

STATEMENT OF CORPORATE GOVERNANCE

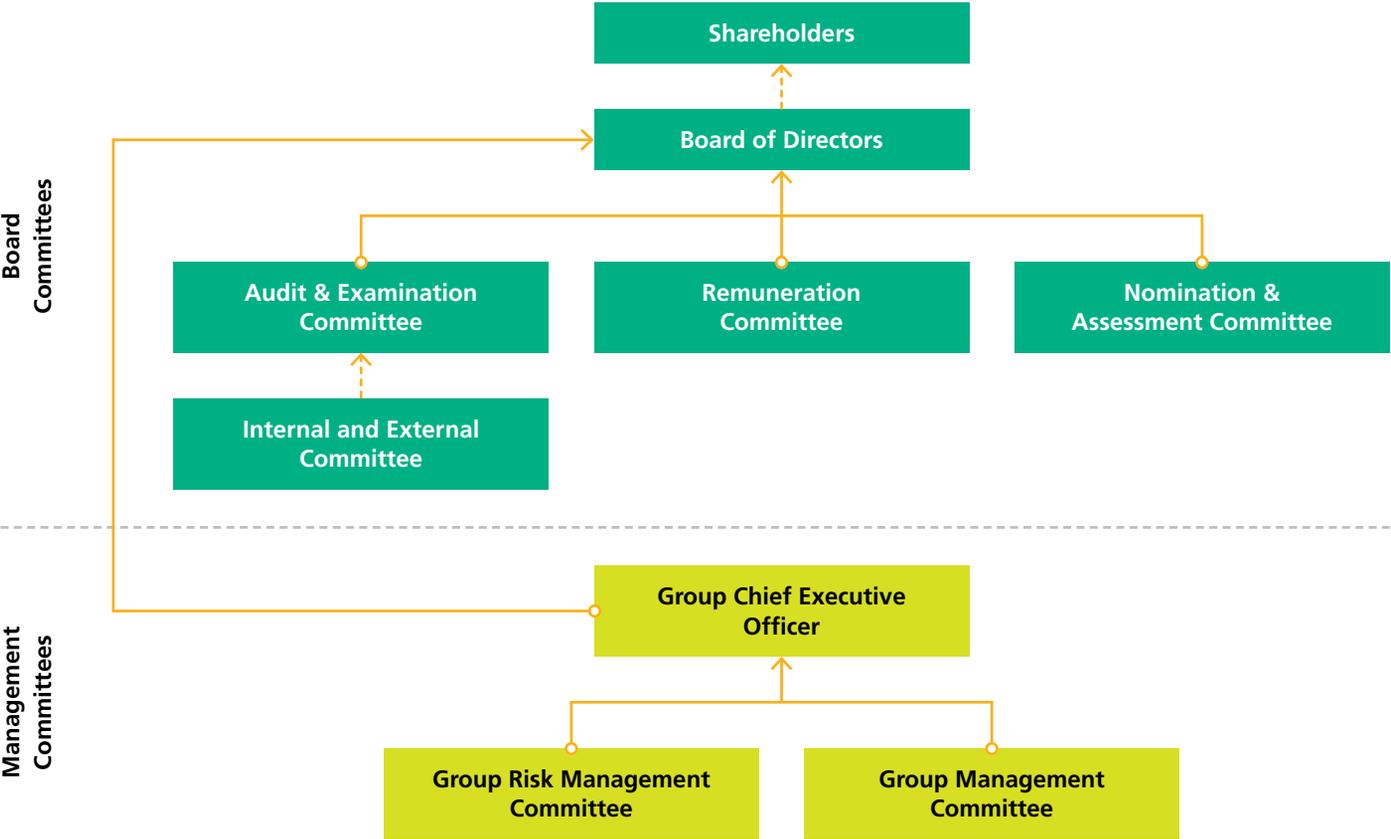
(Pursuant to Paragraph 15.25 of the Listing Requirements of Bursa Malaysia Securities Berhad)

The Board of Directors of BIMB Holdings Berhad (“BHB” or “the Company”) is committed to upholding high standards of corporate governance to preserve stakeholders’ trust, safeguard their interest and enhance their value in line with BHB Group’s objective to be the premier Islamic financial services provider.

To achieve these objectives, BHB Group adopts the principles and best practices on corporate governance and is guided by:

1. Bank Negara Malaysia’s (“BNM”) Revised Guidelines on Corporate Governance for Licensed Islamic Banks (“BNM GP1-i”);
2. Bursa Malaysia Securities Berhad’s (“Bursa Securities”) Main Market Listing Requirements (“Listing Requirements”);
3. Malaysian Code on Corporate Governance 2012 (“the MCCG 2012”);
4. Green Book on Enhancing Board Effectiveness (“Green Book”) by the Putrajaya Committee on Government Linked-Companies High Performance; and
5. Corporate Governance Guide (“CG Guide”): Towards Boardroom Excellence 2nd Edition (“CG Guide”) by Bursa Securities.

The chart below illustrates BHB’s corporate governance structure:



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

1. BOARD OF DIRECTORS

1.1 Board Charter *(Recommendation 1.1 and 1.7 of the MCCG 2012)*

In discharging its duties, the Board of Directors ("**Board**") is guided by its Terms of Reference ("**TOR**"), a document which specifies the Board's role, powers, duties and functions.

The TOR is a dynamic document that is 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 of the Board are available on the Company's website www.bimbholdings.com.

1.2 Roles and Responsibility of the Board *(Recommendation 1.2 of the MCCG 2012)*

The Board has the responsibility to periodically review and approve the overall strategies, business and pertinent policies of the Company. Matters reserved for the Board's deliberation and approval include:

- Reviewing and approving all strategic and policy matters including business plans and pertinent operating policies, and monitoring Management's performance based on Key Performance Indicators;
- Monitoring and reviewing the overall performance of the Company and BHB Group against set targets and objectives;
- Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;
- Reviewing risk management practices within BHB Group and the Company:
 - (i) to ensure adequate internal controls and infrastructure;
 - (ii) to identify and manage principal risks; and
 - (iii) to ensure the implementation of appropriate systems to manage these risks;
- Reviewing and approving succession plans, including appointing, training, fixing the compensation of and, where appropriate, replacement of Senior Management;
- Approving policies pertaining to staff salary and benefits;
- Approving the appointment of Directors and Directors' emoluments and benefits;
- Approving the Company's investor relations programme or shareholder communication policy;
- Reviewing the adequacy and integrity of the Company's internal control systems and infrastructure and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
- Approving transactions in accordance with the authority limit, and ensuring that the Company's business operations are conducted in accordance with Shariah principles; and
- Ensuring the Company's activities comply with the Islamic Financial Services Act 2013, Companies Act 1965, Bursa Securities Listing Requirements, the Articles of Association of the Company and any regulation or guidelines under the relevant laws.

STATEMENT OF CORPORATE GOVERNANCE

1.3 Board Composition

The Board of BHB currently consists of eight (8) Non-Executive Directors – four (4) are Independent Non-Executive Directors whilst three (3) Non-Independent Non-Executive Directors, including the Chairman, are nominees of Lembaga Tabung Haji (“TH”). One (1) Non-Independent Non-Executive Director does not represent any interested corporate shareholder. The said Director was re-designated as a Non-Independent Non-Executive Director in 2014 after serving the Board for nine (9) consecutive years.

Recommendation 3.5 of the MCCG 2012 states that, where the Chairman of the Board is not an Independent Director, the majority of the Directors must be independent. Although the current composition of independent and non-independent directors are equal, it has not affected the effectiveness of the Board as the Chairman has the ability to ensure proper checks and balances to facilitate the Board’s proceedings and decision-making.

Within the Board there is diversity and a wealth of knowledge, experience and skills in the fields of accountancy, banking, takaful, international business operations and development, finance and risk management. A brief profile of each member of the Board is presented on pages 14 to 15 of this Annual Report.

The diverse background of the Directors brings new perspective to the Company’s operations and enhances the effectiveness of the Board.

All appointment of the Directors, including the Chairman and the Group Chief Executive Officer (“GCEO”) is assessed by the Nomination and Assessment Committee (“NAC”) and subsequently approved by the Board based on merit, guided by the Company’s Policy on Fit and Proper Criteria for Key Responsible Persons (“KRP Policy”).

The Board has taken note of *Recommendation 2.2* of MCCG 2012 on its approach to gender diversity and the number of female Directors. During the year under review, four (4) or 50% of BHB’s Board consists of female Directors. The Board also took note of the expectation on Directors’ time commitment to carry out their responsibilities as outlined in *Recommendation 4.1* of MCCG 2012. In addition in line with Paragraph 15.06 of Listing Requirements, a Director must not hold more than five (5) directorships in listed companies.

1.4 Independent Non-Executive Director (“INED”)

Pursuant to Paragraph 15.02(1) of Bursa Securities Listing Requirements and BNM/GP1-i on Independent Directors, 50% of the Board of Directors of the Company are INEDs.

The proportion of INEDs within the current Board facilitates the Board to provide effective and independent oversight over the Management. The presence of suitably qualified independent director helps to provide the necessary checks and balances in ensuring the Company operates in a safe and sound manner.

Pursuant to *Recommendation 3.1* of the MCCG 2012, the Company has adopted a set of criteria for the purpose of assessing the independence of its Independent Directors. The criteria are based on the Director’s skills, experience, contributions and economic and family relationships beyond the Independent Director’s background. The assessment also focuses on the tenure of directorship. The said criteria are in line with BNM/GP1-i and Bursa Securities Listing Requirements.

In view of the above, all INEDs are to declare their independence as INEDs of BHB on a monthly basis, following which these declarations were tabled to the Board on a quarterly basis.

The INEDs are also expected to have the following attributes:

- 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;
- Willing 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.

In this regard, the INEDs of the Company comply with the above criteria.

Recommendation 3.2 of the MCGG 2012 states that an Independent Director who has served a cumulative term of nine (9) years may continue to serve the Board subject to the director's re-designation as a non-independent director or alternatively continue as an independent director upon shareholders' approval. Two (2) of BHB's Directors have served for more than a cumulative period of nine (9) years. One of the directors had been re-designated as a non-independent director whilst the other director is seeking for shareholders' approval to remain as an independent director.

Pursuant to *Recommendation 3.3* of MCGG 2012, the Board has formed a view that the said Independent Director's presence and contributions are pertinent considering the director's wealth of experience.

This matter is one of the Agenda at the upcoming 19th AGM of BHB.

1.5 Senior Independent Non-Executive Director (*Recommendation 2.1 of the MCGG 2012*)

In accordance with best practices on corporate governance, Tan Sri Ismail Adam continues to play his role as the Senior Independent Director ("**SID**") of the Board to whom concerns of shareholders and other stakeholders can be conveyed.

Tan Sri Ismail can be reached at ismailadam@bimbholdings.com.

1.6 Director's Appointment Process (*Recommendation 2.2 of the MCGG 2012*)

The appointment of a new Director is set out in a formal and transparent process, for which the primary responsibility is delegated to the NAC. The procedure is in line with the Company's KRP Policy which has been implemented since August 2011, BNM's Guideline on Fit and Proper Criteria and BNM/GP1-i. Under the said procedure, the NAC makes recommendation to the Board on the suitability of candidates for appointment as directors in the Company. The NAC is also responsible for ensuring the candidates satisfy the requisite skills and core competencies in accordance with the KRP Policy of the Company, Bursa Securities Listing Requirements and the MCGG 2012.

The KRP Policy outlines the attributes/qualifications required by a candidate to be deemed "fit and proper" for the appointment as a director. In assessing the suitability of a candidate, the NAC also conducts an interview with the candidate.

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



Upon the Board's concurrence, an application for the appointment of a director would be submitted to BNM for its approval.

STATEMENT OF CORPORATE GOVERNANCE

The process for the appointment of an Executive Director is similarly robust to ensure that the candidate possesses the minimum qualifications, experience and qualities, which will enable him to effectively perform his duties. In determining if an individual is 'fit and proper' to hold the position of director or GCEO, the following shall be taken into consideration:

- His probity, diligence, competence and soundness of judgment;
- His reputation, character, integrity (including financial integrity) and honesty;
- His history of offence(s) involving fraud/dishonesty/violence;
- Whether he has been engaged in deceitful/oppressive/improper business practices or any practices which would discredit him;
- Whether he has been engaged/associated/had conducted himself in a manner which may cast doubt on his fitness, competence and soundness of judgment;
- Whether he 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 has been declared a bankrupt.

The process includes the identification of potential candidates, both internal as well as external, governed by the expectation of the roles and capabilities described and required by the Board. This process includes an interview session, followed by a submission to the NAC for deliberation, recommendation to the Board for endorsement and, ultimately, submission to BNM for approval.

1.7 Board and Individual Director's Effectiveness *(Recommendation 2.2 of the MCCG 2012)*

Through a Board and Peer Annual Assessment ("**Board Evaluation**") conducted on an annual basis, the NAC undertakes a formal and transparent process to assess the effectiveness of individual Directors and the Board as a whole.

The Board Evaluation comprises a detailed set of questionnaires which covers amongst others, the responsibilities of the Board in relation to strategic planning, risk management, performance management, financial reporting, communication and corporate governance. The Board's composition and size, the contributions of each member at Board meetings, the Board's decision-making and output, information and support rendered to the Board as well as meeting arrangements are also incorporated into the questionnaires.

Upon completion of the evaluation, the results are tabulated and reviewed by the NAC for endorsement prior to deliberation by the Board. If required, the Chairman will engage and discuss the peer assessment results with individual members.

1.8 Succession Plan *(Recommendation 1.2 of the MCCG 2012)*

The MCCG 2012 outlines the general limitations on the tenure of directorship for Non-Executive Directors who have reached the age of 70 and above, and/or Independent Directors who have served the Board for nine (9) years or more. The Company has conducted a gap analysis exercise which covers both of the above provisions as well as gap in the mix of skills, number of Independent Directors and succession plan for the GCEO and Chairman.

Appointments on the Board are not considered in isolation but as part of the Board's succession plan. In this context, the limitation on age and tenure of directorship as described in the MCCG 2012 provides the Board with the opportunity to consider and reassess its succession plan, not only to ensure continuity in accomplishing its long-term goals and objectives but also to affirm that the knowledge, experience and skills-sets of its members are well-suited to meet the demands of an ever-changing financial landscape.

1.9 Roles and Responsibilities of the Chairman and the GCEO *(Recommendations 1.1 and 3.4 of the MCCG 2012)*

The roles and responsibilities of the Chairman and the GCEO are distinct and separate. This is to ensure appropriate supervision of the Management, with a clear hierarchical structure. This distinction allows for a better understanding and distribution of jurisdictional responsibilities and accountabilities. This clear structure and focused approach facilitates efficiency and expedites informed decision-making.

1.9.1 Chairman

The Chairman provides leadership to the Board. He plays an important role in encouraging and inculcating a positive culture within the Board. In order to ensure that relevant issues are discussed, the Chairman will lead the agenda for Board meetings and request for views and inputs from the other Directors.

Pertinent information and analysis are disseminated to members of the Board prior to Board meetings, at which the Chairman encourages an open debate on critical issues, high ethical standards, integrity and professional conduct which facilitates decision making.

The Chairman also ensures that consensus is reached at Board meetings. Where deemed necessary, the Chairman shall call for a vote such that a decision can be reached by a simple majority. In the event that a consensus cannot be obtained, the Chairman may defer the agenda, with further analysis conducted on the subject matter, to the next meeting.

1.9.2 GCEO

The GCEO is responsible for the day-to-day operations of the Company and is accountable for implementing the policies and decisions of the Board as well as developing and translating the Group's strategies into a set of manageable goals and priorities. The GCEO also ensures continuous engagement with shareholders, investors, analysts as well as employees, in managing the Group's affairs.

1.10 Company Secretary

The Company Secretary 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, disclosure of their interest in securities or any conflict of interest in any transaction involving the Company, prohibition on dealing in securities and restrictions on disclosure of price-sensitive information.

All Directors have direct and unlimited access to the advice and services of the Company Secretary.

1.11 Directors' Retirement, Re-Election, Re-Appointment *(Recommendation 2.2 of the MCCG 2012)*

In accordance with the Company's Articles of Association, all Directors of BHB are subject to re-election by the shareholders at AGM at the first opportunity after their appointment, and in subsequent year one-third (1/3) of the directors for the time being, or if their number is not three or a multiple of three, then the nearest one-third are subject to retirement by rotation at least once every three years in accordance with the Bursa Securities Listing Requirements and Articles 61 and 66 of the Company's Article of Association.

Tan Sri Ismail Adam and Puan Rifina Md Ariff who are due for retirement and seeking for re-election at the forthcoming AGM pursuant to Article 61 of the Company's Articles of Association. In addition, Encik Zahari @ Mohd Zin Idris, who is due for retirement pursuant to Section 129(2) of the Companies Act, 1965, after having reached the age of 70 years, would also be seeking re-appointment at the forthcoming AGM.

STATEMENT OF CORPORATE GOVERNANCE

Encik Mohd Tarmidzi Ahmad Nordin and Puan Noraini Che Dan were appointed as the Independent Non-Executive Directors effective from 29 June 2015 and 1 April 2016 respectively. Both of them shall retire at the AGM pursuant to Article 66 of the Company's Article of Association. Encik Mohd Tarmidzi Ahmad Nordin and Puan Noraini Che Dan would also be seeking re-election at the forthcoming AGM.

Details of Directors who are due for retirement, re-election and re-appointment at the forthcoming AGM are disclosed on pages 270 to 274 of this Annual Report.

In relation to the application for the re-appointment of Directors to BNM, the NAC will first assess the Directors who are due for re-appointment and then submit its recommendation to the Board for deliberation and approval. Upon obtaining the Board's endorsement, the relevant submission, including justifications for such re-appointment, is made to BNM for approval prior to the expiry of the relevant Director's term of appointment by BNM.

1.12 Board Meetings

Board meetings are scheduled in advance at the beginning of a new calendar year to enable Directors to plan ahead and fit the year's meetings into their own schedules. The Board meets on a scheduled basis every quarter. When the need arises, Special Board meetings are also convened. The Board continues to proactively engage with Senior Management or external advisors for information and/or clarification on relevant matters to ensure that the various concerns and issues relevant to the Company's operations are duly addressed.

In the financial year ended 31 December 2015, all the Directors attended at least 50% of Board meetings held, pursuant to the Bursa Securities Listing Requirements. They also complied with the requirement they must attend at least 75% of Board meetings held in accordance with BNM/GP1-i, save for Tan Sri Ismee Ismail who ceased office with effect from 9 October 2015.

Directors' attendance at the nine (9) Board meetings held during the financial year was as follows:

DIRECTOR	NO. OF MEETINGS		
	*HELD	ATTENDED	%
Tan Sri Samsudin Osman Chairman/Non-Independent Non-Executive Director	9	9	100
Tan Sri Ismail Adam Senior Independent Non-Executive Director	9	9	100
Tan Sri Ismee Ismail Non-Independent Non-Executive Director	7	5	71
Dato' Johan Abdullah** Non-Independent Non-Executive Director	8	6	75
Datuk Zaiton Mohd Hassan Independent Non-Executive Director	9	8	89
Datuk Rozaida Omar Non-Independent Non-Executive Director	9	9	100

DIRECTOR	NO. OF MEETINGS		
	*HELD	ATTENDED	%
Zahari @ Mohd Zin Idris Non-Independent Non-Executive Director	9	8	89
Rifina Md Ariff Non-Independent Non-Executive Director	9	8	89
Salih Amaran Jamiaan*** Non-Independent Non-Executive Director	3	3	100
Mohd Tarmidzi Ahmad Nordin**** Independent Non-Executive Director	4	4	100
Noraini Che Dan**** Independent Non-Executive Director	n/a	n/a	n/a

Notes:-

* Reflects the number of meetings held during the time the Director held office.

** Tan Sri Ismee Ismail and Dato' Johan Abdullah ceased to be directors w.e.f. 9 October 2015 and 17 February 2016 respectively.

*** Retired after the 18th AGM held on 14 May 2015.

**** Mohd Tarmidzi Ahmad Nordin and Noraini Che Dan were appointed on 29 June 2015 and 1 April 2016 respectively.

1.13 Access to Information (Recommendation 1.5 of the MCCG 2012)

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

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

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

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

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

All Directors have direct and unlimited access to the advice and services of Senior Management and may seek independent professional advice at the Company's expense, if required, in furtherance of their duties.

STATEMENT OF CORPORATE GOVERNANCE

1.14 Number of Directorships *(Recommendation 4.1 of the MCCG 2012)*

Bursa Securities Listing Requirements, require Directors of a listed issuer to hold not more than five (5) directorships in listed issuers.

At present, all Directors of BHB comply with the best practices as recommended by the Green Book which states that Directors shall not sit on the boards of more than five (5) listed companies. This is to ensure that their commitment, resources and time are focused to enable them to discharge their duties effectively.

1.15 Conflict of Interest

In accordance with statutory requirements, members of the Board are required to declare their interest, including whether such interest arises through close family members to relevant regulators, and these disclosures are subsequently noted at Board meetings.

In the event where there may be a conflict of interest, the Director(s) will abstain from voting and will not participate in any deliberations or decisions of the Board. In this regard, the Director(s) will excuse themselves from the meeting.

1.16 Directors' Training *(Recommendation 4.2 of the MCCG 2012)*

The Board recognises the value of enhancing the skills and knowledge of its members on relevant new laws and regulations, the changing business environment and risk profile, as well as the latest developments and key challenges in the financial sector.

The Board is mindful of the need for continuous training to keep abreast of new developments and is encouraged to attend forums and seminars facilitated by external professionals in accordance with their respective needs in discharging their duties as Directors. The Board will continue to evaluate and determine the training needs of its Directors to enhance their skills and knowledge.

The Company provides a dedicated training budget for the Directors' continuing education. Relevant training programmes are arranged by the Company for the Directors and members of the Board Committees. The Directors may also request to attend additional training courses according to their specific requirements as Directors or members of the Board Committees.

As at to date, all Board members (save for one newly appointed member) have attended the Financial Institutions Directors' Education ("**FIDE**") programme and Mandatory Accreditation Programme by Bursa Securities. In addition, all Directors are required to attend at least two (2) training programmes in a calendar year. The Management conducts an induction programme for all new Directors appointed on the Board of BHB. During the induction programme, the newly appointed Director will be briefed on the Company's business and activities, the Company's financial performance and operations, the Governance Structure of the Company, Director's responsibility, their remuneration and other relevant laws, guidelines and policy which they will be subjected to.

The Company Secretary co-ordinates the organisation of internal training programmes and the Directors' attendance of external seminars and programmes. The Company Secretary keeps a complete record of the trainings attended by the Directors.

The conferences, seminars and training programmes attended by each Director in 2015 were as follows:

DIRECTOR	TRAINING PROGRAMMES
Tan Sri Samsudin Osman	<ul style="list-style-type: none"> • Strategy Workshop-Special Knowledge Sharing Session • International Social Security Conference – Sustainable Social Security Ecosystem within an Aging Society • Macquarie Infrastructure & Real Assets Course • Investment Seminar 2015 • Board Chairman Series “Tone from the Chairman and Establishing Boundaries” • EPF Global PE Summit 2015
Tan Sri Ismail Adam	<ul style="list-style-type: none"> • Lead the Change: Getting Women on Boards • GLC Open Day 2015: GLC Transformation Programme • Resolving Conflict in the Boardroom: Navigating Win-Win Outcomes
Tan Sri Ismee Ismail	<ul style="list-style-type: none"> • GLCT Graduation Ceremony and Forum Perdana • Leadership Excellence for the Chair Takaful • Breakfast Talk for Syarikat Takaful’s Directors • UNDP & Yayasan Sejahtera’s International Day for the Eradication of Poverty 2015 • Integrity Forum Lembaga Tabung Haji • Making a Great Leader Seminar
Datuk Zaiton Mohd Hassan	<ul style="list-style-type: none"> • A Dialogue with Tan Sri Lin See Yan – Financial Services in Turbulent Times • Focus Group Discussion in Preparation for Dialogue with Governor, BNM Banking Sector • BNM-FIDE Forum Dialogue with Governor, BNM • 2015 Non-Executive Directors’ Remuneration Study • Impact of the New Accounting Standard on Banks – What Directors should be aware of by Mr. Darrel Scott • 4th Distinguished Board Leadership Series: “Board Leading Change: Organisational Transformation Strategy as Key to Sustainable Growth in Challenging Times” by Prof William J. Rothwell • 6th Distinguished Board Leadership Series: “Digital Transformation and Its Impact on Financial Services – Role of the Board in Maximising Potential” by Mr. Joydeep Sengupta • Launch and Briefing on Directors’ Remuneration Report 2015
Datuk Rozaida Omar	<ul style="list-style-type: none"> • Corporate Governance Director’s Workshop: The Interplay between Corporate Governance, Non-Financial Information & Investment Decision • Today’s Synergy Tomorrows Reality Conference

STATEMENT OF CORPORATE GOVERNANCE

DIRECTOR	TRAINING PROGRAMME
Dato' Johan Abdullah	<ul style="list-style-type: none"> • Integrity Forum Lembaga Tabung Haji • Briefing by KPMG on New Financial Reporting Standard and Preparation on Takaful Financial Statement 2015 • Khazanah Megatransds Forum 2015 – “Harnessing Creative Disruption: Unlocking The Power of Inclusive Innovation”
Encik Zahari @ Mohd Zin Idris	<ul style="list-style-type: none"> • A Dialogue with Tan Sri Lin See Yan – Financial Services in Turbulent Times • Audit Committee Conference 2015 • Impact of the New Accounting Standard on Banks – What Directors should be aware of by Mr. Darrel Scott
Puan Rifina Md Ariff	<ul style="list-style-type: none"> • Integrity Forum Lembaga Tabung Haji • FIDE Mandatory Programme
Encik Mohd Tarmidzi Ahmad Nordin	<ul style="list-style-type: none"> • Mandatory Accreditation Programme (MAP) • FIDE Mandatory Programme

1.17 Directors Trading During Closed Period

Directors and principal officers of BHB are prohibited from trading in any affected securities based on price sensitive information and/or knowledge which have not been publicly announced, in accordance with Bursa Securities' Listing Requirements and relevant provisions of the Capital Markets & Services Act 2007. Notices on the closed period for trading in BHB and/or any affected securities are circulated to Directors and principal officers deemed privy to any price sensitive information in advance of the closed period, wherever applicable.

2. DIRECTORS' REMUNERATION *(Recommendation 2.3 of the MCCG 2012)*

The Directors' remuneration is a means to acknowledge the Directors' contributions. It is also a means to attract and retain Directors of certain caliber who are willing to contribute their time, efforts and experience towards the Company.

2.1 Director's Remuneration Policy

The policy on the remuneration for Directors is as follows:

(a) Fees and Other Emoluments

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

(b) Benefits In Kind

Other benefits such as Directors' Health and Medical Benefit together with Directors' and officers' liability insurance and travelling allowance are also provided.

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

The remuneration of the Directors in office during the financial year is disclosed in Note 39 of BHB's Financial Statements on pages 191 to 193 of the Annual Report.

The number of Directors of the Company, whose remuneration are paid/payable for their services, fall within the following bands:

	GROUP	
	1.1.2015 TO 31.12.2015	1.1.2014 TO 31.12.2014
EXECUTIVE DIRECTOR		
RM2,500,001 and RM3,000,000	–	1
NON-EXECUTIVE DIRECTORS		
Below RM100,000	2	–
RM100,001 and RM150,000	1	1
RM150,001 and RM200,000	–	1
RM200,001 and RM250,001	1	1
RM250,001 and RM300,000	1	2
RM300,001 and RM350,000	1	–
RM350,001 and RM400,000	–	–
RM400,001 and RM450,000	–	–
RM450,001 and RM500,000	–	–
RM500,001 and RM550,000	1	1
RM550,001 and RM600,000	2	–
RM600,001 and RM650,000	–	2
RM650,001 and RM700,000	–	–
RM750,001 and RM800,000	–	–
RM850,001 and RM900,000	–	–
Above RM900,001	1	–
TOTAL	10	9

The detail remuneration of each Directors in office during the financial year is disclosed in Note 39 of BHB's Financial Statements on pages 191 to 193 of the Annual Report.

STATEMENT OF CORPORATE GOVERNANCE

3. BOARD COMMITTEES

To assist the Board in discharging its duties and responsibilities, the Board delegates certain responsibilities to the following Board Committees, which operate within clearly defined terms of reference, primarily to assist the Board in the execution of its duties and responsibilities. Although the Board has delegated its authority to these Board Committees to deliberate and decide on certain key and operational matters, the ultimate responsibility for final decisions on all matters lies with the entire Board.



3.1 Nomination And Assessment Committee (“NAC” or “Committee”) (Recommendations 2.1 and 2.2 of the MCCG 2012)

The Committee comprises Non-Executive Directors, the majority of whom are independent, and is chaired by the Senior Independent Non-Executive Director. Meetings are held every quarter and as and when necessary. The NAC held five (5) meetings during the financial year ended 31 December 2015. Details of the members’ attendance at the meetings are as follows:

COMMITTEE MEMBER	ATTENDANCE	%
Tan Sri Ismail Adam (Chairman) Senior Independent Non-Executive Director	5/5	100
Tan Sri Ismee Ismail* Non-Independent Non-Executive Director	2/4	50
Datuk Zaiton Mohd Hassan Independent Non-Executive Director	5/5	100
Encik Zahari @ Mohd Zin Idris** Non Independent Non-Executive Director	–	–
Datuk Rozaida Omar** Non-Independent Non-Executive Director	–	–
Encik Mohd Tarmidzi Ahmad Nordin** Independent Non-Executive Director	–	–

Notes:-

* Tan Sri Ismee Ismail ceased to be a director w.e.f 9 October 2015.

** Encik Zahari @ Mohd Zin Idris, Datuk Rozaida Omar and Encik Mohd Tarmidzi Ahmad Nordin were appointed as members of NAC w.e.f.

The Committee is responsible for assessing and recommending to the Board candidates for directorship, the GCEO, Executive Director, and key Management personnel to be appointed, in the Company and where relevant in its key subsidiaries. The NAC also assess the re-appointment of directors and renewal of key Management personnel's contract of service.

On the annual assessment on the effectiveness of the Board and individual Directors, the Committee will review the results of the annual assessment. Where relevant, appropriate recommendations will be submitted to the Board to enhance the Board's performance as a whole and the effectiveness of the individual Directors.

The Terms of Reference of the NAC are available on the Company's website www.bimbholdings.com.

3.2 Remuneration Committee ("RC" or "Committee") (Recommendation 2.3 of the MCCG 2012)

The Committee comprises Non-Executive Directors, the majority of whom are independent, and is presently chaired by the Senior Independent Non-Executive Director. The Committee held five (5) meetings during the financial year ended 31 December 2015. When the need arises, special meetings are convened. Details of the members' attendance at the meetings are as follows:

COMMITTEE MEMBER	ATTENDANCE	%
Tan Sri Ismail Adam (Chairman) Senior Independent Non-Executive Director	5/5	100
Tan Sri Ismee Ismail* Non-Independent Non-Executive Director	2/4	50
Datuk Zaiton Mohd Hassan Independent Non-Executive Director	5/5	100
Encik Zahari @ Mohd Zin Idris** Non Independent Non-Executive Director	–	–
Datuk Rozaida Omar** Non-Independent Non-Executive Director	–	–
Encik Mohd Tarmidzi Ahmad Nordin** Independent Non-Executive Director	–	–

Notes:-

* Tan Sri Ismee Ismail ceased to be a director w.e.f 9 October 2015.

** Encik Zahari @ Mohd Zin Idris, Datuk Rozaida Omar and Encik Mohd Tarmidzi Ahmad Nordin were appointed as members of the RC w.e.f. 8 January 2016.

The Committee's role is to assist and support the Board by recommending the remuneration of Directors, GCEO and Executive Directors, as well as key Management Personnel of the Company.

The Terms of Reference of the RC are available on the Company's website www.bimbholdings.com.

STATEMENT OF CORPORATE GOVERNANCE

3.3 Audit And Examination Committee (“AEC” or “Committee”)

The AEC is authorised by the Board to conduct activities within its Terms of Reference and has unrestricted access to both the internal and external auditors and the Management. The Committee comprises Non-Executive Directors, the majority of whom are independent, and is presently chaired by Datuk Zaiton Mohd Hassan, an Independent Non-Executive Director. Datuk Zaiton is a qualified accountant. The Committee met six (6) times during the year under review. Its activities are summarised in the AEC’s Report disclosed on pages 96 to 99 of this Annual Report.

3.4 Group Shariah Committee

Three (3) separate Shariah Committees provide Shariah guidance and consultation to BHB’s key subsidiaries (Islamic Banking, Takaful and Stockbroking).

In compliance with BNM’s Guidelines on the Governance Framework and the Company’s Memorandum and Articles of Association, the Shariah Committees ensure that the key subsidiaries operate in accordance with Shariah principles.

(a) The composition of the Shariah Supervisory Council of Bank Islam is as follows:

MEMBERS	NATIONALITY
Ustaz Professor Dato’ Dr. Ahmad Hidayat Buang (<i>Chairman</i>)	Malaysian
Ustaz Dr. Ahmad Shahbari @ Sobri Salamon	Malaysian
Ustazah Dr. Uzaimah Ibrahim	Malaysian
Ustaz Dr. Muhammad Syafii Antonio	Indonesian
Ustazah Dr. Yasmin Hanani Mohd Safian	Malaysian
Ustaz Mohd Nazri Chik (<i>Secretary</i>)	Malaysian
Muhammad Zahid Abdul Aziz (<i>Subject Matter Expert</i>)	Malaysian

(b) The composition of the Shariah Advisory Body of Syarikat Takaful Malaysia Berhad is as follows:

MEMBERS	NATIONALITY
Ustaz Dr. Ahmad Shahbari @ Sobri Salamon (<i>Chairman</i>)	Malaysian
Dato’ Mohd Bakir Haji Mansor	Malaysian
Dr. Marhanum Che Mohd Salleh	Malaysian
Professor Dr. Muhamad Rahimi Osman	Malaysian
Dato’ Wan Mohamad Dato’ Sheikh Abdul Aziz	Malaysian
Dr. Ahmad Sufian Che Abdullah	Malaysian

(c) The composition of the Shariah Committee of BIMB Securities Sdn Bhd is as follows:

MEMBERS	NATIONALITY
Dato' Mohd Bakir Haji Mansor (<i>Chairman</i>)	Malaysian
Professor Emeritus Dato' Paduka Dr. Mahmood Zuhdi Haji Abdul Majid	Malaysian
Ir. Dr. Muhammad Fuad Abdullah	Malaysian

4. SHAREHOLDERS

The Board recognises the importance of timely, complete, accurate and equal dissemination of information with regard to the Company and Group's performance and other matters affecting shareholders' interest, investors and the general public.

4.1 Investor Relations (*Recommendation 7.1 of the MCCG 2012*)

Investor Relations ("**IR**") is guided by a set of internal guidelines and practices 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.

IR provides an important opportunity to promote effective communication and proactive engagement between the Group, its shareholders and the general public. It is also an effective tool to reach out and keep the stakeholders posted on the Group and the Company's corporate activities, such as dialogues and discussions with fund managers, financial analysts and the media. These initiatives provide vital channels of communication for disclosure of pertinent matters that may affect stakeholders which include corporate direction, strategic developments, financial results and other business matters affecting the Company and Group, and provide a better understanding of the business and operations within BHB Group.

Within BHB, a dedicated IR unit is responsible in facilitating communications between the Company and the investment community. Holding regular meetings and knowledge-sharing sessions, BHB's senior management actively engages with the investment community, intended to keep them abreast with the Company's strategic developments and financial performance. Feedbacks from these series of engagements are significant in refining the Company's operations and further contributing to the Company's overall improvement.

BHB's financial results are released on a quarterly basis, which provide the investment community with an up-to-date view of the Company's performance and operations. Press releases and analysts briefings are timed to be issued and held concurrently with the release of those quarterly results. The results, together with the accompanying presentation which further details the Company's financial performance and corporate direction are made available for public viewing at the Company's website, www.bimbholdings.com.

STATEMENT OF CORPORATE GOVERNANCE

Any queries or concerns relating to the Company and/or BHB Group can be conveyed to the following persons:

Haryati Yahya

Head, Investor Relations

Tel: +6 (03) 2088 8073

Azizzi Mohammed

Deputy Manager, Investor Relations

Tel: +6 (03) 2781 2903

Contact e-mail at: investor@bimbholdings.com

4.2 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.

4.3 Financial Results

The Company and 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.

4.4 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 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 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 the BHB Group.

4.5 General Meetings *(Recommendation 8.1 of the MCCG 2012)*

The Annual 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 Annual General Meeting and participate in the proceedings. Their approval is required on all material issues including, but not limited to, the election and appointment of Directors, corporate exercises as well as the appointment of auditors and dividend payments (if any).

At the General Meetings, shareholders are invited to ask questions or seek clarifications before any resolutions are put forth for approval. The GCEO will also brief shareholders on the Group's financial performance. The Directors, Management of BHB and of its subsidiaries and the Company's external auditors are available to respond to shareholders' queries during the Annual General Meeting.

A press conference is held after each Annual General Meeting, at which the Company's GCEO together with the Managing Director ("**MD**")/CEOs of the major operating subsidiaries, will brief the media on the Group's financial performance and corporate developments. This session also enables the Board and Management to clarify issues and answer questions raised by members of the media.

4.6 Media Coverage

The Company's major operating subsidiaries, namely Bank Islam, Takaful Malaysia and BIMB Securities, engage the media from time to time on matters pertaining to their respective products and services that are of interest to the public.

For any media related enquiries in relation to BHB Group, our Media Relations team can be reached at: media@bimbholdings.com.

4.7 Website (*Recommendation 7.2 of the MCCG 2012*)

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, Senior Management, investor information, financial results and corporate news which can be assessed easily and promptly.

The latest BHB and Group updates can be obtained through the corporate website. In addition, stakeholders can obtain regulatory announcements made by BHB to Bursa Malaysia on the latter's website, www.bursamalaysia.com.

5. ACCOUNTABILITY AND AUDIT

5.1 Financial Reporting and Disclosure

The Board has a fiduciary responsibility to present a clear, balanced and comprehensive assessment of the Company and Group's performance and prospects. This is presented at the end of each quarter and financial year, primarily through the annual financial statements, quarterly and half-yearly announcement of results to shareholders as well as the Letter to Shareholders in the Annual Report. In order to meet its fiduciary responsibility, the Board is assisted by the AEC to ensure that the financial statements present a true and fair view of BHB Group's financial performance and state of affairs.

The Board also ensures that the Company and BHB Group's financial reporting complies with the Malaysian Financial Reporting Standards ("**MFRS**"), International Financial Reporting Standards ("**IFRS**") and Companies Act, 1965 ("**Act**").

5.2 Directors' Responsibility Statement

Pursuant to the Act, the Directors are required to provide annual financial statements which have been prepared in accordance with the provisions of the Act and applicable approved accounting standards.

The Statement by Directors pursuant to Section 169(15) of the Act is set out on page 110 of this Annual Report.

5.3 Internal Control

The Board recognises the importance of maintaining a sound internal control system that covers financial, operational and compliance controls to safeguard shareholders' investments and the Company's assets. The Statement on Risk Management and Internal Control, which provides an overview of the state of internal control, is set out on pages 100 to 105 of this Annual Report.

STATEMENT OF CORPORATE GOVERNANCE

5.4 Policies *(Recommendations 1.3, 1.4, 4.2 and 7.1 of the MCCG 2012)*

(i) Corporate Disclosure Policy

A Corporate Disclosure Policy (“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.

(ii) Corporate Social Responsibility (“CSR”) and the Environment

The Company has adopted an objective and positive stand by promoting a wide range of CSR activities through various community programmes and use of natural resources.

The Directors are of the view that the Company has adopted a good balance between value creation and corporate responsibility. Details of the Company’s CSR initiatives are set out on pages 52 to 63 of this Annual Report.

(iii) Code of Ethics (“COE”)

BHB’s COE was introduced on 4 June 2014 for reference of all BHB’s 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’s 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; and
- (c) Conflict of interest and other considerations affecting BHB.

(iv) Whistle-Blowing Policy

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

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

BHB encourages its employees to aspire to the highest possible standards of compliance and ethics. Whistle-blowing policies have therefore been integrated into BHB’s practices and culture to help to deter fraud, corruption and mismanagement.

(v) Directors' Code of Conduct and Ethics

BHB adopts the Code of Ethics for Company Directors issued by the Companies Commission of Malaysia. 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 Directors, based on the principles of integrity, responsibility, sincerity and corporate social responsibility.

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

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

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

(vi) Sustainability Policy

As a pioneer Shariah compliant financial services provider, BHB and its subsidiaries strive to be a responsible corporate citizen. BHB is committed to upholding Shariah principles in relation to its business and social responsibilities:

- *Marketplace*

BHB Group is committed to strengthening its Shariah governance, adopting a customer-centric philosophy for service excellence and promoting literacy in the areas of Shariah-compliant banking, takaful and stockbroking products.

- *Workplace*

BHB Group aspires to be an employer of choice by providing a conducive working environment, continuous education and development of talent, encouraging volunteerism and managing responsibly its most valuable asset, which is the staff.

- *Community*

BHB Group is focused on efforts to enrich deserving communities via education, social development and economic inclusion, poverty alleviation and humanitarian relief.

- *Environment*

BHB Group champions environmental conservation and the protection of natural resources via educational efforts targeted at its business constituents on the importance of environmental preservation.

In enhancing the Group's sustainability practices, BHB and its subsidiaries are committed to adopting a new sustainability framework in compliance with MCCG 2012. Under the new framework, the Group intends to promote sustainable economic and social development, while at the same time creating positive impact on both the community and the environment.

The Group's commitment to Sustainability is encapsulated by the GCEO's Statement of Intent on Sustainability, which can be found in page 48 to 49 of this Annual Report.

STATEMENT OF CORPORATE GOVERNANCE

(vii) Directors' Training Policy

As part of good corporate governance and acknowledging the significance of Directors' roles and responsibilities in BHB, they are provided with continuous training. This equips the Directors with the relevant knowledge to be able to discharge their duties effectively.

(viii) Dividend Policy

BHB adopts a dividend pay-out policy of at least 50% of the Company's net profit attributable to its ordinary shareholders. While the Board believes in rewarding the Company's shareholders with steady returns on their investment, the Board is also mindful of retaining adequate reserves for future growth of the Company.

(ix) Procurement Policy

The policy is formed as a guide to procure assets, supplies and services in the most economical manner, taking into consideration factors such as quality, price, delivery, reliability and service level. Any compromise of any of these five (5) factors shall be subject to close scrutiny. It is also BHB's policy to use the Red Book issued by the Putrajaya Committee on GLC High Performance ("**PCG**") as a procurement best practices benchmark to complement its efforts to create greater shareholder value. Under the policy, all budgeted and unbudgeted procurement require prior approval of designated Approving Authorities as outlined in BHB's Authority Limits document.

5.5 Relationship with Auditors (*Recommendation 5.2 of MCCG 2012*)

(a) Internal Auditors

The Company's internal auditors (currently the function is outsourced to the Internal Audit Division of Bank Islam) report directly to the AEC and have unrestricted access to the AEC. The internal audit function is independent of the activities and operations of other operating units. The internal auditors conduct regular audits to evaluate the operating effectiveness of internal controls, and compliance with internal and regulatory requirements across the Company. The audit report, which highlights any findings, along with its recommendations and Management's responses, are tabled to the AEC. Minutes of the AEC meetings are subsequently tabled to the Board for notation, which serves as useful reference on pertinent issues that the AEC wishes to highlight to the Board.

(b) External Auditors

The Board has established a transparent and appropriate relationship with its external auditors through the AEC. The AEC and Board maintain strong emphasis on the objectivity and independence of the auditors in providing relevant and transparent reports to shareholders. It is the policy of the AEC to meet with the external auditors at least two (2) times a year to discuss their audit plan, audit findings and BHB's financial statements. There will be two (2) meetings with the external auditors held without the presence of the Management. The AEC also meets with the external auditors whenever it deems necessary. In addition, the external auditors are invited to attend BHB's Annual General Meetings to answer shareholders' questions on the conduct of the statutory audit and the preparation and contents of their audit report.

The audit committee is responsible for reviewing the audits, as well as the recurring audit-related and non-audit services provided by the external auditors. These recurring audit-related and non-audit services comprise regulatory reviews and reporting, interim reviews, tax advisory and compliance services. The audit committee also reviews all ad-hoc non-audit services. In reviewing such cases, the audit committee ensures that the independence and objectivity of the external auditors are not compromised in accordance with the assessment criteria set out in the policies and procedures for appointment/re-appointment of external auditors for audit and non-audit services. The terms of engagement for services provided by the external auditors are reviewed by the AEC prior to submission to the Board for approval.

The AEC has considered the provision of non-audit services by the external auditors during the year and concluded that the provision of these services did not compromise the external auditors' independence or objectivity and that the fees paid for these services was not significant when compared to the total fees paid to the external auditors.

(c) Audit Fees

Details of the statutory audit, audit-related and non-audit fees paid/payable in 2015 to the auditors are set out below:

	GROUP RM'000	COMPANY RM'000
FEES PAID/PAYABLE TO KPMG DESA MEGAT & CO		
Statutory Audit	1,379	78
Audit-Related	536	50
– <i>Validation of Perbadanan Insurans Deposit Malaysia Returns</i>	163	–
– <i>Half-year Limited Review</i>	180	–
– <i>Quarter 3 Limited Review</i>	141	18
– <i>Statement of Risk Management and Internal Control</i>	28	18
– <i>Review of Statement of Realised and Unrealised Profit or Losses</i>	22	14
– <i>Verification of motor contribution income</i>	2	–
Non-Audit	40	22
– <i>Accounting confirmation on Proposed Subordinated Sukuk</i>	18	–
– <i>Other expenses</i>	22	22
	1,955	150
FEES PAID/PAYABLE TO OTHER AUDITORS		
Statutory Audit	123	–
TOTAL	2,078	150

This statement is made in accordance with the resolution of the Board dated 13 April 2016.