



CORPORATE GOVERNANCE FRAMEWORK

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Corporate Governance Framework

Introduction

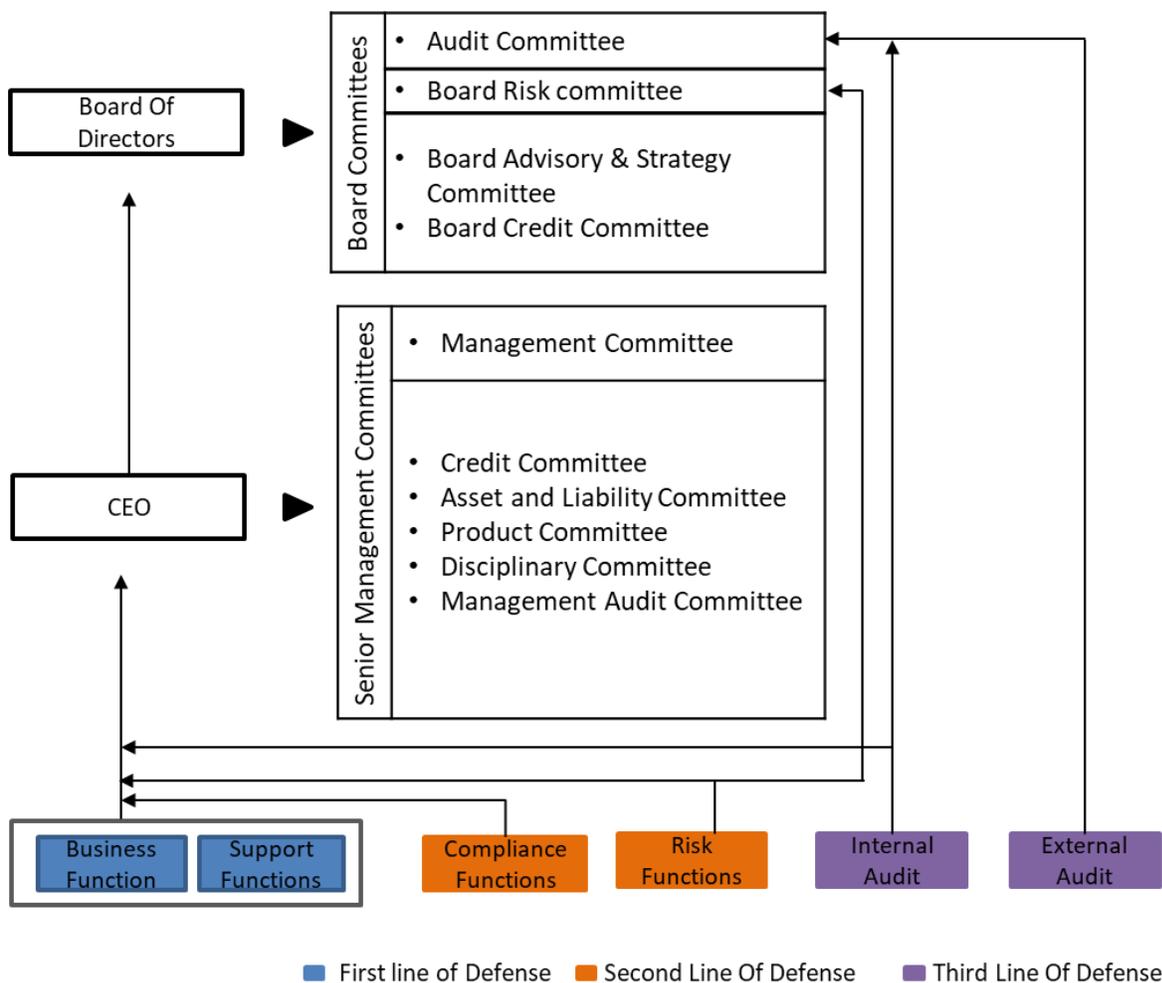
This framework provides an overview of the corporate governance structures, principles, policies and practices of uab bank Limited (uab bank).

In order to serve the interests of shareholders, customers, regulators and other stakeholders, the Framework proactively adopts governance policies and practices designed to align the interests of the Board and Management with those of stakeholders. The Framework also promotes the highest standards of ethical behavior and risk management at every level of the Bank.

This Framework is dynamic and subject to ongoing review, assessment and improvement.

As an overview, the Governance structure as adopted by uab bank is illustrated in the diagram below and expanded in the various Sections of the Framework:

Governance Structure



The Corporate Governance policies together with the Governance structure ensures accountability, management of risk, growth, profitability and sustainability which in turn create value for all stakeholders (which include Shareholders, Customers, Employees, Regulators, Contractors, Government and Society in general).

SECTION I - BOARD OF DIRECTORS

1. Legal framework

The structure and proceedings of Board of Directors (“the Board”) is governed by the Bank’s Constitution which has been approved by the Shareholders. Further the provisions of the Company Law 2017, Financial Institution Law 2016 and Directive on Board of Directors from the Central Bank of Myanmar will apply as the overriding authority on how the Board functions.

2. Role of the Board

The Board of Directors (“the Board”) is responsible for the overall governance, management and strategic direction of the Bank. It has ultimate responsibility for the Bank’s business strategy and financial soundness, key personnel decisions, organizational structure, governance framework and practices, risk management and compliance obligations.

The Directive on Board of Directors from the Central Bank of Myanmar further expands the responsibilities of the Board and this is stated in the Appendix 1 of this Framework.

3. Chairman

The running of the Board is the responsibility of the Chairman while the running of the company’s business is the executive responsibility of the Chief Executive Officer (CEO). There should be a clear division of responsibilities between the two positions which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision.

The Chairman of the Board will be elected by the members of the Board of Directors and he/she ensures leadership to the Board of Directors. Board meetings will be presided by the Chairman and in his/her absence, the meeting may be presided by a Directors elected by the members present.

Minutes of Board meetings presided by the Chairman (or Director, in his absence), will be evidence of the proceedings of meetings or passing of resolutions. (Sect 157, Company Law 2017)

4. Board Balance

The Board will include a balance of executive and non-executive directors such that no individual or a small group of individuals can dominate the Bank’s decision taking. The skill level and diversity of the composition of the Board is also taken into account to ensure this balance

A limit of five (5) board seats in public-listed companies is set for each individual director.

5. Number, Composition and Appointment

- a. The number of members of the Board shall not be less than five (5) and no more than eleven (11).
- b. At least one member of the Board must be a non-executive Director.
- c. In compliance with the Directive of the Central Bank of Myanmar, the Chief Executive Officer will a member of the Board.

- d. There is a formal and transparent procedure for the appointment of new directors to the Board.
- e. All Board members must meet the “Fit and Proper” criteria set by the Central Bank of Myanmar under their Directives and also appointments are subject to their approval.
- f. Half the members of the Board including at least one (1) Independent non-executive Director will constitute a quorum for Board meetings.

6. Quality of Information for decision making

The Board shall be supplied in a timely manner with reports and information in a form and of quality appropriate to enable it to discharge its duties.

7. Board Meeting

- a. The Board shall meet at least 12 times a year and the interval between meetings should not exceed 2 months.
- b. Board meeting as referred to in paragraph (a) above must be physically attended by all members of the Board.
- c. Decisions of the Board shall be by unanimous consent principle. In case unanimous decision could not be reached, the decision shall be by way of majority vote.
- d. All decisions of the Board shall be binding on all members of the Board.
- e. Any dissenting opinions in the Board meeting must be clearly stated in the minutes of meeting together with the reasons.
- f. All decisions of the Board must be documented in the minutes.

8. Transparency Aspect of the Board

- a. Members of the Board must disclose:
 - his or her share ownership in the Bank;
 - Financial and/or family relationship with other members of the Board, shareholders or management of the Bank.
- b. Members of the Board are prohibited from using the Bank for self, family, and another party's Interest which may cause a loss to or a decrease in the profit of the Bank.
- c. Members of the Board are prohibited from taking and/or receiving any personal gain or benefit from the Bank other than the remuneration and other facilities decided by the General Meeting of Shareholders or as set out in the Bank's constitution.
- d. A Conflict of Interest Policy has been adopted by Bank covering areas of such conflicts.

9. Committees

In implementing Good Corporate Governance principles, the Board will have 5 sub-committees namely:

- Board Advisory & Strategy Committee
- Board Risk Committee
- Board Credit Committee
- Board Audit Committee
- Board Nomination and Remuneration Committee

Each sub-committee will have its Terms of Reference.

Whilst the Board may delegate some of its functions to sub-committees, the responsibilities of the Board shall not be delegated.

The Board Audit Committee shall be instituted in compliance to Section 85 of the Financial Institution Law, 2016 and its responsibilities are stated in Section III below.

SECTION II MANAGEMENT'S ROLE

Senior Management under the leadership of the Chief Executive Officer has the responsibility for the day-to-day management of the Bank. The Management Team has the responsibility of executing the Bank's strategy as approved by the Board.

A number of sub-committees have been formed to facilitate good governance and they are:

- Management Committee
- Management Credit Committee
- Asset – Liability Committee
- Management Audit Committee
- Disciplinary Committee
- Product Committee

The Management Team will provide the Board with sound information and recommendations to enable the Board to make informed decisions.

The Board meets regularly with Management to ensure open communication and also ensures a succession plan for key Management positions.

SECTION III - AUDIT COMMITTEE

1. Number, Composition and Appointment

- An Audit Committee is an independent statutory committee appointed by the Shareholders at a General Meeting.
- Its establishment is governed by Section 85 of the Financial Institutions Law 2016 and the Committee's appointment is for periods of 4 years.
- It consists of three (3) members with one member of the sub-committee being a non-Executive member.
- No member of the Management may serve as a member of the Audit Committee.
- The Audit Committee shall meet ordinarily once every three months and whenever convened by the Board of Directors.

2. Tasks and Responsibilities

- a. Audit Committee shall perform monitoring and evaluation of audit planning and implementation as well as monitoring the audit result and follow-up actions in order to assess the adequacy of internal control together with the adequacy of the financial reporting process.
- b. Section 85 of the Financial Institutions Law 2016 states amongst its responsibilities, the Audit Committee shall:
 - i. establish appropriate accounting procedures and accounting controls for the bank, supervise compliance with such procedures, and audit the bank's accounts and records;

- ii. monitor compliance with the laws and regulations applicable to the bank and report to the Board of Directors thereon;
 - iii. deliver opinions on any matters submitted to it by the Board of Directors.
- c. The objectives of the Audit Committee further include:
- Provide independent oversight over the management of the financial reporting and internal control system, ensuring checks and balances for entities within the Bank
 - Review the financial conditions and performance of the Bank
 - Review the quality of the audits conducted by internal and external auditors
 - Provide a forum for discussion that is independent of management
 - Provide a line of communication between Board and external auditors
- d. Audit Committee must give a recommendation on the appointment of a public accountant/statutory auditor to the Board to be submitted to the General Meeting of Shareholders for approval.

SECTION IV - INTERNAL AUDIT UNIT

1. Bank shall establish an Internal Audit unit which will provide independent assurances to the Board and the Management on the quality and effectiveness of the Bank's internal control. In its duties the Internal Audit unit will ensure that all requirements of law and Central Bank regulations are met.
2. In order to perform the internal audit function effectively, Bank shall establish an Internal Audit Department which is independent from other operational work units and will report to the Board Audit Committee.
3. The Management Audit Committee meets regularly to ensure that all audit findings by the Internal Audit Department are adequately dealt with by the appropriate Heads/Supervisors and where risk ratings are high and unsatisfactory to ensure that adequate measures are taken to mitigate such risks.

SECTION V - EXTERNAL AUDIT FUNCTIONS

1. Bank must appoint a Public Accountant for the purpose of auditing the Bank's financial statements.
2. Appointment of public accountant must obtain prior approval of the General Shareholders Meeting based on candidates proposed by the Board according to the recommendation of the Audit Committee.
3. Appointment of the External Auditor is subject to the approval of the Central Bank and is governed by the Directive on External Auditors as issued by the Central Bank.

SECTION VI INTERNAL CONTROL

The internal control in the form of systems, policies, procedures and processes have been implemented to safeguard the assets of the Bank, control risk and achieve the Bank's objectives. Segregation of duties, dual control, limit control, training and staff rotation are some of the many techniques employed.

The Bank ensures 3 (three) Lines of defence to further enhance control:

- 1st line of Defence – Business units, departments and retail branches who own and manage risk as part of their day-to-day activity

- 2nd line of Defence – Independent risk functions including Risk and Compliance Department, Finance Dept and other functions overseeing risks.
- 3rd line of Defence – Internal audit, external audit and other 3rd party specialists who provide independent assurance

The Bank's internal control environment includes 3 (three) control functions namely:

- Compliance function
- Risk Management function
- Audit function

The Bank ensures that the above functions are adequately staffed and resourced to carry out their responsibilities independently.

SECTION VII - RISK MANAGEMENT IMPLEMENTATION

Risk management system at the Bank includes the establishment of various policies, strategies and processes for identifying, measuring, monitoring, managing and reporting all material risk to which the Bank is exposed.

Risk Management is an integral part of the management process and the Bank ensures that risk management is part the Bank's work culture and embedded in its daily practices and processes.

Risk management focuses on the relationship between risk, returns and its impact on achieving objectives. In its risk management, the Bank defines its risk appetite and ensures that this governs its overall strategy and goals.

SECTION VIII COMPLIANCE

The compliance function provides guidance and oversight to the Bank and provides assurance to the level of compliance to the Board and relevant Board Committees. Further to this a corporate culture of compliance is encouraged throughout the Bank.

SECTION IX - BANK'S STRATEGIC PLANS

Bank prepares a yearly Budget and strategic plan in the form of a business plan which is approved and reviewed at least once a year by the Board.

SECTION X - TRANSPARENCY

Bank ensures transparency in its report on its financial and non-financial conditions to stakeholders. Further, media briefing, announcements and notices over the press and social media are made to communicate its position to the public.

Bank shall also employ transparency in product information and use of Bank customer data.

SECTION XI - CORPORATE CULTURE AND VALUES

The Bank maintains a Code of Conduct which seeks to ensure that a culture of integrity is maintained throughout its organization. The Board and Management ensures that all business is conducted in a legal and ethical manner. A strong risk culture is maintained and the bank operates within the prescribed prudential limits.

An emphasis on training is given to ensure that the corporate culture and values are communicated to all employees.

Unacceptable behavior is not tolerated and disciplinary action taken when such behavior is detected whilst a whistle blowing policy has been established.

SECTION XII - CONFLICT OF INTEREST

The Bank must avoid any action or decision that will give rise to conflict of interest situation. In the event of a conflict of interest, members of the Board and the Bank management are prohibited from taking actions that may cause a loss to the Bank or result in a decrease in the Bank's profit and such conflict of interest situation must be disclosed in the decision by the relevant authority.

A Conflicts of Interest Policy to prevent such conflicts has been adopted by the Bank.

SECTION XIII - SOCIAL RESPONSIBILITY AND THE ENVIRONMENT

1. Management and staff will adopt an objective and positive attitude and give their utmost cooperation for the common good when dealing with the governmental authorities, regulatory bodies and civil society.
2. The Bank ensures effective use of natural resources and encourages actions to improve the quality of life by promoting corporate social responsibilities.
3. The Bank is proactive to the needs of the community and provides assistance in society related programs in line with the aspirations of the concept of "Be the Change"

SECTION XIV - REFERENCE LIST OF KEY POLICIES AND GUIDELINES:

Below is a reference of key policies and guidelines with regard to Corporate Governance:

1. Board Committee terms of reference
2. Management Committee terms of reference
3. Code of Conduct and Ethics
4. Whistleblower Protection Policy
5. Internal Audit Framework
6. Social Media Guidelines
7. Gift Guidelines
8. Anti-Bribery and Anti-Corruption Policy
9. AML Policy and Procedure
10. Disclosure Framework
11. Conflict of Interest Policy

Appendix

Responsibilities of the Board of Directors

The responsibilities of the Board of Directors are stated below and this is in compliance with the Directive on Board of Directors issued by the Central Bank of Myanmar:

- a. keeping up with material changes in the bank's business and external environment as well as act necessary changes in a timely manner to protect the long-term interests of the bank;
- b. overseeing the development of and approve the bank's business objectives and strategies and monitor their implementation;
- c. playing a lead role in establishing the bank's corporate culture and values;
- d. overseeing implementation of the bank's governance framework and periodically review 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 oversee 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 system;
- 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 require 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 approve the bank's policy on transactions with related parties; and
- o. overseeing the compliance of the bank with the Financial Institutions Law, regulations and directives issued there under.