



**CORPORATE GOVERNANCE STATEMENT
FOR
KANBAWZA BANK (“KBZ BANK”)**

Corporate Governance Statement
For Board Information and Board Committees Of
Kanbawza Bank Limited (“KBZ Bank”) For 2019-2020

KBZ Bank (“**Bank**”) is a commercial Bank with the largest capital base and major market share in Deposit & Credit in Myanmar. The Bank aims to improve the quality of life through banking. For the purpose of a good corporate governance practices, the Bank discloses the board information and board committees which are guided by the Bank’s policies, existing laws and the Basel Committee Guidelines on Corporate Governance Principles for Banks.

1. Board of Directors

Under the Constitution of KBZ Bank, the Board of Directors (“**Board**”) has ultimate responsibility for the Bank’s business strategy and financial soundness, key personnel decisions, internal organization and governance structure and practices, and risk management and compliance obligations. The board may delegate some of its functions, though not its responsibilities, to board committees where appropriate.

The board should establish and be satisfied with the Bank’s organizational structure. This will enable the board and senior management to carry out their responsibilities and facilitate effective decision-making and good governance. This includes clearly laying out the key responsibilities and authorities of the board itself and of senior management and of those responsible for the risk management and control functions.

Consistent with the terms of reference for the Board, the Board’s role and key responsibilities are:

- (a) keeping up with material changes in the Bank’s business and external environment as well as making any necessary changes in a timely manner to protect the long-term interests of the Bank;
- (b) overseeing the development and approval of the Bank’s business objectives and strategies and monitor their implementation;
- (c) playing a leading role in establishing the Bank’s corporate culture and values;
- (d) overseeing implementation of the Bank’s governance framework and periodically reviewing that it remains appropriate in the light of material changes to the Bank’s size, complexity, geographical footprint, business strategy, markets and regulatory requirements;
- (e) establishing, along with Bank’s officers, the Bank’s risk appetite, taking into account the competitive and regulatory landscape in the banking industry and the Bank’s long-term interests, risk exposure and ability to manage risk effectively;
- (f) overseeing the Bank’s adherence to its risk policy and risk limits;
- (g) approving the policy and overseeing the implementation of key policies and rules pertaining to the Bank’s capital adequacy assessment process, capital and liquidity plans, compliance policies and obligations, and the internal control systems;

- (h) periodically reviewing key policies and rules to ensure their continued applicability and change or update where necessary;
- (i) requiring the Bank to maintain a robust finance function responsible for accounting and financial data;
- (j) approving the annual financial statements and requiring an annual independent audit;
- (k) approving the selection and performance of the CEO and other officers;
- (l) overseeing the Bank's policies on salaries and benefits, including monitoring and reviewing executive compensation and assessing whether it is aligned with the Bank's risk culture and risk appetite;
- (m) overseeing the integrity, independence and effectiveness of the Bank's policies and procedures for reporting fraud and other illegal activities;
- (n) overseeing the development of, and approving the Bank's policy on transactions with related parties; and
- (o) overseeing the compliance of the Bank with the Financial Institutions Law (2016) (**FIL**), and regulations and directives issued thereunder.

2. Board Structure, Board Authority and Board Composition

2.1 Board Structure

Based on the principles of good corporate governance and best practice recommendations, a company should “structure the Board to add value”. The principle seeks to ensure the board has an effective composition, size and commitment to adequately discharge its responsibilities and duties. The recommendations include that the Chairperson should be an independent director, the role of the Chairperson and CEO should be performed by separate individuals, a majority of board should be independent and the board should establish a nominations (board) committee. The board structure is a foundation for an effective board. It focuses on the back ground interests, affiliations and position of its members. It is deals with the balances of power and is at the center of board performance and accountability.

2.2 Board Authority

The Board comprises the directors of KBZ Bank (“**Directors**”), and derives its authority from the Constitution and other laws governing companies and Banks in Myanmar. The Board shall have full power and authority to do everything which may be required or desirable for KBZ Bank's management and operations and to attain its objectives. Such powers shall not be limited except as provided by the Constitution, the FIL, the Myanmar Companies Law (2017), other laws, rules and regulations of Myanmar, or the general meeting of shareholders.

2.3 Board Composition

The composition of the Board, between the executive, non-executive, and independent directors, and the senior management of KBZ Bank, will provide an optimal mix of skills, competencies, and experience. Board members should be and remain fit for their positions. They should understand their oversight role and be able to exercise sound, objective judgment about the affairs of KBZ Bank and the Group. The Board comprises the following:

- (i) Chairman: U Mya Than (Independent Chairman)
- (ii) Vice Chairman: U Maung Maung (Independent Vice Chairman)
- (iii) Vice Chairman: Daw Nan Than Htwe (Non-Executive Director)
- (iv) Member: Daw Nang Lang Kham (Executive Director)
- (v) Member: U San Thein (Independent Director)
- (vi) Member: U Win Maung (Non-Executive Director)

3. Board Meeting and Board Committees

3.1 Board Meeting

The Board is collectively responsible for the overall control and performance of a Bank, and by meeting frequently enough, the Board will receive sufficient information from the Senior Management to monitor the financial condition and enable the Board to deliberate and discuss important strategic issues. Board meeting shall be held a minimum of twelve times a year at the head office of KBZ Bank. Notice of a Board meeting together with the agenda and any supporting material of the issues to be discussed are provided to each member of the Board. The quorum for Board meeting shall be three members, one of whom shall normally be the Chair.

The secretary shall record and maintain detailed minutes of the meetings of the Board, signed by all the Directors attending the meeting and board secretary. Matters considered and decisions taken by the Board including such qualifications or controversial opinions as expressed by any Directors shall be recorded in minutes of meetings held by the Board. Drafts of such minutes, before being approved, shall be circulated to all the Directors for comments which shall be incorporated, and approved by all members at the succeeding meeting of the Board.

3.2 Board Committees and their Terms of Reference

For the purposed of a good corporate governance, the Board has established certain specialized board committees as follows;

(i) Board Credit Committee (“BCC”)

The purpose is to recommend to the Board the amount of credit and the Bank should take and sets limits on potential credit risk.

(a) Responsibilities

The responsibilities of the BCC are:

- (i) To recommend to the Board the total level of credit and concentration risk that KBZ Bank is prepared to take (risk appetite);
- (ii) To monitor and review the credit risk appetite;
- (iii) To set and delegate limits for individual types of credit exposure risk (including the various concentrations of industry, collateral, currency or others) up to the limits set by the board;

- (iv) To approve new/ additional credit exposures and reviews up to the limits set by the Board;
- (v) Monitor and review the Bank's credit portfolio.

(b) Membership

Members comprise of the following:

- Chairman: U Mya Than
- Member: U Maung Maung (Independent Director)
Daw Nang Lang Kham (Executive Director)
- Attendees: Any other member of management as requested or designated by the Chairman from time to time.
- Secretariat: Assistant Board of Directors' Secretary

(ii) Board Audit and Risk Committee ("BARC")

The purpose is to operate as the reviewer of management recommendations on financial and operational risk.

(a) Responsibilities

Risk Appetite

- (i) Consider and make recommendations to the Board for approval of proposals in respect of the Bank's overall Risk Appetite and risk limits for financial and operational risk.
- (ii) Evaluate, and report to the Board on the Bank's financial and operational risk profile and risk monitoring, in particular with respect to the performance versus risk appetite; risk trends and concentrations; operational risk event losses and gains; operational risk and control event trends; liquidity and capital targets; regulatory capital requirements; impairment or provisions' experience against budget; and Key Performance Indicators for financial and operational risk.
- (iii) Receive reports on the Bank's limits for credit and market risk and reports on trends in exposures or concentrations.
- (iv) Receive and consider reports on key financial and operational risk issues (including, where appropriate, the risks associated with the Bank's entry into new businesses or geographical areas). To assess the nature and extent of risks facing the Bank including Management's assessments of the likelihood of the risks concerned and the completeness and adequacy of the Bank to manage those risks.
- (v) Consider and approve the Bank's capital and liquidity stress test scenarios and the results of different stress assumptions.
- (vi) Consider and approve as required any delegations of authority to the Head of Risk Management with regard to the exercise of discretion and/or setting risk limits within the Bank's overall Risk Appetite, with any exercise of such delegated authority being reported to the Committee at

its next following meeting.

- (vii) Receive notification of any breaches of the Bank's overall Risk Appetite or risk limits for financial and operational risk and the proposed course of action.

(b) Internal Controls

- (i) Review and approve the Risk Management Framework.
- (ii) Review and evaluate the appropriateness of the Bank's risk measurement systems and models governance.
- (iii) Seek to support Management in embedding and maintaining throughout the Bank a supportive culture in relation to the management of risk.
- (iv) Provide assurance to the Board that Management's control processes are implemented and are complete and effective.
- (v) Review the appropriateness and completeness of the system of internal control.
- (vi) Review and approve the statements on internal controls to be included in the Bank's published financial statements.

(c) Financial Reporting

- (i) Monitor the integrity of the Bank's financial statements, interim management statements, preliminary announcements and any other formal announcements relating to the Company's financial performance.
- (ii) Review and, where necessary, report to the Board on the significant financial reporting issues and estimates and judgements made in connection with the preparation of the Bank's financial statements, interim management statements, preliminary announcements and any formal announcements relating to the Company's financial performance.
- (iii) Review and challenge where necessary the clarity, completeness and appropriateness of disclosures in the Bank's financial statements
- (iv) Review and approve all financial statements prior to public release.
- (v) Review and challenge where necessary the significant accounting policies and practices of the Bank, including as to their establishment, consistency and any changes to them.
- (vi) Consider whether the Bank has adopted appropriate accounting standards and policies.
- (vii) Review and challenge where necessary the methods used to account for significant or unusual transactions where accounting treatment is open to different approaches
- (viii) Review and monitor any significant adjustments arising from the audit.
- (ix) Review and challenge where necessary the Bank's disclosure control and procedures.

(d) Internal Audit

- (i) Monitor and review the effectiveness, independence and objectivity of Internal Audit (IA).

- (ii) Review and approve the remit of IA, including its Audit Charter and undertake an annual review of the Audit Charter.
- (iii) Review and monitor the effectiveness of the work of IA in the context of the Bank's internal control and risk management systems and its performance against its agreed objectives and the Audit Charter.
- (iv) Approve and review the appointment and, as necessary, the removal of the Head of Internal Audit and other key internal auditors.
- (v) Review, assess and approve the Audit Plan prepared by IA, including any material changes to the Audit Plan.
- (vi) Ensure IA has the necessary resources and access to information to enable it to fulfil its mandate, including reviewing and approving its budget.
- (vii) Review and monitor the coordination between IA and the external auditors.
- (viii) At least once a year, meet with IA without executive Directors or executive management present.
- (ix) Receive and review reports on the results of IA's work on a periodic basis.
- (x) Review and monitor management's responsiveness in remedying IA's findings and recommendations and any deficiencies identified by supervisory authorities related to the internal audit function.
- (xi) Obtain an independent external assessment of IA at an appropriate interval and at least once every five years. The Chairman of the BARC will oversee and approve the appointment of the external assessor.

(e) External Audit

- (i) Oversee the Bank's relationship with the external auditors and assess the effectiveness of the external audit process.
- (ii) Maintain regular, timely, open and honest communication with the external auditors, ensuring the external auditors report to it on all relevant matters to enable the Committee to carry out its oversight responsibilities. At least once a year, meet with the external auditors without executive Directors or executive management present.
- (iii) Review and make recommendations to the Board and shareholders in relation to the appointment, reappointment and removal of the external auditors.
- (iv) Agree the remuneration to be paid to the external auditors in respect of audit and non-audit services to be provided and the other terms of engagement of the external auditors, including the terms of the engagement letter issued by the external auditors at the start of each audit.
- (v) At the start of each annual audit cycle, ensure that appropriate plans are in place for the audit. Obtain from the external auditors in connection with any audit, a timely written report relating to the Bank's annual audited financial statements, including prompt notification of any significant audit findings and any significant problems encountered in carrying out the audit.
- (vi) Assess, annually, the independence and objectivity of external auditors, taking into consideration relevant law, regulations and professional requirements and ethical standards for auditors.

(f) Membership

Member comprise of the following:

Chairman: U Mya Than (Independent Chairman)

Members: U Maung Maung (Independent Director)

U San Thein (Independent Director))

Attendees: Any other member of management as requested or designated by the Chairman from time to time.

Any other officer or staff of the Bank who has significant insight into related matters as requested or designated by the Chairman from time to time

Any other person as requested or designated by the Chairman from time to time including external auditors.

Secretariat: Internal Audit

(iii) Board Remuneration Committee (“BRC”)

The purpose is to ensure all remuneration arrangements support the strategic aims of the Bank.

Regarding nominating process, the board members are elected through a transparent procedure that takes into account the diversity of views of its shareholders and ensures that the composition of the board of directors corresponds to the requirements, tasks facing the company and its corporate values. The appointment of director shall be discussed in the annual general meeting. In the near future, the nomination function will be delegated to the BRC which will become the Nomination and Remuneration Committee.

(a) Membership

Members comprise the following:

Chairman Emeritus : U Aung Ko Win

Chairman: U Mya Than

Vice Chairman: Daw Nan Than Htwe

Attendees: Only the members of Committee and other members of the Board have the right to attend Committee meetings. Any other person may attend as requested or designated by the Chairman from time to time

Secretariat: Assistant Board of Directors’ Secretary

All committees have terms of references containing provisions on the scope of authority, role, composition, working procedures and rights and responsibilities of the committee members. Final authority and decision-making on all Board-designated matters ultimately rests with the full Board. The Board shall delegate certain responsibilities to the committees for review and approval for decisions. The Board remains collectively responsible for the decisions and actions taken by any committee. A committee may only perform the tasks delegated to it by the Board and may not exceed the authority or powers of the Board as a whole.

The Board meetings for 2018-2019 are set out in the table below:

No.	Board of Director and Member of Board Committees	Type	Supervisory Board Meeting		Number of Board Credit Committee ("BCC")	Number of Board Audit and Risk Committee ("BARC")	Number of Board Remuneration Committee ("BAC")	Comment
			Number of Board Meeting	% of attendance				
1.	U Mya Than	Independent Chairman	16	87.5%	12 of 12	8 of 8	2 of 2	
2.	U Maung Maung	Independent Vice-Chairman	16	81.3%	12 of 12	7 of 8	N/A	
3.	U San Thein	Independent Director	16	100%	N/A	N/A	N/A	
4.	Daw Nan Than Htwe	Non-Executive Director	16	0%	N/A	N/A	2 of 2	
5.	Daw Nang Lang Kham	Executive Director	16	100%	11 of 12	N/A	N/A	
6.	U Win Maung	Non-Executive Director	16	81.3%	N/A	4 of 8	N/A	

Regular reviews of this Statement are conducted by our Board to ensure they remain timely and relevant. Our most recent review was done in BOD meeting and approved by the Board on 25 August 2020.