

## **Bank of America Malaysia Berhad Corporate Governance Disclosures for Performance Year 2019**

### **Introduction**

The following information sets forth the qualitative remuneration disclosures required under Part F, section (22), paragraphs (22.1)-(22.7), of the Bank Negara Malaysia's Corporate Governance regulation ("CGR") as in force at 31 December 2016, regarding information on remuneration in performance year 2019 for Bank of America Corporation ("Bank of America" or the "Company"). The quantitative disclosures required under Part F, section (22), paragraph (22.3) of the CGR appear after this section.

The Company's remuneration policies, principles and practices are applied across the enterprise and are therefore applicable to Bank of America Malaysia Berhad ("BAMB").

The Company applies prudent risk management practices to its incentive remuneration programs across the enterprise and is committed to a remuneration governance structure that effectively contributes to its overall risk management policies.

In order to provide an appropriate balance of risk and reward, incentive remuneration plans are developed in accordance with the Company's Global Compensation Principles:

Principle 1 Compensation should be comprised of an appropriate mix of salary, benefits and incentives paid over time that properly aligns employee and stockholder interests.

Principle 2 Criteria for payment of incentive compensation should take into account Company-wide, business unit and individual factors.

Principle 3 Compensation should be determined on the basis of a combination of financial and non-financial factors that reflect both the current period and a longer period.

Principle 4 Compensation programs should incorporate appropriate governance processes and procedures.

These principles work in conjunction with broader remuneration practices, including the Company's overall commitment to pay for performance, remuneration policies and risk management processes set forth in the Company's Risk Framework and Risk Appetite Statement.

### ***Governance and the Decision-making Process for Determining the Remuneration Policy***

The Company applies its remuneration policy on a global basis. In addition to BAMB's Board of Directors and its Remuneration Committee, the Company has four primary levels for the governance of incentive remuneration plans:

- (i) the Board of Directors (the "Board"),
- (ii) the Board of Directors Compensation and Human Capital Committee (the "Committee"), which is wholly made up of independent directors and functions as the Company's global Remuneration Committee,
- (iii) the Management Compensation Committee ("MCC"), and
- (iv) governance by line of business management and independent control functions aligned to the line of business and regional governance.

The Committee oversees the establishment, maintenance and administration of the Company's remuneration programs and employee benefit plans, including approving the remuneration of the direct reports of the Chief Executive Officer (the "CEO") and approving and recommending the remuneration of the CEO to the Board for its further approval. Under supervision of the Committee, oversight, review and responsibility for remuneration decision-making is allocated to the appropriate level of the Company's structure so that the most relevant level of management makes remuneration decisions with documented input from the Company's independent control functions.

The Committee has adopted and annually reviews (most recently in September 2019) the Bank of America Compensation Governance Policy ("CGP") to govern incentive remuneration decisions and define the framework for design oversight of incentive remuneration programs across the Company. The CGP is designed to be consistent with global regulatory initiatives so that the Company's incentive remuneration plans do not encourage excessive risk-taking.

The Committee receives, from time to time, direct feedback from the independent control functions on remuneration programs. For performance year 2019, in addition to reviewing the individual incentive remuneration awards for executive officers and other senior executives who report directly to the CEO, the Committee also reviewed the outcomes of the Company's robust control function feedback process, conduct reviews and individual incentive remuneration awards for certain highly compensated employees and material risk takers. As part of its governance routine, the Committee met with the heads of the Company's independent control functions (including the Chief Risk Officer ("CRO")) and business lines to discuss their feedback on the pay-for-performance process, including their experience managing risk and conduct matters. In addition, the Company's CRO also certifies all incentive plans across the Company as part of the MCC's governance process.

As a result of these processes and reviews, and in combination with the risk management and clawback features of the Company's remuneration programs, Bank of America believes that its remuneration policies and practices appropriately balance risk and reward in a way that does not encourage excessive or imprudent risk-taking or create risks that are reasonably likely to have a material adverse effect on the Company. Moreover, oversight by the Committee, MCC, independent control functions, and line of business management help the Company maintain a remuneration program that is intended to mitigate the potential for conflicts of interest.

As authorized under its charter, the Committee has engaged Farient Advisors, LLC as its independent remuneration consultant. The independent remuneration consultant meets regularly with the Committee outside the presence of management and alone with the Committee Chair, and also reviews management's incentive plan certifications with the Committee.

During performance year 2019, the Committee held seven (7) meetings. Additional information regarding the Committee is included in the annual Proxy Statement available on Bank of America's Investor Relations website: <http://investor.bankofamerica.com>.

### ***The Link Between Pay and Performance***

The cornerstone of Bank of America's remuneration philosophy across all lines of business is to pay for performance – Company, line of business and individual performance. Through the Company's Performance Management process, employees understand performance expectations for their role through ongoing dialogue with their manager. The Performance Management process is designed and monitored by the Leadership Development function in Human Resources. This process is reviewed periodically so that it meets the needs of managers to assess and communicate performance expectations. Throughout the year, employees receive coaching on their performance and ultimately receive a rating for their full year of performance based upon their achievement of goals for their job.

In addition, the Company does not remunerate or assess employees' performance in a way that encourages employees to act in a manner that conflicts with the duties owed to the Company's clients. Each employee's performance is assessed on quantitative and qualitative objectives as well as specific behaviors, and performance is factored into each employee's incentive remuneration award. Depending on the employee, quantitative performance objectives may be focused on Company-wide, line of business or product results. Qualitative performance objectives may include quality and sustainability of earnings, successful implementation of strategic initiatives, adoption of risk culture/adherence to the Risk Framework and operating principles and other core values of the Company.

Employees receive two ratings – a Result rating (based on factors such as business performance) and a Behavior rating (based on factors such as conduct, broader contributions to the Company, leadership, teamwork, etc.). The scale for both ratings is Exceeds Expectations, Meets Expectations and Does Not Meet Expectations. Both the Result and Behavior ratings are used in determining employees' remuneration. As a result, an employee's remuneration can be influenced not only by what the employee achieves, but how the employee achieves it and the employee may receive no variable award if performance is not sufficiently strong.

The Company's pay-for-performance program also requires that all employees complete annual mandatory risk and compliance training.

### ***Risk Management and Incentive Plans***

Risk is inherent in every material business activity that the Company undertakes. The Company's business exposes it to strategic, credit, market, liquidity, compliance, operational and reputational risks. The Company must manage these risks to maximize its long-term results by ensuring the integrity of its assets and the quality of its earnings. To support the Company's corporate goals and objectives, risk appetite, and business and risk strategies, the Company maintains a governance structure that delineates the responsibilities for risk management activities, as well as governance and oversight of those activities, by management and the Company's Board.

Executive management develops for Board approval the Company's Risk Framework, which defines the accountability of the Company and its employees in managing risk; the Company's Risk Appetite Statement, which defines the parameters under which the Company will take risk; and the Company's strategic and financial operating plans. Management monitors, and the Board oversees directly and through its committees, the Company's financial performance, execution against the strategic and financial operating plans, compliance with the risk appetite metrics and the adequacy of internal controls.

The Company believes that prudent risk management practices are applied to its incentive remuneration programs across the enterprise. The Company continually evaluates the design of its remuneration programs in accordance with the Risk Framework. The Committee is committed to a remuneration governance structure that effectively contributes to the Company's broader risk management policies.

The Company's incentive plans are designed to compensate employees based on their performance ratings for results against their individual performance plan and behaviors, as well as overall Company and line of business performance.

Annual budgets for incentive pools are established as part of the overall financial planning process so that planned incentives align to the overall anticipated performance of the Bank. Incentive pools are based on a combination of financial, risk and non-financial measures and performance. The determination of incentive pools is also subject to management discretion, taking into account overall performance, inclusive of risk, of the Bank and /or specific lines of business and other factors including the achievement of strategic objectives and a qualitative assessment of the quality and sustainability of earnings over time. Incentive pools may be adjusted to reflect long-term risk arising through line of business and product performance.

Risk is also taken into account and managed in connection with the Company's incentive remuneration programs through arrangements permitting performance adjustment of deferred variable remuneration. Employees in positions where the greatest risk is being taken are subject to higher levels of deferral and potential performance adjustments.

The remuneration of the independent control functions is determined independently from the line of business supported. The funding of the incentive pools for these employees is based upon overall Company performance with the actual employee awards determined based upon individual performance against predetermined objectives.

### ***Employee Pay***

Bank of America compensates its employees using a balanced mix of fixed remuneration, benefits, annual cash incentives and deferred incentives (which are delivered in equity, equity-based instruments or cash). In general, the higher an employee's management level or amount of incentive remuneration award, the greater the proportion of incentive remuneration that should be (i) subject to deferral and (ii) delivered in the form of equity-based remuneration. The Company believes equity-based awards are the simplest, most direct way to align employee interests with those of its stockholders. A portion of incentive awards is provided as a deferred incentive that generally becomes earned and payable over a period of three years after grant and will be cancelled in case of detrimental conduct and (for certain risk takers) may be cancelled if the Company, line of business or business unit (as applicable) fails to remain profitable during the vesting period. This approach serves two key objectives, which are to focus employees on long-term sustainable results and to subject remuneration awards to risk over an appropriate time horizon that can be easily communicated and understood.

### ***Senior Management and Material Risk Taker Pay***

The Company operates an enterprise-wide approach in the identification of material risk takers, which has included determining where Senior Management and other material risk takers (or equivalent designations) are located. Senior Management for the purposes of the CGR refers to the BAMB CEO and senior officers. Other material risk takers include individual employees who "can materially commit or control significant amounts of the financial institution's resources or whose actions are likely to have a significant impact on its risk profile, or who are among the most highly remunerated officers in the financial institution." The Company considers that it applies its remuneration policies (including the determination of Senior Management and other material risk takers) in a way that is appropriate to the size, internal organization and the nature, scope and complexity of its activities in all the countries in which it operates.

Variable pay for certain members of Senior Management and other material risk takers for performance year 2019 generally consists of a mixture of upfront and deferred payments. Deferred awards will be cancelled in the case of detrimental conduct and may be cancelled if the Company, line of business or business unit, as applicable, fails to remain profitable during the vesting period. For certain risk-takers, if risks taken as part of approved business strategies do not result in sustainable profits, or if the employee fails to behave according to Company standards, the value of the deferred equity award may be impacted.

By combining deferred awards with the Company's malus and clawback provisions, the Company considers that it places a strong focus on sustainable long-term results and appropriate behaviors.

## Quantitative Data

This section contains the information required under Part F, section (22), paragraph (22.3) of the CGR in respect of BAMB. The quantitative information describes remuneration for performance year 2019 including (i) the BAMB CEO, (ii) BAMB non-executive directors, (iii) Senior Management and (iv) other material risk takers.

	BAMB CEO	
Total value of remuneration awards for the current financial year	Non-deferred (\$ 000's)	Deferred (\$ 000's)
<b>Fixed remuneration</b>		
Cash based (MYR)	1,496	-
Shares and shared-linked instruments (MYR)	-	-
<b>Variable remuneration</b>		
Cash based (MYR)	1,666	-
Shares and shared-linked instruments (MYR)	-	1,335

	Independent Director - Hussein, Mohammed Bin Haji Che		Independent Director - Cairns, David Allan	
Total value of remuneration awards for the current financial year	Non-deferred (\$ 000's)	Deferred (\$ 000's)	Non-deferred (\$ 000's)	Deferred (\$ 000's)
<b>Fixed remuneration</b>				
Cash based (MYR)	135	-	168	-
Shares and shared-linked instruments (MYR)	-	-	-	-
<b>Variable remuneration</b>				
Cash based (MYR)	-	-	-	-
Shares and shared-linked instruments (MYR)	-	-	-	-

	Independent Director - Maricar, Ayesha Natchiar Binti Dato Ally		Independent Director - Kam, Kellee Chee Khiong	
Total value of remuneration awards for the current financial year	Non-deferred (\$ 000's)	Deferred (\$ 000's)	Non-deferred (\$ 000's)	Deferred (\$ 000's)
<b>Fixed remuneration</b>				
Cash based (MYR)	135	-	135	-
Shares and shared-linked instruments (MYR)	-	-	-	-
<b>Variable remuneration</b>				
Cash based (MYR)	-	-	-	-
Shares and shared-linked instruments (MYR)	-	-	-	-

	Senior Management (8 Beneficiaries)		Other Material Risk Takers (8 Beneficiaries)	
Total value of remuneration awards for the current financial year	Non-deferred (\$ 000's)	Deferred (\$ 000's)	Non-deferred (\$ 000's)	Deferred (\$ 000's)
Fixed Remuneration				
Cash based (MYR)	4,331	-	4,596	-
Shares and shared-linked instruments (MYR)	-	-	-	-
Other	-	-	-	-
Variable Remuneration				
Cash based (MYR)	2,199	-	2,891	-
Shares and shared-linked instruments (MYR)	-	1,453	-	1,021
Other	-	-	-	-
Other Remuneration				
Total guaranteed bonuses (MYR)	-	-	-	-
Number of guarantees awarded (MYR)	-	-	-	-
Total sign-on awards (MYR)	-	-	-	-
Number of sign-on awards (MYR)	-	-	-	-
Total severance payments (MYR)	-	-	-	-
Number of severance payments (MYR)	-	-	-	-
Deferred Remuneration				
Outstanding Cash based (MYR)	-		-	
Outstanding Shares and shared-linked instruments (MYR)	3,027		1,106	
Outstanding Other (MYR)	-		-	
Paid out during financial year (MYR)	2,068		388	
Implicit/Explicit Adjustments				
Total amount exposed to adjustments (MYR)	3,027		1,106	
Total reduction due to ex-post explicit adjustments (MYR)	-		-	
Total reduction due to ex-post implicit adjustments (MYR)	-		-	