chairman, Independent Director, Nominee Director, CEO & Management and Company Secretary 	Powers of the Board	<ul style="list-style-type: none"> • Authority & delegation • Matters Reserved for the Board 	Board Effectiveness	<ul style="list-style-type: none"> • Board Composition
Board Conduct	<ul style="list-style-type: none"> • Code of Conduct • Conflict of Interest • Shareholders Communication • Dealings in Securities • Whistle Blowing 									
Duties & Responsibilities	<ul style="list-style-type: none"> • Fiduciary Duties • Roles & Responsibilities of the Board, Board Committees, Chairman, Independent Director, Nominee Director, CEO & Management and Company Secretary 									
Powers of the Board	<ul style="list-style-type: none"> • Authority & delegation • Matters Reserved for the Board 									
Board Effectiveness	<ul style="list-style-type: none"> • Board Composition 									

	<ul style="list-style-type: none"> • Appointment/Removal/Succession Planning • Director’s Training • Director’s Evaluation • Director’s Remuneration
	<p>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.</p> <p>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.</p> <p>The TOR and Board Charter are available on the Company’s website www.bimbholdings.com.</p>

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application	: Applied.
Explanation on application of the practice	<p>Board Code of Conduct and Ethics</p> <p>The Directors' Code of Conduct and Ethics ("Code") is formulated to enhance the standard of corporate governance and corporate behaviour with the intention of achieving the following aims:-</p> <ul style="list-style-type: none">• To establish a standard of ethical behaviour for directors based on trustworthiness and values that can be accepted, are held or upheld by any one person.• To uphold the spirit of responsibility and social responsibility in line with the legislation, regulations and guidelines for administration of BHB Group. <p>BHB adopts the Code of Ethic in accordance with the following:</p> <ul style="list-style-type: none">• 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. <p>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.</p> <p>BHB's Board's Code of Conduct and Ethics encompasses three (3) major areas, namely:</p> <ul style="list-style-type: none">• 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.

Code of Ethics ("COE")

BHB's COE was introduced on 4 June 2014 for reference for all BHB employees, to ensure they meet with the required standards of integrity, professionalism and ethical behaviour. BHB's reputation as a responsible Financial Holding Company and a good corporate citizen must be maintained and safeguarded for a sustainable growth of the organisation. The COE outlines how BHB employees should act with stakeholders, namely customers, service providers, communities, the media (electronic and print), investors and regulators.

The COE also provides the basis for all employees to adhere to a working environment that is productive, positive, enjoyable, safe and free from harassment and discrimination. Each section of the COE covers an area in which employees have responsibilities to BHB, as follows:

- a) Personal conduct and protection of BHB's assets;
- b) Obligations in conducting BHB's business with other people and organization thus preventing the abuse of power; and
- c) Conflict of interest, insider trading, bribery & corruption and other considerations affecting BHB.

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, takes 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.

The Board Code of Conduct and Ethics and Employee Code of Ethics are available on the Company's website www.bimbholdings.com.

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	:	Applied.
Explanation on application of the practice	:	<p>Whistle-Blowing Policy</p> <p>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.</p> <p>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.</p> <p>In general, all disclosures pursuant to this Policy are to be made to the Prescribed Officer who is the CEO or to an officer designated by CEO from time to time. The Prescribed Officer is responsible for ensuring compliance with this Policy and will prepare a report for the Board. The Board will be apprised of disclosure matters which are serious in nature or have grave repercussions. This Policy may be reviewed and amended from time to time, as and when necessary, to ensure its relevance and effectiveness in keeping with BHB's changing business environment or administrative or operational needs.</p> <p>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.</p> <p>BHB had designated and published Tan Sri Ismail Adam, Senior Independent Non-Executive Director, electronic mail address as an</p>

	<p>avenue for external parties to channel any concern or wrongdoing in the Group. Tan Sri Ismail Adam can be reached at ismailadam@bimbholdings.com.</p> <p>The Whistle-Blowing Policy is available on the Company's website www.bimbholdings.com.</p>
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Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

Application	: Applied.																		
Explanation on application of the practice	<p>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.</p> <p>Board Composition:</p> <table border="1"><tr><td>Tan Sri Ambrin Buang</td><td>Independent Chairman</td><td>Non-Executive</td></tr><tr><td>Tan Sri Ismail Adam</td><td>Senior Independent Director</td><td>Non-Executive</td></tr><tr><td>Encik Mohd Tarmidzi Ahmad Nordin</td><td>Independent Director</td><td>Non-Executive</td></tr><tr><td>Puan Noraini Che Dan</td><td>Independent Director</td><td>Non-Executive</td></tr><tr><td>Datuk Rozaida Omar</td><td>Non-Independent Executive Director</td><td>Non-Executive</td></tr><tr><td>Puan Rifina Md Ariff</td><td>Non-Independent Executive Director</td><td>Non-Executive</td></tr></table> <p>The Independent Directors make up more than half of the Board, as recommended by the MCG 2017 and in compliance with the Listing Requirements and BNM CG Policy. They constitute 66.6% of the Board.</p> <p>BHB recognises the important contribution of the Independent Directors. 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 is 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.</p>	Tan Sri Ambrin Buang	Independent Chairman	Non-Executive	Tan Sri Ismail Adam	Senior Independent Director	Non-Executive	Encik Mohd Tarmidzi Ahmad Nordin	Independent Director	Non-Executive	Puan Noraini Che Dan	Independent Director	Non-Executive	Datuk Rozaida Omar	Non-Independent Executive Director	Non-Executive	Puan Rifina Md Ariff	Non-Independent Executive Director	Non-Executive
Tan Sri Ambrin Buang	Independent Chairman	Non-Executive																	
Tan Sri Ismail Adam	Senior Independent Director	Non-Executive																	
Encik Mohd Tarmidzi Ahmad Nordin	Independent Director	Non-Executive																	
Puan Noraini Che Dan	Independent Director	Non-Executive																	
Datuk Rozaida Omar	Non-Independent Executive Director	Non-Executive																	
Puan Rifina Md Ariff	Non-Independent Executive Director	Non-Executive																	

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.
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Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application	:	Applied.
Explanation on application of the practice	:	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.

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.3 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years.

Application	:	Not applicable.
Explanation on adoption of the practice	:	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.

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Application	: Applied.
Explanation on application of the practice	<p>The Nomination and Remuneration Committee ensure 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.</p> <p>There is a formal and transparent process for the appointment of a new Director and Senior Management. 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 and that the candidates satisfy the requisite skills and core competencies in accordance with the KRP Policy of the Company, Listing Requirements, MCGG 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.</p> <p>In determining if an individual is 'fit and proper' to hold the position of a Director or Senior Management, the following shall be taken into consideration:</p> <ul style="list-style-type: none">• 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. <p>Upon the Board's concurrence, an application for the appointment of a Director would be submitted to BNM for its approval.</p>

The selection criteria and process for the appointments of Directors/CEO to the Board are detailed in the Board Charter available at www.bimbholdings.com; About Us – Corporate Governance – Board Charter

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

- Identification of candidates
- Evaluation of suitability on Fit and Proper
- Interview session by NRC
- Deliberation by NRC and recommendation to the Board
- Board Approval

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.

During the period 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. 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. The Board size was also reduced from 8 to 6 Directors upon the retirements of Encik Zahari @ Mohd Zin Idris and Datuk Zaiton Mohd Hassan w.e.f. 17 May 2017 and 11 February 2018 respectively.

Details of the Board composition in terms of designation of directors, gender, tenure directorship in listed company, directorship in listed company and board skills are as follows:

Composition

Non-Independent	2
Independent	4

Gender

Female	3
Male	3

Board Tenure

9+ years	1
4-8 years	2
0-3 years	3

Directorship in Listed Company (including BHB)

4 Listed Company	1
3 Listed Company	1
2 Listed Company	3
1 Listed Company	1

	Board Skills	
	Banking	3
	Governance & Integrity	2
	Economic & Finance	4
	Takaful	3
	Investment & Fund Management	3
	Accounting & Audit	3
	Management, Leadership & Strategy	6

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

Application	:	Applied.
Explanation on application of the practice	:	Women Director on Board Current composition of the Board consist of 50% women representation, 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.

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application	:	Applied.
Explanation on application of the practice	:	<p>The Board assisted by the Nomination and Remuneration Committee 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 performs an oversight function for the appointment as well as the succession planning for key Senior Management.</p> <p>The Nomination and Remuneration Committee source and evaluate the suitable candidates based on the recommendation from the existing Board members, Management, major shareholders as well as through external sources such as Directors' register by FIDE Forum, Bank Negara Malaysia and from independent professional firm.</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. 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. 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>

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Application	:	Applied.
Explanation on application of the practice	:	<p>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.</p> <p>The role of the Senior Independent Non-Executive Director are as follows:-</p> <ul style="list-style-type: none">• Providing a sounding board for the Chairman;• 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;• Promote high standards of corporate governance and ensure that the Company’s obligations to shareholders are understood and complied with;• Ensure the composition of the Board in regards to the number of Independent Directors is in adherence to relevant requirements and regulations;• 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;• 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• If necessary, the Senior Independent Non-Executive Director can be emailed at ismailadam@bimbholdings.com

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application	:	Applied.					
Explanation on application of the practice	:	<p>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.</p> <p>Through a Board and Peer Annual Assessment (“Board Evaluation”) conducted on an annual basis, 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:</p> <table border="1" data-bbox="560 1099 1407 2018"> <tr> <td data-bbox="560 1099 874 1599">Peers/Individual Director</td> <td data-bbox="874 1099 1407 1599"> <ul style="list-style-type: none"> • Contribution of the Director in meetings, when confronted with the conflict and his/her willingness to challenge prevailing opinion; • Quality of input provided by the Director; • 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. </td> </tr> <tr> <td data-bbox="560 1599 874 2018">Board Committees</td> <td data-bbox="874 1599 1407 2018"> <ul style="list-style-type: none"> • Terms of Reference; • Skill and competency; • Meeting and administration; • Conduct of meeting; • Communication to the Board; • Area of focus specific to each Board Committee; • Effective role in supporting and facilitating the Board’s effectiveness in discharging its responsibilities; • Sufficient access to review matters deliberated. </td> </tr> </table>		Peers/Individual Director	<ul style="list-style-type: none"> • Contribution of the Director in meetings, when confronted with the conflict and his/her willingness to challenge prevailing opinion; • Quality of input provided by the Director; • 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. 	Board Committees	<ul style="list-style-type: none"> • Terms of Reference; • Skill and competency; • Meeting and administration; • Conduct of meeting; • Communication to the Board; • Area of focus specific to each Board Committee; • Effective role in supporting and facilitating the Board’s effectiveness in discharging its responsibilities; • Sufficient access to review matters deliberated.
Peers/Individual Director	<ul style="list-style-type: none"> • Contribution of the Director in meetings, when confronted with the conflict and his/her willingness to challenge prevailing opinion; • Quality of input provided by the Director; • 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. 						
Board Committees	<ul style="list-style-type: none"> • Terms of Reference; • Skill and competency; • Meeting and administration; • Conduct of meeting; • Communication to the Board; • Area of focus specific to each Board Committee; • Effective role in supporting and facilitating the Board’s effectiveness in discharging its responsibilities; • Sufficient access to review matters deliberated. 						

	<p>Board</p>	<ul style="list-style-type: none"> • The responsibilities of the Board in relation to strategic planning, risk management, performance management, financial reporting and succession planning; • Board communication and corporate governance; • Board operation and interaction; • The Board's composition, size and background; • The contributions of each member at the Board meetings, decision-making and output.
<p>Where necessary, an external consultant/expert will be engaged to assist in and lend objectivity to the annual assessment.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>In compliance with Paragraph 15.06 of the Bursa Securities Listing Requirements, a Director must not hold more than five (5) Directorships in listed companies to enable the Directors to discharge their duties effectively by ensuring their commitment. Whilst the Board values the experience and perspective gained by the Directors from their professional commitment in other organizations and associations, Paragraph 10.3 of BNM CG Policy requires BHB to establish a policy on the maximum number of external professional commitments. The Board Charter which was approved on 27 January 2017 stipulates that the maximum number of external professional commitments of each</p>		

	<p>Director must not be more than ten (10) unless with the prior approval of the Board.</p> <p>During the period under review, based on the assessment carried out via monthly declaration, all Directors complied with Paragraph 15.06 of the Bursa Securities Listing Requirements.</p> <p>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.</p>
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Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application	:	Departure.
Explanation on application of the practice	:	
Explanation for departure	:	<p>Both the Directors and Senior Managements' Remuneration Framework are currently not published on BHB's website.</p> <p>BHB had implemented a new remuneration framework for the Directors, taking into account the Financial Institution Directors' Education (FIDE) Director's Remuneration Report 2015 (FIDE Report) and BNM CG Policy on Remuneration. 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:-</p> <ol style="list-style-type: none">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 calibre 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; and6. The remuneration to be paid on a timely and periodic basis.

	<p>In view of the above, the Company's policy on the remuneration for Directors' was revised as follows:</p> <p>(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.</p> <p>(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.</p> <p>The remuneration structure for the Non-Executive Directors takes into consideration the relevant factors which include the function, responsibilities, expertise, risk involved and time spent for the preparation of the Board and Board Committee meetings. A higher rate (premium) is given to the Chairman of the Board and the Board Committees in view of his/her additional role in guiding and managing the Board and the Board Committee meetings.</p> <p>The remuneration of the Non-Executive Directors is reviewed regularly to ensure the Directors are reasonably remunerated to reflect their role, responsibilities and efforts in discharging their fiduciary duties.</p> <p>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.</p> <p>Bands of the senior management's remuneration for the financial year ended 31 December 2017 are disclosed in the Practice 7.2 of the CG Report.</p> <p>The Nomination and Remuneration Committee reviews and recommends to the Board the overall remuneration policy for Directors, CEO, key Senior Management personnel and such function as determined by the Board as outline in its terms of reference, which can be referred to on the corporate website www.bimbholdings.com; About Us – Corporate Governance – Board Committees –Nomination & Remuneration Committee</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	

Measure	:	The Board intends to publish the Directors and Senior Managements' Remuneration Framework onto BHB's website by third quarter of 2019.	
Timeframe	:	3 rd quarter 2019.	

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Application	:	Applied.
Explanation on application of the practice	:	<p>The Nomination and Remuneration Committee ("NRC") comprises wholly of Independent Non-Executive Director. The NRC is chaired by Tan Sri Ismail Adam, a Senior Independent Non-Executive Director. The NRC's Terms of Reference outline the roles and responsibilities in relation to the nomination and remuneration matters. The TOR is available at www.bimbholdings.com; About Us – Corporate Governance – Board Committees – Nomination & Remuneration Committee.</p> <p>BHB has in place a remuneration structure for the directors that are sufficient to attract, retain and remunerate for their contribution to the Company.</p> <p>The remuneration structure for the non-executive directors take into consideration the relevant factors which include the function, workload, responsibilities and time spent for the preparation of the Board and Board Committee meeting. A higher rate (premium) is given to the Chairman of the Board and the Board Committee in view of his/her additional role in guiding and managing the Board and the Board Committee meeting. The remunerations includes monthly fees, meeting allowances and other benefits such as leave passage.</p> <p>The remuneration of the Managing Director / CEO is recommended by the NRC and determined by the Board. The performance of the Managing Director / CEO is assessed annually based on the set of Key Performance Indicators (KPIs) approved by the Board. This is taken into consideration when determining the reappointment of the Managing Director / CEO and in payment of bonus, where applicable.</p> <p>The remunerations of the directors is disclosed annually in the Company's Integrated Annual Report.</p>

Board Level

Section 230(1) of the Companies Act 2016 stated that *“The fees of the directors, and any benefits payable to the directors including any compensation for loss of employment of a director or former director (a) of a public company; or (b) of a listed company and its subsidiaries, shall be approved at a general meeting”*

Based on the above, the Board had at its Board meeting held on 28 March 2018 agreed that shareholders’ approval shall be sought at the 21st Annual General Meeting (“AGM”) on the following resolution in relation to Directors’ remuneration:-

• Resolution 4	payment on Directors’ fees and benefits amounting to RM2,342,000 in respect of the financial year ended 31 December 2017; and
• Resolution 5	Payment on Directors’ fees and benefits amounting to RM2,599,000 from 1 January 2018 until the next Annual General Meeting.

(1) Review of Directors’ Remuneration

In December 2016, the Board through NRC had reviewed the Non-Executive Directors’ (“NED”) remuneration based on the Directors’ Remuneration Report 2015 (“2015 Report”) issued by FIDE Forum in collaboration with PricewaterhouseCooper.

The objective of the 2015 Report was to provide a workable framework to guide Financial Institutions (“FIs”) in reviewing the NEDs’ remuneration that would appropriately recognise the important role, responsibilities and contributions of the NEDs.

The 2015 Report had recommended six (6) key considerations in the setting of NEDs remuneration to ensure there was equitable remuneration for role, effort and risk, as follows:-

1. The number of meetings attended to be used as an indicator of a NEDs contributions;
2. A meeting fee rate should be based on a comparable rate that the market pays for a talent with similar calibre 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 NEDs were better recognised for their preparation and contributions at meetings including meetings with BNM. Fixed fee would be determined by taking into account the NED’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 Committee; and
6. The remuneration to be paid on a timely and periodic basis.

The 2015 Report also recommended that in view of the increased regulatory expectations on the NEDs and potential legal prosecution, penalties and/or imprisonment, a Directors and Officers Liability ("D&O") insurance/takaful coverage could be used to support and strengthen the Board governance.

The 2015 Report also highlighted the importance for FHCs to assess the reasonableness of the remuneration by comparing it with peers in the market. When performing the peer comparison, the FHCs should identify appropriate peers based on factors such as market size, size of operations, strategic direction, challenges and financial targets. The Board should also determine an appropriate market position relative to its selected FHC peers that fairly reflect the FIs situation and assess whether the NEDs' remuneration was reasonable.

(2) Directors' Fees

The Board Charter states that the review of remuneration for the NEC is conducted every three (3) years to ensure that it remains competitive with the industry.

The Board at its meeting held on 7 December 2016, approved the NRC recommendation for the proposed revision to the NEDs' fees as set out below:-

1. Fixed monthly fees:-

Monthly Fixed Fee	Existing 2014-2016		Revised 2017-current	
	Chairman	Member	Chairman	Member
Board	RM7,500	RM3,500	RM10,000	RM4,000
BRC	RM1,500	RM1,000	RM3,000	RM2,000
AEC	RM1,500	RM1,000	RM3,000	RM2,000
NAC	RM1,500	RM1,000	-	-
RC	RM1,500	RM1,000	-	-
NRC	-	-	RM2,000	RM1,000

2. Sitting fees:-

Sitting Fee	Existing 2014-2016	Revised 2017-current
Chairman	RM2,000	RM5,000
Member	RM1,500	RM3,000

The above revision was made with reference to the outcome of the Board Remuneration review conducted by the NRC based on the Directors' Remuneration Report 2015 issued by FIDE Forum and approved by the shareholders at the 20th Annual General Meeting held on 17 May 2017.

Senior Management Level

The NRC is responsible to review and recommend to the Board in relation to the policies pertaining to Senior Management, staff and remuneration scheme and benefit. The review is currently on-going and will be implemented in year 2019.

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application :	Applied.																																																																																																																																																																																	
Explanation on application of the practice :	<p>The remuneration breakdown on individual directors for the financial year ended 2017 are tabulated below:-</p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="3">← Remuneration received from the Company →</th> <th rowspan="2">Company Total RM'000</th> <th colspan="3">Remuneration received from subsidiary companies</th> <th rowspan="2">Group Total RM'000</th> </tr> <tr> <th>Salary and Bonus RM'000</th> <th>Fees & other emoluments RM'000</th> <th>Benefit-in-kind RM'000</th> <th>Salary and Bonus RM'000</th> <th>Fees & other emoluments RM'000</th> <th>Benefit-in-kind RM'000</th> </tr> </thead> <tbody> <tr> <td>31 December 2017</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td><i>Group Chief Executive Officer /Executive Directors:</i></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Dato' Sri Zukri Samat (retired on 9 June 2017)</td> <td>214</td> <td>-</td> <td>-</td> <td>214</td> <td>5,637</td> <td>1,732</td> <td>113</td> <td>7,696</td> </tr> <tr> <td></td> <td>214</td> <td>-</td> <td>-</td> <td>214</td> <td>5,637</td> <td>1,732</td> <td>113</td> <td>7,696</td> </tr> <tr> <td><i>Chief Executive Officer</i></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Khairul Kamarudin (appointed on 9 August 2017)</td> <td>165</td> <td>-</td> <td>-</td> <td>165</td> <td>509</td> <td>165</td> <td>16</td> <td>855</td> </tr> <tr> <td></td> <td>165</td> <td>-</td> <td>-</td> <td>165</td> <td>509</td> <td>165</td> <td>16</td> <td>855</td> </tr> <tr> <td><i>Non-Executive Director:</i></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Tan Sri Samsudin bin Osman</td> <td>-</td> <td>403</td> <td>6</td> <td>409</td> <td>-</td> <td>-</td> <td>-</td> <td>409</td> </tr> <tr> <td>Tan Sri Ismail bin Adam</td> <td>-</td> <td>283</td> <td>6</td> <td>289</td> <td>-</td> <td>-</td> <td>-</td> <td>289</td> </tr> <tr> <td>Datuk Zaiton binti Mohd Hassan</td> <td>-</td> <td>265</td> <td>6</td> <td>271</td> <td>-</td> <td>455</td> <td>25</td> <td>751</td> </tr> <tr> <td>Datuk Rozaida binti Omar</td> <td>-</td> <td>138</td> <td>6</td> <td>144</td> <td>-</td> <td>111</td> <td>40</td> <td>295</td> </tr> <tr> <td>Mohd Tarmidzi bin Ahmad Nordin</td> <td>-</td> <td>285</td> <td>6</td> <td>291</td> <td>-</td> <td>120</td> <td>18</td> <td>429</td> </tr> <tr> <td>Noraini binti Che Dan</td> <td>-</td> <td>255</td> <td>6</td> <td>261</td> <td>-</td> <td>363</td> <td>-</td> <td>624</td> </tr> <tr> <td>Rifina binti Md Ariff</td> <td>-</td> <td>138</td> <td>6</td> <td>144</td> <td>-</td> <td>-</td> <td>-</td> <td>144</td> </tr> <tr> <td>Zahari @ Mohd Zin bin Idris</td> <td>-</td> <td>153</td> <td>1</td> <td>154</td> <td>-</td> <td>566</td> <td>6</td> <td>726</td> </tr> <tr> <td></td> <td>-</td> <td>1,920</td> <td>43</td> <td>1,963</td> <td>-</td> <td>1,615</td> <td>89</td> <td>3,667</td> </tr> <tr> <td></td> <td>379</td> <td>1,920</td> <td>43</td> <td>2,342</td> <td>6,146</td> <td>3,512</td> <td>218</td> <td>12,218</td> </tr> </tbody> </table> <p>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 the Integrated Annual Report.</p>		← Remuneration received from the Company →			Company Total RM'000	Remuneration received from subsidiary companies			Group Total RM'000	Salary and Bonus RM'000	Fees & other emoluments RM'000	Benefit-in-kind RM'000	Salary and Bonus RM'000	Fees & other emoluments RM'000	Benefit-in-kind RM'000	31 December 2017									<i>Group Chief Executive Officer /Executive Directors:</i>									Dato' Sri Zukri Samat (retired on 9 June 2017)	214	-	-	214	5,637	1,732	113	7,696		214	-	-	214	5,637	1,732	113	7,696	<i>Chief Executive Officer</i>									Khairul Kamarudin (appointed on 9 August 2017)	165	-	-	165	509	165	16	855		165	-	-	165	509	165	16	855	<i>Non-Executive Director:</i>									Tan Sri Samsudin bin Osman	-	403	6	409	-	-	-	409	Tan Sri Ismail bin Adam	-	283	6	289	-	-	-	289	Datuk Zaiton binti Mohd Hassan	-	265	6	271	-	455	25	751	Datuk Rozaida binti Omar	-	138	6	144	-	111	40	295	Mohd Tarmidzi bin Ahmad Nordin	-	285	6	291	-	120	18	429	Noraini binti Che Dan	-	255	6	261	-	363	-	624	Rifina binti Md Ariff	-	138	6	144	-	-	-	144	Zahari @ Mohd Zin bin Idris	-	153	1	154	-	566	6	726		-	1,920	43	1,963	-	1,615	89	3,667		379	1,920	43	2,342	6,146	3,512	218	12,218
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Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application	:	Departure.													
Explanation on application of the practice	:	The Board has decided not to disclose on a named basis the top senior management's remuneration components including salary, bonus, benefits-in-kind and other emoluments in bands of RM250,000. However, breakdown of the top five senior management's remuneration in the bands of RM250,000 is as follows:													
		<table border="1"> <thead> <tr> <th>Bands (RM)</th> <th>Number of Senior Management</th> </tr> </thead> <tbody> <tr> <td>750,000 up to 1,000,000</td> <td>2</td> </tr> <tr> <td>1,000,001 up to 1,250,000</td> <td>1</td> </tr> <tr> <td>1,250,001 up to 1,500,000</td> <td>1</td> </tr> <tr> <td>1,500,001 and above</td> <td>1</td> </tr> <tr> <td>Total</td> <td>5</td> </tr> </tbody> </table>		Bands (RM)	Number of Senior Management	750,000 up to 1,000,000	2	1,000,001 up to 1,250,000	1	1,250,001 up to 1,500,000	1	1,500,001 and above	1	Total	5
		Bands (RM)	Number of Senior Management												
		750,000 up to 1,000,000	2												
		1,000,001 up to 1,250,000	1												
		1,250,001 up to 1,500,000	1												
		1,500,001 and above	1												
Total	5														
Some of the senior management performed dual role at BHB as well as at Bank Islam level.															
Explanation for departure	:	Such disclosure would be disadvantageous to the Group's business interests, in which the disclosure of that sensitive information may resulted to excessive competition for talent in the banking industry.													
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>															
Measure	:	The Company will closely monitor developments in the market in respect of such disclosure for future consideration.													
Timeframe	:	Others													

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Not adopted.
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.
The company's financial statement is a reliable source of information.

Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied.
Explanation on application of the practice	:	<p>During the Financial Year Ended 31 December 2017, the AEC was chaired by Datuk Zaiton Mohd Hassan, an Independent Non-Executive Director with more than 30 years of relevant experience. Datuk Zaiton retired w.e.f. 1 February 2018. Subsequently, Puan Noraini Che Dan was re-designated as the Chairman of AEC w.e.f. 2 February 2018.</p> <p>The current Chairman of the AEC, 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"). She is not the Chairman of the Board of Directors.</p> <p>During the Financial Year Ended 31 December 2017, the Chairman of the Board of Directors was Tan Sri Samsudin Osman, who was retired on 31 January 2018. Upon his retirement, Tan Sri Ambrin Buang helms the Board as the Chairman of BHB w.e.f. 2 February 2018.</p> <p>The AEC must not be chaired by the Chairman of the Board and this had been specified in AEC's Terms of Reference, which is available at www.bimbholdings.com; About Us – Corporate Governance – Board Committees – Audit & Examination Committee</p>

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.
The company's financial statement is a reliable source of information.

Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application	:	Applied
Explanation on application of the practice	:	<p>None of the Board members are former key audit partners of BHB and Group. Hence, there is no such person being appointed as a member of the AEC.</p> <p>The cooling off period of at least two (2) years for a former key audit partner before being appointed as a member of the AEC had been specified in the BHB's Board Charter, which is available at www.bimbholdings.com; About Us – Corporate Governance – Board Charter</p>

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application	:	Applied.
Explanation on application of the practice	:	<p>BHB has in place a process to consider the appointment/re-appointment of External Auditor, which is in line with BNM's Policy on External Auditor. The Process requires the AEC to assess the External Auditor's compliance with qualification criteria set out by BNM, which includes evaluating the independence, objectivity and performance of the External Auditor.</p> <p>Activities in 2017:</p> <ul style="list-style-type: none">i. Reviewed and approved the External Auditor's Audit Plan and Strategy for the year ending 31 December 2017 in 24 October 2017 which outlined its engagement team, materiality, audit scope, audit methodology and timing of audit, involvement of IT specialists and others, independent auditors, significant accounting policies/disclosure, emerging issues, audit focus areas and key milestones;ii. Held two (2) meetings with the External Auditors to review the financial results and areas of concerns identified amongst others are internal control, risks of financial reporting and other fraud, implementation of new Malaysian Financial Reporting Standard ("MFRS"), Directors' responsibilities, External Auditors' responsibilities and independence;iii. Met with the External Auditors without the presence of the Management on 25 January 2017 and 24 October 2017 to discuss issues independently without the influence of the Management;iv. Reviewed and recommended for Board's approval the audit fees and provision of non-audit services by the External Auditor in accordance with established procedures; andv. Complete the annual assessment on the External Auditors for the financial year ended 31 December 2017 prior to recommendation to the Board on its re-appointment. <p>Accordingly, the assessment of External Auditors covered amongst others:-</p> <ul style="list-style-type: none">i. Level of knowledge, capabilities, experience and quality of previous work;ii. Level of engagement with the AEC and Board;iii. Ability to provide constructive observation, implications and recommendation in areas which require improvement;

- iv. Appropriateness of audit approach and the effectiveness of audit planning;
- v. Non-audit services rendered by auditor does not impede independence; and
- vi. Auditors demonstrate unbiased stances when interpreting the standards/policy adopted by the Company.

The AEC at its meeting held on 25 January 2018 its annual assessment on KPMG Desa Megat PLT as BHB's External Auditors and had recommended for Board approval at its Board meeting held on 26 January 2018. The assessment covered KPMG's ability in meeting BHB's requirements, governance, efficiency and effectiveness in planning and conducting the audit.

It was highlighted that the KPMG team led by the engagement partner namely Mr. Adrian Lee Lye Wang had met all the required qualification criteria specified in the policy document and had performed satisfactorily in the following areas:-

- Showed a genuine interest in BHB's success and business;
- Showed good understanding of BHB's business;
- Demonstrated a comprehensive and up-to-date understanding with industry issues and developments;
- Demonstrated a high degree of tact, courtesy and professionalism;
- Always keep abreast with any industry/technical developments; and
- Showed effective coordination of audit.

The assessment was in respect of KPMG's engagement with the AEC and KPMG's independence, objectivity and professional scepticism. Overall, the AEC was satisfied with KPMG's performance and agreed to recommend the reappointment of KPMG to the Board.

The Board agreed to form a collective view on KPMG's performance based on the recommendation by the AEC. Overall, the Board agreed that KPMG had demonstrated a good understanding of BHB's business and expectation.

The Board concluded that KPMG had performed its function satisfactorily.

The Board at its meeting on 26 January 2018 resolved to approve the re-appointment of Messrs. KPMG Desa Megat PLT as the external auditors of BHB and the application for the re-appointment to be submitted to Bank Negara Malaysia ("**BNM**").

BNM had on 14 March 2018 approved the said re-appointment and the same would be tabled to the shareholders of BHB at the upcoming 21st Annual General Meeting of BHB.

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	: Applied.												
Explanation on adoption of the practice	: During the period under review, The AEC composition were as follows:- <table border="1"><thead><tr><th>Name</th><th>Designation</th></tr></thead><tbody><tr><td>Datuk Zaiton Mohd Hassan Chairman (retired w.e.f. 01/02/2018)</td><td>Independent Non-Executive Director</td></tr><tr><td>Puan Noraini Che Dan Chairman (re-designated w.e.f. 02/02/2018)</td><td>Independent Non-Executive Director</td></tr><tr><td>Tan Sri Ismail Adam</td><td>Senior Independent Non- Executive Director</td></tr><tr><td>Mohd Tarmidzi Ahmad Nordin</td><td>Independent Non-Executive Director</td></tr><tr><td>Zahari @ Mohd Zin Idris (retired w.e.f. 17/05/2017)</td><td>Non-Independent Non-Executive Director</td></tr></tbody></table> Currently, all members of the AEC are Independent Non-Executive Directors. Section 3.0 of the AEC's Terms of Reference ("TOR") provides that majority of the AEC members must be independent directors. In addition, it was also provides in the TOR that the AEC must not have any executive director in its membership. The AEC's TOR is available at www.bimbholdings.com ; About Us – Corporate Governance – Board Committee – Audit & Examination Committee	Name	Designation	Datuk Zaiton Mohd Hassan Chairman (retired w.e.f. 01/02/2018)	Independent Non-Executive Director	Puan Noraini Che Dan Chairman (re-designated w.e.f. 02/02/2018)	Independent Non-Executive Director	Tan Sri Ismail Adam	Senior Independent Non- Executive Director	Mohd Tarmidzi Ahmad Nordin	Independent Non-Executive Director	Zahari @ Mohd Zin Idris (retired w.e.f. 17/05/2017)	Non-Independent Non-Executive Director
Name	Designation												
Datuk Zaiton Mohd Hassan Chairman (retired w.e.f. 01/02/2018)	Independent Non-Executive Director												
Puan Noraini Che Dan Chairman (re-designated w.e.f. 02/02/2018)	Independent Non-Executive Director												
Tan Sri Ismail Adam	Senior Independent Non- Executive Director												
Mohd Tarmidzi Ahmad Nordin	Independent Non-Executive Director												
Zahari @ Mohd Zin Idris (retired w.e.f. 17/05/2017)	Non-Independent Non-Executive Director												

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	:	Applied.						
Explanation on application of the practice	:	<p>During the period under review, The AEC was chaired by Datuk Zaiton Mohd Hassan ("Datuk Zaiton"), an Independent Non-Executive Director with more than 30 years of relevant experience. Datuk Zaiton is a Fellow of the ACCA and a member of the MIA as well as the MICPA. Datuk Zaiton retired w.e.f. 1 February 2018.</p> <p>Subsequently, upon Datuk Zaiton retirement, Puan Noraini Che Dan was re-designated as the Chairman of AEC w.e.f. 2 February 2018. Puan Noraini Che Dan, also a member of the MIA as well as the MICPA. She has more than 25 years of relevant experience in accounting and finance.</p> <p>The Chairman and members of the AEC are financially literate and have carried out their duties in accordance with the AEC's Terms of Reference.</p> <p>Other Members of the AEC possesses a wide range of relevant expertise and sufficient financial knowledge and understanding of the Company's business. The members qualifications, expertise and experiences are as follows:-</p> <table border="1"> <thead> <tr> <th>Member</th> <th>Qualification</th> <th>Expertise</th> </tr> </thead> <tbody> <tr> <td>Tan Sri Ismail Adam</td> <td> <ul style="list-style-type: none"> • Master of Arts (Economics), Vanderbilt University USA • Bachelor of Arts (Hons), University of Malaya (UM) • Diploma in Public Admin, UM </td> <td> <ul style="list-style-type: none"> • Public Administration & Management • Human Resource & Management • Organisational Transformation </td> </tr> </tbody> </table>	Member	Qualification	Expertise	Tan Sri Ismail Adam	<ul style="list-style-type: none"> • Master of Arts (Economics), Vanderbilt University USA • Bachelor of Arts (Hons), University of Malaya (UM) • Diploma in Public Admin, UM 	<ul style="list-style-type: none"> • Public Administration & Management • Human Resource & Management • Organisational Transformation
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Tan Sri Ismail Adam	<ul style="list-style-type: none"> • Master of Arts (Economics), Vanderbilt University USA • Bachelor of Arts (Hons), University of Malaya (UM) • Diploma in Public Admin, UM 	<ul style="list-style-type: none"> • Public Administration & Management • Human Resource & Management • Organisational Transformation 						

	<ul style="list-style-type: none"> • Advance Mgmt Program, Harvard Business School 	
Mohd Tarmidzi Ahmad Nordin	<ul style="list-style-type: none"> • Associate, Chartered Insurance Institute (UK)(ACII) • Fellow, Malaysian Insurance Institute (AMII) • MBA in Islamic Finance, International Islamic University 	<ul style="list-style-type: none"> • Insurance & Takaful • Islamic Finance
Zahari @ Mohd Zin Idris (retired w.e.f. 17/05/2017)	<ul style="list-style-type: none"> • Senior Cambridge Certificate 	<ul style="list-style-type: none"> • Banking • Finance

The Board reviews the performance and assesses the terms of office of the AEC and its members through an annual Board Committee effectiveness evaluation in accordance with Paragraph 15.20 of the Bursa Securities Listing Requirements.

The AEC members are expected to devote sufficient time to update their knowledge and enhance their skills through appropriate continuing education programmes. Listed below are the seminars and training events attended by the AEC members to keep abreast of latest developments for the period under review:-

AEC member	Training attended
Datuk Zaiton Mohd Hassan (retired w.e.f. 01/02/2018)	<ul style="list-style-type: none"> • Focus Group 1 Session & Light Lunch – Discussion in Preparation for Dialogue with BNM’s Senior Management – Chairman • The New Companies Act 2016: A New Playbook for Directors • MIA’s 50th Anniversary Commemorative Lecture • Development Financial Institution Programme • Risk & Reward: What Must Boards Know about a Sustainable FI Remuneration System for Senior Management and Material Risk Takers?
Noraini Che Dan	<ul style="list-style-type: none"> • FIDE Core Programme – Module A (Bank) • FIDE Core Programme – Module B (Bank) • Governing Boards – Excellence in Governance • The Inside Story on the Annual Report – What Director Must Know

		<ul style="list-style-type: none"> • Malaysian Case Studies on Corporate Disclosure – Lessons Learnt • BDP 2017 • Fund Transfer Pricing Training • Masterclass Shariah Training • Briefing on Companies Act 2016
	Tan Sri Ismail Adam	<ul style="list-style-type: none"> • Seminar Akta Syarikat 2016 • Briefing on Companies Act 2016
	Mohd Tarmizdi Ahmad Nordin	<ul style="list-style-type: none"> • The AGM – A Practical Insight and Managing Shareholders’ Expectations Seminar • Masterclass Shariah Training • Briefing on Companies Act 2016 • Takaful : A Forum “Challenges in the Next Decade” • 13th World Islamic Economic Forum – Disruptive Change: Impact and Challenges
	Zahari @ Mohd Zin Idris	<ul style="list-style-type: none"> • Compliance Conference 2017 • Fund Transfer Pricing Training • Masterclass Shariah Training • Briefing on Companies Act 2016

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.1

The board should establish an effective risk management and internal control framework.

Application	:	Applied.
Explanation on application of the practice	:	<p>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.</p> <p>The effectiveness of risk management and internal controls is ensured by the establishment of the Board Risk Committee ("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.</p> <p>Further details on the state of the Group's risk and internal controls during FY2017 can be found in the Statement on Risk Management and Internal Controls on page 139 of BHB's Integrated Annual Report 2017.</p>

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied.
Explanation on application of the practice	:	<p>At BHB level, the internal control oversight responsibilities were initially carried out by the following committees:-</p> <ul style="list-style-type: none">• Audit & Examination Committee ("AEC") The main responsibility of the AEC is to assist the Board in assessing the effectiveness of the Group's internal control systems and overseeing the accounting system's internal control.• Board Risk Committee ("BRC") The BRC is responsible to assist the Board on risk management and oversee the Management's activities in managing significant risk areas and to ensure that the risk management framework is in place and functioning effectively. At the Management level, the BRC is supported by the Group Risk Management Committee ("GRMC") to oversee the risk management matters relating to the Group risk management activities. The minutes of the BRC is escalated to the Board for information. <p>In respect of the key operating subsidiaries, in particular Bank Islam Malaysia Berhad ("Bank Islam") and Syarikat Takaful Malaysia Berhad ("Takaful Malaysia"), the internal control oversight function is carried out by the respective subsidiaries' BRC. At BIMB Securities Sdn Bhd ("BIMB Securities"), the risk management and internal control oversight function is carried out by its AEC. The risk management control structure and processes which have been instituted throughout the BHB Group are reviewed from time to time to cater for the changes in the business environment. BHB's AEC and BRC together with the respective AEC/BRC at the key operating subsidiaries regularly reviews and monitors the Management's approach and actions in addressing key risks at Company and subsidiaries level. It also provides the Board and the Management with the platform to anticipate and manage both the existing and potential risks, taking into consideration changing risk profile and risk appetite. This process has been in place and continued to be BHB Group's practice for the financial year under review and up to the date of approval of this Statement for inclusion in this Integrated Annual Report.</p>

	<p>Key processes that the Board has established in reviewing the adequacy and effectiveness of the system of internal controls include the following:</p> <ul style="list-style-type: none">• Risk Management Framework• Risk Appetite• Audit and Examination Committee• Board Risk Committee• Group Risk Management Committee• Internal Audit• Shariah Advisory <p>Other Key Elements Of Internal Control</p> <p>The other key elements of the internal control systems are described below:</p> <ul style="list-style-type: none">• Board Meetings• Group Organisation Structure• Limit of Authority Matrix• Standard Operating Procedures• Human Resources Policies and Procedures• Annual Business Plan and Budgeting Process• Information Technology (“IT”) System• Performance Review• Whistle Blowing Policy <p>Further details on the state of the Group’s risk and internal controls during FY2017 can be found in the Statement on Risk Management and Internal Controls on page 139 of BHB’s Integrated Annual Report 2017.</p>
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Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application	:	Adopted.
Explanation on adoption of the practice	:	<p>The Board Risk Committee ("BRC") 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.</p> <p>The Company recognises that effective risk management is critical to the achievement of strategic objectives and the longterm 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.</p> <p>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.</p> <p>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.</p>

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.

Further details of the Board Risk Committee report can be found on page 136 of BHB's Integrated Annual Report 2017.

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application	:	Applied.
Explanation on application of the practice	:	<p>The Internal Audit functions report directly to the AEC and is independent of the activities of its auditees. The primary responsibilities of the Internal Audit Division (“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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>The summary of the activities of the Internal Audit for the financial year ended 31 December 2017 were as follows:-</p> <ol style="list-style-type: none">a. 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;b. Issued Audit Reports to the AEC and Management, identifying weaknesses and issues as well as highlighting recommendations

	<p>for improvement. Such recommendations were acted upon by Management with agreed timelines;</p> <ul style="list-style-type: none"> c. 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; d. Reported to the AEC, review on the adequacy, appropriateness and compliance of risk management, internal controls and governance processes; e. 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; f. Reviewed the reliability (including accuracy and comprehensiveness), integrity and timeliness of regulatory reporting, accounting records, financial reports and management information; and g. 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. <p>Further details of the Internal Audit activities report can be found on page 122 to 123 of BHB's Integrated Annual Report 2017.</p>
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Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied.
Explanation on application of the practice	:	<p>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.</p> <p>The IAD has approximately 38 personnel including the secretary. 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).</p> <p>The Internal Audit functions 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.</p> <p>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.</p> <p>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</p>

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Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

Application	:	Applied.												
Explanation on application of the practice	:	<p>The Board has direct control over the Company, and therefore owes fiduciary duties to the Shareholders. The duty of care requires Directors to exercise good business judgement when making decisions to safeguard the interest of the Company and its Shareholders.</p> <p>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 Shareholders' interest, investors and the general public.</p> <p>Investor Relations ("IR")</p> <p>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.</p> <p>IR activities for year 2017 are as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Date</th> <th style="width: 50%;">Event</th> </tr> </thead> <tbody> <tr> <td>27 February 2017</td> <td>Analyst briefing for FY2016 Financial Results</td> </tr> <tr> <td>17 May 2017</td> <td>20th Annual General Meeting</td> </tr> <tr> <td>30 August 2017</td> <td>Analyst briefing for second quarter 2017 Financial Results</td> </tr> <tr> <td>30 November 2017</td> <td>Analyst briefing for third quarter 2017 Financial Results</td> </tr> <tr> <td>25-26 November 2017</td> <td>Participation as Platinum Sponsor for the inaugural Shariah Investing Fair, organized by Bursa Malaysia</td> </tr> </tbody> </table>	Date	Event	27 February 2017	Analyst briefing for FY2016 Financial Results	17 May 2017	20 th Annual General Meeting	30 August 2017	Analyst briefing for second quarter 2017 Financial Results	30 November 2017	Analyst briefing for third quarter 2017 Financial Results	25-26 November 2017	Participation as Platinum Sponsor for the inaugural Shariah Investing Fair, organized by Bursa Malaysia
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30 November 2017	Analyst briefing for third quarter 2017 Financial Results													
25-26 November 2017	Participation as Platinum Sponsor for the inaugural Shariah Investing Fair, organized by Bursa Malaysia													

The IR Policy consists, amongst others, the following:

Communication Guidelines

- BHB would endeavour to provide clear and fair disclosure of pertinent information to its Shareholders and the investment community in a timely and effective manner;
- To the extent possible, all disclosures would:
 - a) be factual, clear and succinct;
 - b) contain sufficient quantitative information to allow investors to evaluate the importance of such information to the activities of BHB; and
 - c) explain the consequences or effects of the information on BHB's future prospects. If the consequences or effects could not
 - d) be assessed, justification should be provided.

IR Best Practices

In keeping with the best IR practices, BHB has registered as a member of the Malaysian Investor Relations Association ("**MIRA**"). MIRA's objectives are to facilitate communication and foster close relationships between Public Listed Companies and the investor community by promoting corporate governance, transparency and enhance shareholder value.

Authorised Spokesperson

All of the Company's communication would only be done by the designated spokespersons who would establish and maintain regular dialogue with Shareholders to solicit and understand their views, as well as respond to inquiries from members of the investment community or media.

Employees who are not authorised spokespersons must not respond under any circumstances to inquiries from the investment community or media, unless specifically authorised by the designated spokespersons. Any inquiry received should be directed to the IR Department.

The designated spokespersons of BHB are as follows:

- Chief Executive Officer;
- Group Chief Strategy Officer; and
- Group Chief Financial Officer.

Material Information

BHB would at all times, fully comply with its disclosure obligations under the Bursa Securities Listing Requirements. Material information concerning BHB, depending on the materiality threshold, could likely have an impact on its share price. This includes such information whether written or oral:-

- a) Reports and documents provided to Bursa Securities and other regulators;

- b) Materials and statements in BHB's Annual Reports, quarterly reports, press releases, letters and circulars to shareholders;
- c) Presentations on behalf of BHB;
- d) Information on BHB's website;
- e) Articles concerning BHB;
- f) Correspondence and e-mails;
- g) Verbal statements made to outside parties in meetings, briefings, press conferences or during telephone conversations;
- h) Interviews with the media; and
- i) Speeches given on behalf of BHB.

Communication Platform

BHB would employ various platforms to effectively engage the Shareholders and the investment community, with emphasis on timely, accurate, fair and transparent disclosure of information.

BHB's communication platforms include the following:

- a) Annual general meetings;
- b) Meetings with analysts, investors and media; and
- c) Briefings and Press Conferences.

BHB would not respond to rumours or market speculation. Clarifications would however be made promptly through announcements to the Bursa Securities, where necessary.

Conferences and Roadshows

The Company and its subsidiaries participate in various domestic and international conferences and roadshows, during which its business outlook, strategy and direction are communicated to the relevant stakeholders.

Financial Results

The Company and its Group's unaudited quarterly and audited annual financial results are released within the stipulated regulatory timeline to Bursa Securities, together with the accompanying press releases.

During the year under review, the annual audited account and quarterly financial results were announced to the public within the stipulated time as required by Bursa Securities.

Annual Report

One of the most important methods of communication to Shareholders is through the Company's Annual Report, which contains comprehensive details about the financial results and overall performance of the Company and BHB Group.

The Chairman's Statement as well as management Discussion & Analysis in the Annual Report provides an overview of the Company and BHB Group's performance, operations and other matters affecting Shareholders' interest. The Company also discloses its sustainability, corporate governance and internal control statements in the Annual

Report. Information disclosed in the Annual Report allows Shareholders and investors to make informed investment decisions regarding BHB Group.

General Meetings

The General Meeting is regarded as the main forum for dialogue and communication during which Shareholders and investors are informed of the financial performance and current developments of the Group.

Shareholders are encouraged to attend the General Meeting and participate in the proceedings. The Board notes the recommendation of the MCCG 2017 to serve notice for meetings earlier than the minimum notice period of 21 days as stipulated under the Companies Act 2016 and Listing Requirements. BHB dispatches the Notice of Annual General Meeting to shareholders 28 days before the AGM.

At the last Annual General Meetings, Shareholders were given the opportunity to ask questions or seek clarifications before any resolutions are put forth for approval. The CEO briefed Shareholders on the Group's financial performance. The Board, the Management of BHB and of its subsidiaries and the Company's External Auditors were available to respond to Shareholders' queries during the General Meeting.

The Board and Shareholders jointly provide oversight of the control and management of BHB. The ultimate decision-making authority rests with the Shareholders at the General Meeting where the re-appointment of the Directors, appointment of External Auditors and declaration of final dividend (if any) are approved, amongst others.

Pursuant to the Bursa Securities Listing Requirements, with effect from June 2016 all resolutions tabled at the General Meeting are voted by way of a poll. BHB has taken the requisite steps to implement a poll voting process at the Annual General Meeting.

Website

BHB's corporate website, www.bimbholdings.com, represents another channel of communication with stakeholders and acts as an effective platform to disseminate information to the public at large. It contains information on the Company and BHB Group such as its corporate profile, Management, investor information, financial results and corporate news which can be accessed easily and promptly.

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application	:	Applied.
Explanation on application of the practice	:	<p>Integrated Annual Report</p> <p>This year Annual report demonstrates our commitment to Integrated Reporting, which is aligned with the principle of long-term value creation for our shareholders, customers, people and community. The content of this report covers the operations of BHB Group, its organisational structure and footprint, strategy and financial performance, as well as an overview of our approach towards sustainability.</p> <p>In committing ourselves towards building sustainable economic and social progress for the society, BHB focus on issues that we consider material to our stakeholders. These are identified through our ongoing stakeholders' engagement activities, which are instrumental to our ability to create and deliver value as an Islamic financial holding company.</p> <p>Further details and comprehensive disclosure of our sustainability efforts are available at BIMB Holdings corporate website – www.bimbholdings.com/sustainability</p> <p>While we are guided by the International Integrated Reporting Framework in preparing this Integrated Annual report, we also refer to the following frameworks:</p> <ul style="list-style-type: none">• Malaysian Financial Reporting Standards• Malaysia Companies Act 2016• Bursa Malaysia's Sustainability Reporting Guide• FTSE4Good Bursa Malaysia• Global Reporting Initiative G4

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Applied.
Explanation on application of the practice	:	<p>In compliance with the recommendations of the MCCG 2017, the Notice of the 21st AGM of the Company dated 17 April 2018 was issued to the shareholders 28 days prior to the AGM which will be held on 15 May 2018.</p> <p>The notice of the AGM contains details of resolutions to be approved by the shareholders during the meeting with accompanying explanatory notes.</p> <p>Administrative Guide accompanying the Notice of AGM provides guidance to the shareholders on the conducts of the meeting as well as the voting procedure that need to be followed.</p>

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application	:	Applied.
Explanation on application of the practice	:	<p>The 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.</p> <p>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.</p> <p>The Notice of the 21st 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).</p> <p>The outcomes of voting on the proposed resolutions and minutes of the meeting 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.</p> <p>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.</p> <p>In 2017, all the Directors attended the 20th AGM held on 17 May 2017.</p>

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

Application	:	Departure.
Explanation on application of the practice	:	All BHB's general meetings are held in prominent location within Klang Valley. The venues chosen were easily accessible as it was familiar to most shareholders. However, the Company will continue to observe developments in respect of new technologies to facilitate the conduct of meetings remotely and may consider to adopt the same in the future if it is cost effective and practical.
Explanation for departure	:	BHB has yet to facilitate voting in absentia and remote shareholders' participation at general meetings. As an alternative, shareholders who are unable to attend general meetings are entitled to appoint any person(s) or the Chairman of the meeting to vote on their behalf at the general meeting,
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Company will closely observe the development of this practice for future consideration.
Timeframe	:	Others

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

BOARD OF DIRECTORS

Composition

The Board currently comprises the following 6 Members:

No	Name	Designation	External Professional Commitment	No of Meeting attended
1	Tan Sri Ambrin Buang (appointed w.e.f. 2 February 2018)	Chairman / Independent Non-Executive Director	2	n/a
2	Tan Sri Ismail Adam	Senior Independent Non-Executive Director	3	07/10
3	Encik Mohd Tarmidzi Ahmad Nordin	Independent Non-Executive Director	2	10/10
4	Puan Noraini Che Dan	Independent Non-Executive Director	3	07/10
5	Puan Rifina Md Ariff	Non-Independent Non-Executive Director	16	09/10
6	Datuk Rozaida Omar	Non-Independent Non-Executive Director	18	09/10

Former Directors

No	Name	Designation	External Professional Commitment	No of Meeting attended
1	Tan Sri Samsudin Osman (retired w.e.f. 31 January 2018)	Chairman / Independent Non-Executive Director	4	10/10
2	Datuk Zaiton Mohd Hassan (retired w.e.f. 1 February 2018)	Senior Independent Non-Executive Director	16	10/10
3	Encik Zahari @ Mohd Zin Idris (retired w.e.f. 17 May 2018)	Non-Independent Non-Executive Director	4	04/04

None of the Directors have any shareholdings in any financial institutions. The details and background of each Director are available on Board of Directors' Profile section of BHB's Integrated Annual Report and corporate website at www.bimbholdings.com.

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. 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.

Current Board Committees and their attendance are as follows:

Audit and Examination Committee

No	Name	No of Meeting attended
1	Puan Noraini Che Dan Chairman	07/07
2	Tan Sri Ismail Adam Member	06/07
3	Encik Mohd Tarmidzi Ahmad Nordin Member	07/07

Nomination and Remuneration Committee

No	Name	No of Meeting attended
1	Tan Sri Ismail Adam Chairman	04/05
2	Encik Mohd Tarmidzi Ahmad Nordin Member	05/05
3	Puan Noraini Che Dan (appointed w.e.f. 2 February 2018) Member	n/a

Board Risk Committee

No	Name	No of Meeting attended
1	Encik Mohd Tarmidzi Ahmad Nordin Chairman	06/06
2	Puan Noraini Che Dan Member	06/06
3	Tan Sri Ismail Adam (appointed w.e.f. 31 May 2017) Member	04/04

Training Attended in 2017

Name of Directors	Training Program	Date	Organisers
Tan Sri Samsudin Osman (Retired w.e.f 31 January 2018)	The AGM – A Practical Insight and Managing Shareholders' Expectations Seminar	13 March 2017	BURSATRA

	Thought Leadership Session 2017 Workshop on the New Companies Act 2016: A New Playback for Directors International Social Security Conference Themed Future of Work: Preparing for Tomorrow Today International Directors Summit - Enhancing Resilience Through Governance for Sustainability Briefing on Companies Act 2016 EPF Investment Seminar 2017: Green is the New Black: En Route to Responsible Investment Course: Director on Boarding Programme - Corporate Governance Expectations EPF Private Equity Academy	30 March 2017 04 April 2017 2 – 3 August 2017 21 – 22 August 2017 21 September 2017 4–5 November 2017 13 November 2017 30 November 2017	Employees Provident Fund Sime Darby Berhad Employees Provident Fund MINDA BHB & Bank Islam EPF EPF HarbourVest Partners
Tan Sri Ismail Adam	Seminar Akta Syarikat 2016 Briefing on Companies Act 2016	11 May 2017 21 September 2017	Lembaga Tabung Haji BHB & Bank Islam
Datuk Zaiton Mohd Hassan (Retired w.e.f 1 February 2018)	Focus Group 1 Session & Light Lunch – Discussion in Preparation for Dialogue with BNM’s Senior Management - Chairman The new Companies Act 2016: A New Playbook for Directors MIA's 50th Anniversary Commemorative Lecture Development Financial Institution Programme Risk & Reward: What Must Boards Know about a Sustainable FI Remuneration System for Senior Management and Material Risk Takers?	1 March 2017 04 April 2017 10 April 2017 11 April 2017 08 June 2017	FIDE FORUM Sime Darby Berhad MIA ICLIF FIDE FORUM
Datuk Rozaida Omar	Retreat Halajutu TH Seminar On Companies ACT 2016 ACCA Malaysia Annual Conference 2017	10 April 2017 11 May 2017 18 July 2017	Lembaga Tabung Haji Lembaga Tabung Haji ACCA Malaysia

	<p>Masterclass Shariah Training</p> <p>Corporate Governance Breakfast Series - Leading in A Volatile, Uncertain, Complex, Ambiguous (VUCA) World</p> <p>MIA International Accountants Conference 2017</p>	<p>6 September 2017</p> <p>13 October 2017</p> <p>7 – 8 November 2017</p>	<p>Bank Islam</p> <p>Bursa Malaysia</p> <p>MIA</p>
Puan Rifina Md Ariff	<p>Malaysia-Saudi Business Forum</p> <p>Seminar Akta Syarikat 2016</p> <p>Training session on the Al-Ansar fund by BIMB</p> <p>Bengkel Penilaian Dan Tindakan Kawalan Untuk Kad Skor Risiko Korporat TH</p> <p>Elective Programme – Current Issues in Corporate Governance (Replacing Tan Sri Ismail</p> <p>TH Transformation Workshop</p>	<p>28 February 2017</p> <p>11 May 2017</p> <p>24 May 2017</p> <p>21 July & 3 November 2017</p> <p>14 & 15 August 2017</p> <p>22 November 2017</p>	<p>MITI</p> <p>Lembaga Tabung Haji</p> <p>Lembaga Tabung Haji</p> <p>Lembaga Tabung Haji</p> <p>ICLIF</p> <p>Lembaga Tabung Haji</p>
Encik Mohd Tarmidzi Ahmad Nordin	<p>The AGM – A Practical Insight and Managing Shareholders' Expectations Seminar</p> <p>Masterclass Shariah Training</p> <p>Briefing on Companies Act 2016</p> <p>Takaful: A Forum "Challenges in The Next Decade"</p> <p>13th World Islamic Economic Forum - Disruptive Change: Impact and Challenges</p>	<p>13 March 2017</p> <p>6 September 2017</p> <p>21 September 2017</p> <p>14 November 2017</p> <p>21 - 23 November 2017</p>	<p>BURSATRA</p> <p>Bank Islam</p> <p>BHB & Bank Islam</p> <p>The Malaysian Insurance Institute</p> <p>World Islamic Economic Forum Foundation (WiEF)</p>
Puan Noraini Che Dan	<p>FIDE Core Programme – Module A (Bank)</p> <p>FIDE Core Programme – Module B (Bank)</p> <p>Governing Boards - Excellence in Governance</p>	<p>7 - 10 March 2017</p> <p>27 – 29 March 2017</p> <p>10 - 11 April 2017</p>	<p>ICLIF</p> <p>ICLIF</p> <p>Asian Summit</p>

	The Inside Story on the Annual Report - What Director Must Know	15 May 2017	BURSATRA
	Malaysian Case Studies on Corporate Disclosure – Lessons Learnt BDP 2017	7 July 2017	BURSATRA
	Fund Transfer Pricing Training	15 August 2017	TNB
	Masterclass Shariah Training	6 September 2017	Bank Islam
	Briefing on Companies Act 2016	6 September 2017	Bank Islam
		21 September 2017	BHB & Bank Islam

Function and Conduct

The role and responsibilities of the Board and Board Committees are as disclosed under Section A, Practice 1.1 of this Corporate Governance Report.

INTERNAL CONTROL FRAMEWORK

Details of the Internal Control Framework are disclosed under the Statement of Risk Management and Internal Control section in the Company's Integrated Annual Report 2017.

REMUNERATION

The information on the Company's Remuneration Policy and Practices are as disclosed under Section A, Practice 6.1 of this Corporate Governance Report.

The details of the Directors' remuneration (including benefits-in-kind) of each Director during the financial year 2017 are disclosed on under Section A, Practice 7.1 of this Corporate Governance Report.