

PUBLIC ISLAMIC BANK

Corporate Governance Disclosures

As an Islamic financial institution licensed under the Islamic Financial Services Act 2013 (IFSA 2013), Public Islamic Bank (PIBB) complies with the corporate governance standards and practices set out in the Bank Negara Malaysia (BNM)'s Policy Document on Corporate Governance (BNM Policy Document on CG) and principles of BNM Policy Document on Shariah Governance.

BOARD OF DIRECTORS

Board Responsibilities

The Board is responsible for formulating and reviewing key policies and charting the course of PIBB's strategic direction. The Board, through the Audit Committee, Risk Management Committee, Risk Management Committee on Compliance function, Joint Public Bank (PBB)/PIBB Credit Risk Management Committee and Joint PBB/PIBB Board Sustainability Management Committee provides effective oversight of the Management's performance, risk assessment and controls over business operations, sustainability management and compliance with regulatory requirements. The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives.

The key responsibilities of the Board include but are not limited to the following:

- Approving PIBB's risk appetite, annual business plans, and the medium-term and long-term strategic plans.
- Approving PIBB's annual budget and carrying out periodic review of the achievements by the various operating divisions against their respective business targets.
- Prescribing the minimum standards and establishing policies on the management of credit risks and other key areas of PIBB's operations.
- Overseeing PIBB's business operations and financial performance.

- Overseeing the implementation of PIBB's governance framework and ensuring that the operating infrastructure, systems of internal control, systems for risk identification and management, financial and operational controls, are in place and properly implemented.
- Overseeing the selection, performance, remuneration and succession plans of the Chief Executive Officer (CEO), control function Heads and other members of Senior Management, such that the Board is satisfied with the collective competence of Senior Management to effectively lead the operations of PIBB.
- Promoting, together with Senior Management, a sound corporate culture within PIBB which reinforces ethical, prudent and professional behaviour including fostering a strong compliance culture within PIBB.
- Ensuring that the culture of accountability, transparency, integrity, professionalism and responsible conduct is consistently adhered to in PIBB.
- Promoting sustainability through appropriate environment, social and governance considerations in PIBB's business strategies.
- Overseeing and approving the recovery and resolution as well as business continuity plans for PIBB to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress.
- Promote timely and effective communication between PIBB and BNM on matters affecting or that may affect the safety and soundness of PIBB.
- Ensuring that the operations are Shariah compliant.
- Promote Shariah compliance in accordance with expectations set out in the BNM Policy Document on Shariah Governance and ensure its integration with PIBB's business and risk strategies.
- Undertaking various functions and responsibilities as specified in the policy documents and directives issued by BNM and other regulatory authorities from time to time.

The Board has delegated authority to various Board Committees to enable them to support the Board effectively in accordance with their terms of reference.

Board Meetings and Access to Information

Board meetings for the ensuing financial year are scheduled in advance before the end of the current financial year so that the Directors are able to plan ahead and ensure their full attendance at Board meetings.

The Board holds regular meetings of no less than 16 times a year. In addition to monthly Board meetings, the Board also meets as soon as PIBB's quarterly and annual results are finalised in order to review and approve the results for submission to BNM. Special Board meetings may be convened as and when necessary to consider urgent proposals or matters that require the Board's expeditious review or consideration.

PIBB's Constitution allows a Member of the Board of Directors to participate in a meeting of the Directors by means of a conference telephone, video conference or any other instantaneous tele-communication device which allows all persons participating in the meeting to hear each other. In 2022, Board meetings were conducted virtually as a precautionary measure to contain the spread of COVID-19, especially in a confined room.

Pursuant to the BNM Policy Document on CG, the quorum for Board meetings is at least half of the number of the Board Members and a Director is required to attend at least 75% of the Board meetings held in each financial year.

At the monthly Board meetings, the Board reviews management reports on the business performance of PIBB and reviews, inter-alia, the results compared to the preceding month and year-to-date, and also the comparison against pro-rated business targets and against the industry. As part of the integrated risk management initiatives, the Board is informed of the decisions and salient issues deliberated by the Audit Committee, Risk Management Committee, Joint PBB/PIBB Credit Risk Management Committee and Joint PBB/PIBB Board Sustainability Management Committee through minutes of these committees.

The Board Members deliberate on and, in the process, assess the viability of business propositions and corporate proposals, and the principal risks that may have significant impact on PIBB's business or on its financial position, and the mitigating factors. The Board also assesses various types of credit propositions and matters that are required to be submitted to the Board for concurrence or approval, in accordance with the policy documents issued by BNM.

The Chairs of various Board Committees would inform the Directors at Board meetings, of salient recommendations and matters that may have arisen at their respective meetings which require the Board's notice or direction to be given to the Management.

The minutes of various Board Committees meetings which record the key deliberations and the decisions taken during these meetings are circulated to all Board Members for noting together with the monthly Board meeting agenda items.

To facilitate productive and meaningful deliberations, the proceedings of the Board meetings are conducted in accordance with a structured agenda. The agenda together with comprehensive management reports and proposal papers are furnished to the Directors at least 7 days before the Board meeting. The meeting papers are uploaded onto a secure portal which are accessible by the Directors from the electronic devices provided by PIBB.

The Board Members are well prepared for Board meetings and engage in robust discussions on key matters in the agenda.

A Director is required to abstain from deliberations and decisions of the Board on matters where he/she is the interested party, and he/she does not exercise any influence over the Board in respect of the matter.

The minutes of the Board meetings are circulated to all Directors for their perusal prior to confirmation of the minutes to be done at the commencement of the following Board meeting.

The CEO is invited to attend the Board meetings to provide comprehensive monthly updates to the Board on PIBB's business operations and detailed explanations on matters tabled to the Board.

The Head of Shariah is invited to attend the Board meetings to brief and update the Board on matters related to Shariah.

The Deputy CEO of Public Bank (PBB) (parent company) attends Board meetings by invitation, while the relevant Senior Management Officers of PBB are invited to attend Board meetings to brief and provide details to the Directors on recommendations or reports submitted to the Board.

Board Charter

The Board Charter sets out the roles and responsibilities of the Board, Board Committees, individual Directors and Management in upholding sound corporate governance standards and practices. The Board Charter reflects the procedures of the Board and matters reserved for the Board's consideration and approval.

The Board Charter is available at PIBB's corporate website at www.publicislamicbank.com.my.

Board Composition

The Board as at 27 March 2023 comprises 5 Members following the demise of Tan Sri Dato' Sri Dr. Teh Hong Piow on 12 December 2022 and Mr Vasantha Kumar Tharmalingam on 9 March 2022. The size and composition of the Board are able to provide for a diversity of views, facilitate effective decision making, and appropriate balance of independent and non-independent directors. The present Board has the appropriate combination of experience and expertise in banking and finance, accountancy, Shariah and Islamic finance.

The 5 Members of the Board are persons of high calibre and integrity, and they possess the appropriate skills, knowledge, experience and competencies to address key risks and major issues relating to PIBB's business and its policies and strategies. The Directors more than adequately fulfill the fit and proper criteria as specified in the IFSA 2013 and the BNM Policy Document on Fit and Proper Criteria.

The composition of the Board is in compliance with the requirements on composition of Board as stated in the BNM Policy Document on CG and the Malaysian Code on Corporate Governance 2021.

The profile of each of the Member of the Board is as follows:

Dato' Haji Kamil Khalid bin Dato' Mushir Ariff
Independent Non-Executive Chairman

- Dato' Haji Kamil Khalid bin Dato' Mushir Ariff, graduated with an MBA in International Business from Central Michigan University, USA in 1979. Prior to that, he obtained a BSc in Management from Syracuse University, New York and a Diploma in Public Administration from ITM.
- His last full-time employment was as Managing Director/Chief Executive Officer of Mahkota Technologies Sdn Bhd (formerly known as General Electric Company of the UK) the first Asian to hold that position.
- In the last 40 years, Dato' Haji Kamil Khalid served in numerous management and Board positions in several large corporate entities viz, The New Straits Times, Kumpulan Perangsang Selangor Bhd, Kumpulan Guthrie Bhd and Idris Hydraulic Bhd. He was also a founder Director of the Kuala Lumpur Tin Market, which he, as part of a Government Steering Committee, help set up in the mid-1980s.

Tan Sri Dato' Sri Dr. Tay Ah Lek
Non-Independent Executive Director

- Tan Sri Dato' Sri Dr. Tay Ah Lek possesses extensive experience in the banking and finance industry.
- Tan Sri Tay's wide experience and knowledge of the financial industry is recognised by his appointment as the Chairman of the Association of Hire Purchase Companies Malaysia, and his appointment as a Member/Director of several organisations/companies of the banking industry. He is presently a Council Member of the Association of Banks in Malaysia and the Asian Institute of Chartered Bankers.
- Tan Sri Tay holds a Master's degree in Business Administration from Henley, United Kingdom and is an Alumni of Harvard Business School. He is an Emeritus Fellow of the Malaysian Institute of Management, a Fellow, Chartered Banker, of the Asian Institute of Chartered Bankers, and is a Fellow of CPA Australia and the Financial Services Institute of Australasia.

Datin Dr. Rusnah binti Muhamad
Independent Non-Executive Director

- Datin Dr. Rusnah holds a Diploma Executive Studies in Shariah from University of Malaya Centre for Continuing Education and a Bachelor of Accounting from University of Malaya.
- She also holds a Master of Science in Accounting and Finance from University of Stirling, United Kingdom and obtained PhD in Accounting from University of Malaya.
- She was an Associate Professor at the Faculty of Business and Accountancy, University of Malaya until October 2022.
- She is a Fellow of CPA Australia and Associate Member of Association of Shariah Advisors in Islamic Finance (ASAS).
- Datin Dr. Rusnah is currently an Independent Non-Executive Director of AIA PUBLIC Takaful Berhad.

Mr Lam Song Shen
Independent Non-Executive Director

- Mr Lam Song Shen is a Certified Public Accountant of Malaysian Institute of Certified Public Accountants and Chartered Accountant of Malaysian Institute of Accountants.
- He started his career with Coopers & Lybrand (now known as PricewaterhouseCoopers) and after 10 years, he left to join the AmBank Group. He worked in AmBank Group for 31 years in various entities and in different capacities.
- Mr Lam was the Managing Director of Arab-Malaysian Credit Bhd from 1996 to 2001.
- He had represented AmBank in the Council of the Association of Hire Purchase Companies Malaysia from 1996 to 2018.

Dr. Shafaai bin Musa
Independent Non-Executive Director

- Dr. Shafaai bin Musa received his Degree in Shariah from University of Al-Azhar in 1991 and completed his Master's Degree in Comparative Laws at the International Islamic University Malaysia (IIUM) in 1994. Subsequently, Dr. Shafaai obtained a PhD in Comparative Laws from University of Glasgow Caledonian in 2000. He is also a Registered Financial Planner and Shariah Registered Financial Planner of the Malaysia Financial Planning Council (MFPC) since 2009.
- Dr. Shafaai started his career at IIUM in 1992 and served IIUM for 27 years in various capacities until 2019. Dr. Shafaai is the Chairman of Shariah Committee of PIBB, Chairman of Shariah Advisory Council of RGA Retakaful, Member of Shariah Advisory Council of MFPC and Member of Investigating Tribunal Panel of the Bar Council Malaysia.

Board Balance and Independence of Directors

The current Board comprises 1 Non-Independent Directors and 4 Independent Non-Executive Directors ie. 4 out of 5 Directors or 80% of the Board Members are Independent Non-Executive Directors.

The presence of a majority of Independent Non-Executive Directors provides effective check and balance in the functioning of the Board to safeguard the interests of PIBB and all stakeholders.

The Independent Non-Executive Directors are not employees and there are no relationships or circumstances which are likely to affect, or could appear to affect, the Independent Non-Executive Directors' judgement. They bring an external perspective, constructively challenge the Management and monitor the success of Management in delivering the approved targets and business plans within the risk appetite set by the Board, and monitor the risk profile of PIBB's business and the reporting of monthly business performances.

Each of the Independent Non-Executive Directors continues to demonstrate conduct and behaviour that are essential indicators of independence, and each of them continues to fulfill the definition of independence as set out in the BNM Policy Document on CG.

Tenure of Independent Directors

The maximum tenure of an Independent Non-Executive Director shall be a cumulative term of 9 years. Upon reaching such maximum tenure, the Independent Non-Executive Director may continue to serve on the Board but shall be re-designated as a Non-Independent Non-Executive Director.

New Appointment and Re-Appointment of Director

Pursuant to provisions of the IFSA 2013 and policy documents and guidelines issued by BNM, the proposed appointment of a new Director is subject to the prior approval of BNM, and the term of appointment shall be as specified by BNM in its approval.

The Nomination and Remuneration Committee is responsible for assessing the candidate for proposed directorship and thereupon submitting their recommendation to the Board for decision. The Nomination and Remuneration Committee's recommendation is made after due consideration of, inter-alia, the following:

- The Board's composition and requirements in terms of appropriate size, required mix of skills, experience and core competencies, diversity and adequacy of balance between Independent and Non-Independent Directors.
- The candidate's ability to supplement the collective skillsets of the Directors and bring different perspectives to the Board, and his/her fitness and propriety to be considered for appointment based on the factors specified in PIBB's Fit and Proper Policy and the BNM Policy Document on Fit and Proper Criteria which include the following:
 - Probity, personal integrity and reputation.
 - Competency and capability.
 - Financial integrity.
- The candidate meets regulatory requirements for appointment and possesses the qualifications to be able to contribute effectively as a Member of a harmonious Board.

The proposed re-appointment of a Director, upon expiry of his/her current term of appointment as approved by BNM, is subject to the approval of BNM.

The Nomination and Remuneration Committee is responsible for assessing the performance of Directors whose current term of appointment as approved by BNM is due to expire, and for submitting their recommendation to the Board for decision to submit the application to BNM for the proposed re-appointment of the Director concerned.

Re-Election of Directors

The Constitution of PIBB provides that at every annual general meeting of PIBB, one-third of the Directors for the time being or the number nearest to one-third, and those Directors newly appointed subsequent to the preceding annual general meeting, shall retire from office and shall be eligible for re-election. The Constitution further provides that all Directors shall retire from office once at least in each 3 years but shall be eligible for re-election.

The performance and the fitness and propriety of those Directors who are subject to re-election at the annual general meeting of PIBB will be assessed by the Nomination and Remuneration Committee whereupon recommendation will be submitted to the Board for decision to table the resolution on the re-election of the Director concerned for shareholder's approval at the next annual general meeting.

Time Commitment

To ensure that Directors do not have competing time commitments that impair their ability to discharge their duties effectively, the Board has established a policy on the maximum number of directorships in public listed companies, non-public listed companies and non-profit organisations that a Director can hold in Malaysia and offshore/overseas, which is as follows:

- Maximum of 5 directorships held in public listed companies.
- Maximum of 15 directorships/positions held in non-public listed companies and non-profit organisations.

The Directors remain fully committed in carrying out their duties and responsibilities and are able to give sufficient time commitment to their duties and responsibilities as reflected by, inter-alia, the following:

- Their attendance at the Board meetings held during the financial year ended 31 December 2022.

- The total number of directorships held by each Director is in compliance with the maximum number set by the Board.

The Directors' record of attendance at Board meetings held in the financial year ended 31 December 2022, is as reflected below:

Name of Director	Number of Board Meetings	
	Held During Tenure in Office	Attended
Non-Independent		
Late Tan Sri Dato' Sri Dr. Teh Hong Piow ¹ <i>Non-Executive Director</i>	17	16
Tan Sri Dato' Sri Dr. Tay Ah Lek <i>Executive Director</i>	18	18
Independent		
Dato' Haji Kamil Khalid bin Dato' Mushir Ariff <i>Non-Executive Chairman</i>	18	18
Datin Dr. Rusnah binti Muhamad <i>Non-Executive Director</i>	18	18
Mr Lam Song Shen <i>Non-Executive Director</i>	18	18
Dr. Shafaai bin Musa ² <i>Non-Executive Director</i>	5	5
Late Mr Vasantha Kumar Tharmalingam ³ <i>Non-Executive Director</i>	4	3

Notes:

¹ Demised on 12 December 2022.

² Appointed as Independent Non-Executive Director with effect from 1 September 2022.

³ Demised on 9 March 2022.

All Directors have thus well complied with the BNM Policy Document on CG which specifies that each Director must attend at least 75% of the Board meetings held in each financial year.

Directors' Training

During financial year 2022, the Members of the PIBB Board had received training on areas relevant to their duties and responsibilities as Directors by participating virtually in external seminars/talks and internally facilitated sessions. The Directors had participated virtually in talks, webinars, dialogue sessions and focus group sessions organised by Financial Institutions Directors' Education (FIDE) Forum, an initiative of the alumni members of the FIDE Programme, which is set up to enhance corporate governance practices in the boards of financial institutions and to develop world class directors who are advocates of best practices and excellence in corporate governance.

The Company Secretary and the Knowledge & Learning Centre of PBB undertake the role as the co-ordinator to manage and co-ordinate the Directors' training requirements, which include the following:

- **Mandatory**
 - All newly appointed Directors are required to complete the Core Module of the programme for Directors of financial institutions conducted by the Financial Institutions Directors' Education (FIDE), within 1 year of their appointment.
 - Additionally, all newly appointed Directors are also required to complete the Islamic Finance for Board Programme conducted by the International Shariah Research Academy for Islamic Finance within 2 years of their appointment.
 - New Directors are to participate in induction programmes which allows the new Directors to meet with the CEO/Senior Management staff and be accustomed with PIBB's governance framework, financial management and business operations.

- **Electives**

Upon completion of the FIDE Core Programme, Directors are eligible to attend/participate virtually in FIDE Elective programmes that focus on Board Committee, technical and advanced governance issues.

- Enrichment

To keep abreast with the developments in the marketplace, Directors will be provided with opportunities to attend/participate virtually in public programmes or seminars on the areas related to their functions/roles and for continuous development.

Directors may request that training programmes on specific subjects be arranged in order to facilitate them to discharge their duties effectively.

The Company Secretary, Secretaries of Audit Committee, Risk Management Committee and Risk Management Committee on Compliance function regularly update and apprise the Directors on new statutes, policy documents and guidelines issued by the regulatory authorities, and the requirements to be observed by PIBB and Directors thereupon.

The Nomination and Remuneration Committee conducts annual review of training received by the Directors during each financial year and recommends to the Board for approval, the budget for Directors' training and development on yearly basis.

Conferences, seminars and training programmes participated by Directors in 2022 included the following:

Corporate Governance

- Webinar: Talk on “No Rules” Rules: Building a Corporate Culture that Breeds Innovation and Flexibility.
- Webinar: PowerTalk on Talent Uprising - How Boards Should Rethink Their Talent Strategy in this Era of Opportunity.

Risk/Compliance/Regulatory

- Webinar: Talk Sanctions and Financial Crime Prevention.
- The Emerging Trends, Threats and Risks to the Financial Services Industry - Managing Global Risk, Investment and Payment System.
- FIDE FORUM-ICDM: Board Risk Committee Dialogue.

Banking, Finance & Economy

- Webinar: Talk on the Token Economy, Cryptocurrencies and CBDCs.
- 1st Distinguished Board Leadership Webinar 2022 on MetaFinance: The Next Frontier of the Global Economy.
- Webinar: Talk on Leading Through Banking Transformation.

Islamic Banking and Finance

- Islamic Finance for Board of Directors.

Environment, Social and Governance (ESG)

- Webinar: Talk on Understanding Task Force of Climate-Related Financial Disclosures.
- BNM-FIDE FORUM Dialogue on Climate Risk Management and Scenario Analysis.
- PowerTalk ESG Series #4 - ESG Disclosure at a Glance: Key Developments and Future Trends.
- PowerTalk ESG Series #5 - Climate Change and Carbon: From the Financial Risk & Reporting Perspectives.
- PowerTalk ESG Series #6 - Climate Characteristics of ESG & Sustainability Leadership.
- Webinar: Talk on ESG Frameworks: Understanding the Alphabet Soup.

Directors' Remuneration

The Nomination and Remuneration Committee recommends the level and structure of Directors' fees which comprise an annual fee for service on the Board and ensures that the level of remuneration for Directors is linked to their level of responsibilities undertaken and contributions to the effective functioning of the Board. In making its recommendation, the Nomination and Remuneration Committee considers the duties and responsibilities of the Directors.

The Board as a whole determines the remuneration of Directors.

The proposed Directors' fees for the financial year ended 31 December 2022 are subject to shareholder's approval.

Board Evaluation

The Board had established an annual performance evaluation process to assess the performance and effectiveness of the Board and Board Committees, as well as the performance of each Director. The Board evaluation exercise assists the Board to address any gaps and improvement required for the Board.

The Board upon its annual assessment carried out for financial year 2022, concurred with the Nomination and Remuneration Committee that:

- The present Board has the appropriate combination of experience and expertise in banking, accounting, finance, business and commerce, management experience, understanding of industry and customers, Shariah and Islamic finance and familiarity with regulatory requirements.
- All the Members of the Board are persons of high calibre and integrity, and they possess the appropriate skills, knowledge, experience and competencies to address key risks and major issues relating to PIBB's business and its policies and strategies. All Members of the Board had discharged his/her duties and responsibilities effectively for the financial year 2022. The Directors more than adequately fulfil the fit and proper criteria as specified in the Islamic Financial Services Act 2013 and the BNM Policy Document on Fit and Proper Criteria.
- The Board Committees had remained effective in the financial year 2022.

BOARD COMMITTEES

The Board has established the following Board Committees whose compositions and terms of reference are in accordance with the BNM Policy Document on CG to support the Board in carrying out its functions:

- Nomination and Remuneration Committee
- Audit Committee
- Risk Management Committee
- Risk Management Committee on Compliance Function
- Joint PBB/PIBB Credit Risk Management Committee
- Joint PBB/PIBB Board Sustainability Management Committee

The roles and responsibilities of Board Committees as well as authority delegated by the Board to these Committees, are reviewed from time to time to ensure that they remain relevant and are up-to-date.

Nomination and Remuneration Committee

Composition

The members of the Nomination and Remuneration Committee as at 27 March 2023 are as follows:

- Datin Dr. Rusnah binti Muhamad (Chair)
Independent Non-Executive Director
- Dato' Haji Kamil Khalid bin Dato' Mushir Ariff
Independent Non-Executive Chairman
- Mr Lam Song Shen
Independent Non-Executive Director
- Dr. Shafaai bin Musa
Independent Non-Executive Director

Roles and Responsibilities

The roles and responsibilities of the Nomination and Remuneration Committee are as follows:

- To establish the minimum requirements on the skills, knowledge, expertise, experience, qualifications and other core competencies of a Director and of the CEO.
- To assess and recommend to the Board suitable persons for appointment as Directors, Board Committee Members, CEO, and other key responsible persons (KRPs) as defined in the BNM Policy Document on Fit and Proper Criteria.
- To assess and recommend to the Board suitable persons for appointment as Shariah Committee Members as defined in the BNM Policy Document on Shariah Governance.
- In the case of persons for appointment as Independent Non-Executive Director, to assess that the person meets the criteria of Independent Director as may be defined in the BNM Policy Document on CG. This includes to assess annually that the Independent Director meets the criteria of an Independent Director as may be defined in the BNM Policy Document on CG.

- To assess and recommend to the Board, the Directors/CEO/Shariah Committee Members for re-appointment before the application for approval is submitted to BNM.
- To oversee the Board succession plan and overall composition of the Board in terms of appropriate size, required mix of skills, experience and core competencies, and adequacy of balance between Executive Directors, Non-Executive Directors and Independent Directors through annual review.
- To establish the mechanisms for the formal assessment of the effectiveness of the Board as a whole; the Board Committees; the effectiveness of each Director; the performance of Shariah Committee Members, and the performance evaluation of the CEO and other KRPs as defined in the BNM Policy Document on Fit and Proper Criteria. The annual assessment to be conducted would be based on objective performance criteria as approved by the Board.
- To assess, on an annual basis, that the Directors, the CEO, the Company Secretary and other KRPs as defined in the BNM Policy Document on Fit and Proper Criteria are not disqualified under Section 68 of the IFSA 2013 and that the Directors, the CEO, the Company Secretary and other KRPs as defined in the BNM Policy Document on Fit and Proper Criteria continue to meet the fit and proper criteria as stated in the IFSA 2013; BNM Policy Document on Fit and Proper Criteria and PIBB's Fit and Proper Policy as approved by the Board.
- To assess, on an annual basis, that the Shariah Committee Members are not disqualified under the BNM Policy Document on Shariah Governance and that the Shariah Committee Members as defined in the BNM Policy Document on Fit and Proper Criteria continue to meet the fit and proper criteria as stated in IFSA 2013; BNM Policy Document on Fit and Proper Criteria and PIBB's Fit and Proper Policy as approved by the Board.
- To ensure that all Directors and Shariah Committee Members receive appropriate continuous training programmes in order to broaden their perspectives and to keep abreast with developments in the market place and with changes in new statutory and regulatory requirements.
- To recommend to the Board the removal of a Director, the CEO and a Shariah Committee Member if he/she is ineffective, errant or negligent in discharging his/her responsibilities, or if he/she fails to meet the fit and proper criteria as defined in the IFSA 2013, the BNM Policy Document on Fit and Proper Criteria and PIBB's Fit and Proper Policy.

- To recommend to the Board the removal of KRPs as defined in the BNM Policy Document on Fit and Proper Criteria if they are ineffective, errant or negligent in discharging their responsibilities.
- To review periodically and recommend to the Board the remuneration system for Directors, CEO, Shariah Committee Members and other KRPs as defined in the BNM Policy Document on Fit and Proper Criteria to ensure that rewards are in line with the business risk strategy, corporate values and long term interest of the Bank.
- To oversee the performance evaluation of the CEO, and other KRPs as defined in the BNM Policy Document on Fit and Proper Criteria and recommend to the Board their promotions, specific adjustments in remuneration and/or reward payments if any, reflecting their contributions for the year; and which are competitive and consistent with the Bank's objectives, culture and strategy.
- To ensure that the level of remuneration for Non-Executive Directors is linked to their level of responsibilities undertaken and contributions to the effective functioning of the Board.
- Keeps abreast of the terms and conditions of service of the CEO, and other KRPs as defined in the BNM Policy Document on Fit and Proper Criteria including their total remuneration package for market comparability; and reviews and recommends changes to the Board whenever necessary.
- Keeps abreast of the remuneration packages for Members of Board Committees and Shariah Committee to ensure that they commensurate with the scope of responsibilities held, and reviews and recommends changes to the Board whenever necessary.
- To carry out such other responsibilities as may be specified by BNM or delegated by the Board from time to time.

Frequency of Meetings

The Nomination and Remuneration Committee meets at least twice a year, or as and when required.

The attendance of Members at the Nomination and Remuneration Committee meeting held in 2022 is as reflected below:

Name of Committee Members	Number of Nomination and Remuneration Committee Meetings	
	Held During Tenure in Office	Attended
Datin Dr. Rusnah binti Muhamad (Chair) <i>Independent Non-Executive Director</i>	11	11
Dato' Haji Kamil Khalid bin Dato' Mushir Ariff <i>Independent Non-Executive Chairman</i>	11	11
Mr Lam Song Shen ¹ <i>Independent Non-Executive Director</i>	8	8
Dr. Shafaai bin Musa ² <i>Independent Non-Executive Director</i>	4	4
Late Mr Vasantha Kumar Tharmalingam ³ <i>Independent Non-Executive Director</i>	3	2

Notes:

¹ Appointed as Member of Nomination and Remuneration Committee with effect from 10 March 2022.

² Appointed as Member of Nomination and Remuneration Committee with effect from 1 September 2022.

³ Demised on 9 March 2022.

Quorum

A quorum shall consist of at least half of the Members.

Audit Committee

The Audit Committee's (AC) duties and responsibilities are set out under its Terms of Reference approved by the Board of Directors. The AC assists the Board of Directors by providing an objective non-executive review of the adequacy and effectiveness of the internal controls, risk management systems and governance process of PIBB.

The Composition and Terms of Reference of the AC

a. Composition

- The AC shall be appointed by the Board of Directors and shall consist of not less than 3 members, all of whom shall be Non-Executive Directors. The majority of the AC members shall be Independent Directors.
- The AC must comprise Directors who have the skills, knowledge and experience relevant to the responsibilities of the AC.
- Chairman

The Chairman of the AC shall be an Independent Non-Executive Director and must not be the Chairman of the Board of Directors.

b. Frequency of Meetings

Meetings shall be held not less than 12 times a year.

c. Quorum

A quorum shall consist of two members and shall comprise Independent Directors.

d. Secretary

The Secretary of the AC shall be the Group Chief Internal Auditor of Public PBB.

e. Authority

The AC shall have the authority to:

- investigate any matter within its terms of reference.
- have the resources which are required to perform its duties.
- seek any information relevant to its activities from employees of PIBB.
- obtain such independent professional advice as it considers necessary.
- have full and unrestricted access to any information and documents pertaining to PIBB.
- convene meetings with the Internal Auditors without the presence of the Chief Executive Officer and other Senior Management staff whenever deems necessary.
- meet with the External Auditors at least twice a year without the presence of the Chief Executive Officer and other Senior Management staff and when necessary, without the Internal Audit staff/Group Chief Internal Auditor.

f. Responsibilities and Duties

- Risk Management

To review the adequacy and effectiveness of risk management, internal control and governance systems implemented in PIBB.

- Internal Audit

i. To review the adequacy of the scope, functions, competency and resources of Internal Audit (IA) function which is undertaken by the IA of PBB and that it has the necessary authority to carry out its work.

ii. To approve annual audit plan.

iii. To review and assess the performance and effectiveness of the IA function (undertaken by the IA function of PBB).

iv. To escalate through the AC's Secretary any material audit issues on PIBB to the AC of PBB.

- External Audit
 - i. To review the External Auditor’s audit plans, scope of its audits and audit reports, including the External Auditor’s evaluation of the system of internal controls.
 - ii. To assess the performance of the External Auditor and make recommendations to the Board of Directors on their appointment/re-appointment, remuneration and removal.
 - iii. To review the independence and objectivity of the External Auditor and their services, including non-audit services.
 - iv. To review the provision of non-audit services by the External Auditor for recommendation to the Board of Directors for approval.

- Audit Reports
 - i. To review the:
 - a) Internal and external audit reports to ensure that appropriate and adequate remedial actions are taken by Management to address and resolve the significant lapses in controls and procedures that are identified.
 - b) Significant internal and external audit findings and Management’s response and remedial action plan.
 - ii. To note any significant disagreements between the Group Chief Internal Auditor of PBB and the Senior Management team, irrespective of whether these have been resolved, in order to identify any impact, that such disagreements may have on the audit process or findings.

- **Financial Reporting**

To review the quarterly and annual financial statements of PIBB for recommendation to the Board of Directors for approval, with particular focus on:

- i. changes in or implementation of new accounting policies and practices;
- ii. significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed; and
- iii. compliance with the applicable approved accounting/auditor reporting standards and other legal and regulatory requirements.

- g. Related Party Transactions

To review the audit report on the related party transactions that may arise between PIBB and its related parties on a quarterly basis.

- h. Other Matters

- i. To review the accuracy and adequacy of the Chairman's Statement in the Directors' Report, corporate governance disclosures and interim financial reports.
- ii. To monitor compliance with the Board of Directors' conflicts of interest policy.
- iii. To review third-party opinions on the design and effectiveness of PIBB's internal control framework.
- iv. To consider such other matters as the AC considers appropriate or as authorised by the Board of Directors.

Frequency of Meetings

Pursuant to the Terms of Reference of the AC which state that meetings shall be held not less than 12 times a year, the AC had met 17 times in year 2022.

The attendance of each AC member at the meetings held during the year is shown in the table below. The minutes of the AC meetings are tabled to the Board of Directors for noting and action by the Board of Directors where appropriate.

Name of Audit Committee Members	Number of Audit Committee Meetings	
	Held During Tenure in Office	Attended
Datin Dr. Rusnah binti Muhamad (Chair) <i>Independent Non-Executive Director</i>	17	17
Dato' Haji Kamil Khalid bin Dato' Mushir Ariff <i>Independent Non-Executive Chairman</i>	17	17
Mr Lam Song Shen <i>Independent Non-Executive Director</i>	17	17
Dr. Shafaai bin Musa ¹ <i>Independent Non-Executive Director</i>	5	5
Late Mr Vasantha Kumar Tharmalingam ² <i>Independent Non-Executive Director</i>	3	2

Notes:

¹ Appointed as Member of Audit Committee with effect from 1 September 2022.

² Demised on 9 March 2022.

Accountability and Audit

Financial Reporting

The Board of Directors is committed to provide a balanced, clear and comprehensive assessment on the financial performance of PIBB in all disclosures made to the stakeholders and the regulatory authorities.

The Board of Directors, assisted by the AC, oversees the financial reporting process and the reliability of the financial reporting of PIBB. The AC had reviewed the unaudited quarterly and half-yearly financial results as well as the annual audited financial statements of PIBB prior to its recommendation to the Board of Directors for approval and submission to BNM. The review focused on amongst others, an assessment on the appropriateness of the accounting standards applied and its treatments, financial reporting and disclosures are in compliance with the relevant regulatory requirements and applicable accounting standards in Malaysia. In carrying out such a review, the AC had sought explanations and additional information from the Senior Management on the reasons for any significant variances/fluctuations in the financial performance of PIBB, including the key income components and operating expenses.

The AC also reviews and discusses with the external auditors on their observations of the annual financial results of PIBB, including the appropriateness of the accounting policies applied, its changes and the significant judgements and assumptions made by Management affecting the financial statements as well as compliance with approved accounting/auditing standards in Malaysia and other legal and regulatory requirements.

Internal Control

The Board of Directors has overall responsibility for maintaining a system of internal controls which provides reasonable assurance on the effectiveness and efficiency of the operations that ensure compliance with the applicable laws and regulations including Shariah requirements, as well as with internal procedures and guidelines.

In view of the size and diversity of the operations of PIBB that invariably involve a wide variety of risks, it is the Board of Directors' responsibility to ensure that these risks are properly managed. Depending on the nature of the risks, certain events may occur which would give rise to unanticipated or unavoidable losses. The system of internal controls in PIBB is designed to provide reasonable and not absolute assurance against the risk of material errors, frauds or losses from occurring.

The AC, supported by the Internal Audit (IA) function of PBB reviews the quality and effectiveness of PIBB's internal control, risk management systems, governance processes as well as the overall compliance of PIBB's operations, business, affairs and activities with Shariah. The scope of review also covers the internal controls over the financial reporting process and compliance with relevant accounting standards and regulations.

The IA function of PBB reviews and assesses the adequacy and effectiveness of the risk management systems, internal controls and governance processes as well as checks for compliance with statutory/regulatory requirements, internal policies and procedures. The IA function of PBB also reviews the work processes/procedures for efficiency and effectiveness. The IA reports are tabled to the AC for its review, deliberations and noting/approval during its periodic meetings and the Board of Directors is informed of all significant audit matters reported to the AC. In addition, potential Shariah non-compliance incidents are escalated to Shariah Committee for their deliberation and approval.

A system of internal controls based on segregation of duties, independent checks, segmented system access control and multi-tier authorisation processes is put in place to ensure control procedures and limits are implemented and complied with at PIBB. Authority limits are imposed on the Management within PIBB to govern the day-to-day risk taking activities such as extension of credits, treasury operations, investments, acquisitions and disposal of assets.

The policies and procedures are formulated in support of PIBB's internal control framework including PBB Group's Risk Appetite Framework, PBB Group's Compliance Policy, PBB Group's Guidelines on Outsourcing Activities and Public Bank Group's Policy and Procedures on Risk Management Practices for New Products to ensure compliance with internal controls and relevant laws and regulations and to govern the business and operations of PIBB.

These policies and procedures are subject to periodic review and updated during the year in response to changes in the operational needs, business environment or regulatory requirements and are approved by the relevant Board Committees or Management Committees.

In addition, procedural guidelines are established to set out a systematic process and procedure in the review of the adequacy and effectiveness of the risk management and internal control system.

Related Party Transactions

The AC reviews the related party transactions entered into by PIBB with the Public Bank Group on a quarterly basis for assurance that these transactions are conducted at arm's length.

Relationship with External Auditors

It is a requirement for the AC to meet with the external auditors to discuss its audit plan, audit findings and its views in respect of the true and fair view of PIBB's financial statements. During these meetings, in-camera sessions between the AC and external auditor without the presence of the Management and IA staff should be held at least twice a year. The AC also meets with the external auditors whenever it deems necessary to discuss on key changes to regulatory requirements and latest developments in the accounting and auditing standards.

The AC has put in place policies and procedures to assess the suitability, objectivity and independence as well as the performance of the external auditors. In performing this role, the AC reviews and conducts assessment, on an annual basis, the appointment or re-appointment of external auditors in accordance with the criteria set out in the Public Bank Group's Policies and Procedures for Appointment/Re-appointment of External Auditors for Audit and Non-Audit Services (Group Policies and Procedures) to ensure that the independence and objectivity of the external auditors as statutory auditors are not compromised. The Group Policies and Procedures are in line with the requirements in the Bank Negara Malaysia Policy Document on External Auditors.

The assessments of the external auditors for audit and non-audit related services are carried out vide an assessment checklist in accordance with the assessment criteria set out in the Group Policies and Procedures. This assessment checklist covers all relevant professional and regulatory requirements, the competency, audit quality and resources capacity of the external auditors in relation to the audit as well as the independence and objectivity of the external auditors.

Before management can engage the external auditors to provide non-audit services to PIBB, the AC has to be satisfied that the external auditors are suitable, independent and objective in the provision of such services. The AC must also be satisfied with the nature and extent of the non-audit services and that there is no element of conflict of interest. Additionally, the AC ensures that the proposed fees are within the allowable threshold set before recommending the proposed engagement to the Board of Directors for consideration and approval.

The Board of Directors, upon concurrence with the outcome of the assessment, approved the appointment or re-appointment of the external auditors based on the AC's recommendation subject to the approval by BNM and shareholder at the annual general meeting.

Risk Management Committee

The Risk Management Committee is made up of 3 Independent Non-Executive Directors and is chaired by Mr Lam Song Shen.

The Roles and Responsibilities of the Risk Management Committee

- a. Support the Board of Directors in meeting the expectations on risk management in the following areas:
 - Ensures PIBB's corporate objectives are supported by a sound risk strategy and an effective risk management framework that is appropriate to the nature, scale and complexity of its activities;
 - Provides effective oversight of senior management's actions to ensure consistency with the risk strategy and policies approved by the Board of Directors including the risk appetite;
 - Ensures the risk management framework enables the identification, measurement and continuous monitoring of all relevant and material risks including climate-related risks on a firm-wide basis, supported by robust management information systems that facilitate the timely and reliable reporting of risks and the integration of information across PIBB;
 - Ensures risk management is well-integrated throughout the organization and embedded into the culture and business operations of PIBB;
 - Ensures the effective implementation of the risk management framework is reinforced with an effective compliance function and subjected to an independent internal audit review;
 - Ensures PIBB has the appropriate mechanisms in place for communicating risks across the organization and for reporting risk developments to the Board of Directors and senior management;

- Understands PIBB's operational and organizational structure and the risks it poses and is satisfied that it is not overly complex or opaque such that it hampers effective risk management;
 - Ensures the suitability of the group approaches and methodologies adopted, having regard to the context of the local environment and operations of PIBB; and
 - Escalates to the PBB's Board of Directors any material risks and issues in PIBB that might affect PBB or the Group.
- b. In relation to the Investment Account product, to support the Board of Directors on the following:
- Provides oversight function; and
 - Provides recommendations in respect of the investment strategies, management and performance of the investment account.
- c. Supports the Board of Directors in its implementation of a sound remuneration system by examining whether the incentives provided by the remuneration system takes into consideration risks, capital, liquidity and the likelihood of earnings without prejudice to the tasks of the PIBB's Nomination and Remuneration Committee; and
- d. Collaborate with Audit Committee to understand how the internal audit work plan and compliance work plan are aligned with the risks that have been identified so as to obtain assurance that the identified risks are managed in an integrated manner.

Frequency of Meetings

The Risk Management Committee holds monthly meetings.

The attendance of Members at the Risk Management Committee meetings held in 2022 is as follows:

Name of Committee Members	Number of Risk Management Committee Meetings	
	Held During Tenure in Office	Attended
Mr Lam Song Shen (Chairman) <i>Independent Non-Executive Director</i>	12	12
Dato' Haji Kamil Khalid Bin Dato' Mushir Ariff <i>Independent Non-Executive Chairman</i>	12	12
Datin Dr. Rusnah Binti Muhamad <i>Independent Non-Executive Director</i>	12	12
Dr. Shafaai bin Musa ¹ <i>Independent Non-Executive Director</i>	4	4
Late Mr. Vasantha Kumar Tharmalingam ² <i>Independent Non-Executive Director</i>	2	1

Notes:

¹ Appointed as Member of Risk Management Committee with effect from 1 September 2022.

² Demised on 9 March 2022.

Risk Management Committee on Compliance Function

The Risk Management Committee (RMC) on Compliance Function is responsible for the oversight of PIBB's compliance function upon the change in reporting line from the Audit Committee with effect from 25 April 2017.

Terms of Reference of the RMC on Compliance Function as at 31 December 2022

a. Frequency of Meetings

Meeting shall be held not less than 12 times a year.

b. Quorum

A quorum shall consist of 3 members and shall comprise a minimum of 2 Independent Directors.

c. Secretary

The Secretary of the Committee on Compliance function shall be the Chief Compliance Officer (CCO) of PBB and his/her Deputy.

d. Authority

The Committee shall have the authority to:

- investigate any matter within its terms of reference;
- have the resources which are required to perform its duties;
- seek any information relevant to its activities from employees of PIBB;
- obtain such independent professional advice as it considers necessary;
- seek reliance from Shariah Committee to escalate material Shariah Non-Compliance issues that may affect PIBB;
- have full and unrestricted access to any information and documents pertaining to PIBB; and
- convene meeting with the CCO without the presence of the Chief Executive Officer and other Senior Management staff whenever deemed necessary.

Responsibilities and Duties of the RMC on Compliance Function

- a. To approve policies and methodologies in assessing the compliance profile and evaluate the effectiveness of overall management of compliance risks.
- b. To review and concur with the revision of the PIBB Compliance Policy and to oversee its implementation.
- c. To review and approve the PIBB compliance plan.
- d. To assess and review compliance risk profile to ensure that the overall compliance risk is effectively managed.
- e. To ensure appropriate infrastructure, resources, processes and systems are in place for compliance assessment and to support initiatives that are directed at improving and contributing to the effectiveness of the compliance function. This includes ensuring that the staff of PBB's Compliance Division have access to any records or files for the purpose of discharging their responsibilities.
- f. To review the periodic reports presented on the assessment of compliance status of PIBB and updates on regulatory trends and requirements.
- g. To deliberate compliance issues to ensure that the issues are resolved effectively and expeditiously.
- h. To ensure appropriate lines of reporting have been established for timely escalation of compliance issues to the Management and the Board of Directors.
- i. To ensure training is provided to the compliance staff to upgrade their knowledge and to keep abreast with the laws and regulations, standards and guidelines on compliance-related issues.

Frequency of Meetings

The attendance of each member at the RMC meetings on Compliance Function held in 2022 is as follows:

Name of Committee Members	Number of RMC on Compliance Function Meetings	
	Held During Tenure in Office	Attended
Mr Lam Song Shen (Chairman) <i>Independent Non-Executive Director</i>	12	12
Datin Dr. Rusnah binti Muhamad <i>Independent Non-Executive Director</i>	12	12
Dato' Haji Kamil Khalid bin Dato' Mushir Ariff <i>Independent Non-Executive Chairman</i>	12	12
Dr. Shafaai bin Musa ¹ <i>Independent Non-Executive Director</i>	4	4
Late Mr Vasantha Kumar Tharmalingam ² <i>Independent Non-Executive Director</i>	2	1

Notes:

¹ Appointed as Member of RMC on Compliance Function with effect from 1 September 2022.

² Demised on 9 March 2022.

Joint PBB/PIBB Credit Risk Management Committee

The Joint PBB/PIBB Credit Risk Management Committee is a joint Board Committee comprising of certain Board members of PBB and PIBB. The Joint PBB/PIBB Credit Risk Management Committee is responsible to assist the Board of PBB and PIBB being the two largest entities of the PBB Group, in discharging the respective Board's oversight roles over the management of credit risk.

It is made up of 2 Independent Non-Executive Directors of PBB, 2 Independent Non-Executive Directors of PIBB and 1 Non-Independent Non-Executive Chairman of PBB. For the year 2022, the Joint PBB/PIBB Credit Risk Management Committee was chaired by Ms Cheah Kim Ling, an Independent Non-Executive Director of PBB.

The Roles and Responsibilities of the Joint PBB/PIBB Credit Risk Management Committee

- a. Assists PBB and PIBB Boards of Directors in their supervisory roles on the management of credit risk. And in respect of PBB, the management of credit risk includes the management of the credit risk of PBB's subsidiaries.
- b. Assists the Board in overseeing the integration of climate-related risk management into the credit risk management process.
- c. Evaluates and assesses the adequacy of strategies to manage the overall credit risk associated with the PBB and its subsidiaries; and PIBB's activities.
- d. Oversees the development of credit policies encompassing all products and businesses ensuring the development of policy manual and procedures.
- e. Monitors, assesses and advises on the credit risk portfolio composition.
- f. Reviews the sensitivity analysis conducted on the credit portfolios and its impact on the earning/capital.
- g. Assesses the risk-return trade-off of credit products.
- h. Oversee the effectiveness of processes and procedures put in place to meet the regulatory requirements on credit risk management.
- i. Reviews reports of the credit review process, asset quality and ensure that corrective action is taken.
- j. Reviews and evaluates the various credit products engaged by PBB and PIBB to ensure that it is conducted within the standards and policies set.
- k. Exercises oversight over the PBB's subsidiaries credit risk management and ensure that appropriate processes are established to monitor their credit risk profiles and implementation of credit risk management framework, policies and guidelines that are appropriate to the nature, scale and complexity of its activities.

Frequency of Meetings

The Joint PBB/PIBB Credit Risk Management Committee holds monthly meetings. The attendance of Members at the Joint PBB/PIBB Credit Risk Management Committee meetings held in 2022 is as follows:

Name of Committee Members	Number of Joint PBB/PIBB Credit Risk Management Committee Meetings	
	Held During Tenure in Office	Attended
Ms Cheah Kim Ling (Chair) <i>Independent Non-Executive Director, PBB</i>	12	12
Mr Lai Wan <i>Non-Independent Non-Executive Chairman, PBB</i>	12	12
Dato' Mohd Hanif bin Sher Mohamed <i>Independent Non-Executive Director, PBB</i>	12	12
Datin Dr. Rusnah Binti Muhamad <i>Independent Non-Executive Director, PIBB</i>	12	12
Mr. Lam Song Shen <i>Independent Non-Executive Director, PIBB</i>	12	12

Joint PBB/PIBB Board Sustainability Management Committee

The Joint PBB/PIBB Board Sustainability Management Committee (Joint PBB/PIBB BSMC) is a joint Board Committee comprising of certain Board members of PBB and PIBB. The Joint PBB/PIBB BSMC is responsible to assist the Board of PBB and PIBB, being the two largest entities of the PBB Group, in discharging the respective Board's roles and responsibilities in relation to sustainability. The Joint PBB/PIBB BSMC assists the Board to oversee the setting of sustainability strategies, priorities and targets, and ensuring alignment with the Group's commitments.

The Joint PBB/PIBB BSMC comprises 1 Independent Non-Executive Directors of PIBB, 1 Non-Independent Non-Executive Chairman of PBB and 3 Independent Non-Executive Directors of PBB.

For the year 2022, the Joint PBB/PIBB BSMC was chaired by Mr. Lim Chao Li (Chairman), an Independent Non-Executive Director of PBB.

The Roles and Responsibilities of the Joint PBB/PIBB BSMC

- a. Review and approve sustainability strategies, priorities and targets proposed by management.
- b. Provide oversight and input to management on the Group's strategies, goals and principles pertaining to sustainability.
- c. Review issues relating to sustainability arising from independent audits and assurance reports as well as any matters pertaining to sustainability highlighted by regulators or consultants.
- d. Review and recommend to the Board for approval both the sustainability report for annual report and other public documents related to the Group's reporting on sustainability to ensure that the Group's sustainability agenda is effectively communicated to investors and other stakeholders.
- e. Receive quarterly updates from Management on the progress towards achieving the Group's sustainability targets.
- f. Review and be assured that the sustainability considerations are effectively integrated in the operations of the Banks.
- g. Perform any other functions and exercise such other powers as may be delegated to it from time to time by the Board.

Frequency of Meetings

The Joint PBB/PIBB BSMC holds quarterly meetings.

The first Joint PBB/PIBB BSMC meeting was held on 20 December 2022. The attendance of Members at the Joint PBB/PIBB BSMC is as follows:

Name of Committee Members	Number of Joint PBB/PIBB BSMC Meetings	
	Held During Tenure in Office	Attended
Mr. Lim Chao Li (Chairman) <i>Independent Non-Executive Director, PBB</i>	1	1
Mr Lai Wan <i>Non-Independent Non-Executive Chairman, PBB</i>	1	1
Dato' Haji Kamil Khalid bin Dato' Mushir Ariff <i>Independent Non-Executive Director, PIBB</i>	1	1
Ms. Tham Chai Fhong <i>Independent Non-Executive Director, PBB</i>	1	1
Ms. Gladys Leong <i>Independent Non-Executive Director, PBB</i>	1	1

Shariah Committee

Role and Authority of Shariah Committee

Public Islamic Shariah Committee (SC) was established in line with the requirements of Islamic Financial Services Act 2013 (IFSA 2013) and the Shariah Governance Policy Document (SGPD) issued by Bank Negara Malaysia (BNM) which came into effect on 1 April 2020. The SC is responsible for the overall Shariah governance and Shariah-compliance of PIBB.

The SC members are appointed by the Board of Directors to perform oversight and advisory roles on Shariah matters to ensure that PIBB's business and activities are in compliance with the Shariah principles.

The SC's roles and responsibilities as guided by Para 10.2 of BNM's SGPD are as follows:

- Provide objective and sound advice to ensure that PIBB's aims and operations, business, affairs and activities are in compliance with Shariah;
- Provide a decision or advice to PIBB on the application of any rulings of Shariah Advisory Council of BNM (BNM SAC) or standards on Shariah matters that are applicable to the operations, business, affairs and activities of PIBB;
- Provide a decision or advice on matters which require a reference to be made to the BNM SAC;
- Provide a decision or advice on the operations, business, affairs and activities of PIBB which may trigger a Shariah Non-Compliance (SNC) event;
- Deliberate and affirm an SNC finding by any relevant functions; and
- Endorse a rectification measure to address an SNC event.

PIBB's SC comprised of the following members as at 27 March 2023:

- Dr. Shafaai Bin Musa
- Dr. Ab Mumin Bin Ab Ghani
- YM Engku Ahmad Fadzil Bin Engku Ali
- En. Wan Abdul Rahim Kamil Bin Wan Mohamed Ali
- Dr. Syed Musa Bin Syed Jaafar Alhabshi

In 2022, a total of 14 SC meetings were held and the attendance of Member is as follows:

Shariah Committee Members	Number of Shariah Committee Meetings	
	Held	Attended
Dr. Shafaai Bin Musa (Chairman) ¹	10	10
Dr. Ab Mumin Bin Ab Ghani ²	14	14
YM Engku Ahmad Fadzil Bin Engku Ali ³	14	14
En. Wan Abdul Rahim Kamil Bin Wan Mohamed Ali ⁴	11	11
Dr. Syed Musa Bin Syed Jaafar Alhabshi ⁵	2	2
Associate Professor Datin Dr. Rusnah Binti Muhamad ⁶	3	3
Ir. Dr. Muhamad Fuad Bin Abdullah ⁷	3	3
Encik Khairil Anuar Bin Mohd Noor ⁸	12	12

Notes:

¹ *Appointed as Member of SC with effect from 14 June 2022 then Chairman with effect from 21 September 2022.*

² *Re-appointed as Member of SC with effect from 8 April 2022.*

³ *Re-appointed as Member of SC with effect from 1 April 2022.*

⁴ *Appointed as Member of SC with effect from 1 April 2022.*

⁵ *Appointed as Member of SC with effect from 1 November 2022.*

⁶ *Ceased as Member of SC with effect from 31 March 2022.*

⁷ *Ceased as Member of SC with effect from 31 March 2022.*

⁸ *Ceased as Member of SC with effect from 31 October 2022.*

Senior Management

A strong and solid corporate governance and ethical culture is a key and sustainable factor which enables the Bank to maintain its edge in the industry and create lasting value to its stakeholders.

The Senior Management, helmed by the Chief Executive Officer (CEO), are collectively responsible to spearhead and actualise good governance across all levels of staff and throughout all business activities of the Bank. They are collectively responsible for the development and implementation of the corporate business strategies and policies in accordance with the directions set out by the Board of Directors.

The Bank's organisation structure is well defined with clear lines of responsibility to promote accountability and transparency amongst the Senior Management. Clear discretionary powers and authority limits are put in place in support of a well-controlled operating environment.

The internal control mechanisms which include compliance with regulatory requirements and internal policies are consistently being monitored and reviewed by the Bank's control functions namely Shariah Review and Compliance, Risk Management/Shariah Risk Management Control, Compliance and Shariah Audit in order to enforce good corporate governance and robust risk management across the Bank. The independent control functions report directly to the Shariah Committee or respective Board Committees i.e. Risk Management Committee and Audit Committee.

Senior Management Appointment and Removal

The Bank's Fit and Proper Policy has laid down clear and defined processes and procedures relating to the appointment and removal of Key Responsible Persons (KRPs) and the stringent assessment of candidates against the requirements. All KRPs are assessed to have met all the fit and proper criteria based on the following factors:

1. Probity, Personal Integrity and Reputation
2. Competence and Capability
3. Financial Integrity
4. They do not hold an aggregate interest of 5% or more in the shares of Public Bank.

Succession Planning

Succession Planning is at the heart of the Bank's talent and succession management to secure continuity of leadership and business sustainability. The Bank has a structured succession planning framework to identify and nurture internal talents in its leadership pipeline.

The Bank keeps abreast with the latest trends in the market to ensure the workforce remains agile and future-ready. The succession planning process covers talent assessment and identification to create a sizeable talent pool as well as identifying developmental areas. Customised individual developmental plans are drawn up for each talent to close the competency gaps. This strategic succession planning process unleashes the talents' full potential, accelerates their development and supports their career growth in the Bank.

The Bank upholds a 'Look Within' policy which further gives impetus to the career advancement of identified talents and to retain corporate knowledge and ensure that its corporate values are embedded in leadership positions.

The Bank's succession planning policy and programme is subject to review and approval of the Board of Directors assisted by the Nomination and Remuneration Committee and is collectively implemented by the Senior Management team.

Remuneration Policy & Practice

The Public Islamic Bank Berhad (PIBB) Remuneration Policy is developed based on the Bank's philosophy and principles to perpetuate a performance-orientated culture whilst appropriately balanced with prudent risk-taking across its business practices.

The Bank is cognisant that value creation for stakeholders is integral to the long term sustainability and has thus embedded sustainability considerations into the Bank's performance and rewards strategies.

The elements of Environmental, Social and Governance (ESG) are integrated into the performance evaluation of the CEO in FY2022 to assess his involvement and/ or initiatives in respect of the strategic management of the Bank's sustainability matters where the definition/scope of the qualitative Key Performance Indicators (KPI) for "Formulating Strategies & Concepts" has been expanded to include the CEO's performance in this regard.

The Bank's Remuneration Policy is reviewed by the Nomination and Remuneration Committee and approved by the Board of Directors for implementation across all levels of employees including Senior Management and other employees not governed by any collective agreement in the Bank. Senior Management in this context refers to management staff who are KRPs as defined in the Bank's Fit and Proper Policy as well as persons who are accountable or responsible for the management and oversight of the Bank. These comprise:

1. CEO
2. Senior Officers, defined as follows:
 - i) KRPs who are defined under BNM Policy Document on Fit and Proper Criteria as those who have primary and significant responsibility for the management and performance of significant business activities of the Bank.
 - ii) Other Senior Management staff who are Heads of Divisions.

The remuneration framework is designed to ensure that reward is measurably linked to the achievement of business and performance objectives. However, to prevent any conflict of interest, the framework stipulates that staff of the control functions are to be assessed independently from the business units that they oversee. For effective segregation, these staff are appraised principally based on the achievement of their control objectives set out by the Board Committees of their respective control function and differentiated from that of the business units they oversee.

The remuneration framework outlines the total compensation packages of fixed remuneration and variable remuneration payable to staff. Fixed remuneration refers to basic salary and other fixed income, commensurate with the role and position of an individual staff, including professional experience, qualifications, responsibilities, job complexity and local market condition etc.

The variable remuneration refers to the discretionary performance bonus which is cash-based and does not consist of shares or non-cash instruments. The pool for the variable remuneration is determined by financial matrices such as the Bank's overall performance, achievement of selected financial ratios, market trends and economic outlook.

The variable performance bonus for the Senior Management is separated into two main components with different pay-out criteria. The first component of the performance bonus is linked to the individual performance of Senior Management and the pay-out above a set threshold is subject to a deferment of 3 years. The proportion of the deferred amount corresponds to the level of risks assumed by the respective job positions.

The prescribed deferred amount of performance bonus is further subject to a multi-year framework, minimally a 3-year graded vesting with a proportionate rate of 35%/35%/30% and payable annually at the end of each vested period.

The second component of the variable performance bonus is cash-based and linked to the Total Shareholder's Return (TSR) of PBB including the performance of Net Return on Equity (ROE) and profitability of PIBB. However, it is cliff-vested over a period of three (3) years. The quantum is calculated as a percentage of the individual eligible performance bonus for the prevailing financial year but payable at the end of the cliff-vested period of 3 years and further subject to the TSR achievement and good individual performance.

The variable performance bonus, whether it is vested or unvested, is subject to adjustments (e.g. malus, clawback and other reversals or downward revaluation of awards) in the event of bad performance of the business unit or the Bank, attributable to the individual or if he / she commits serious legal, regulatory or internal policy breaches. The awards may be clawed back within three (3) years from the date of payment to the staff.

Members of Senior Management have committed not to undertake activities (such as personal hedging strategies and liability-related insurance) that will undermine the risk alignment effects embedded in their remuneration.

The following shows the total value of cash-based remuneration paid out to Senior Management staff of PIBB for financial year 2022:

Remuneration	Non-Deferred		Deferred			
			Paid in the Financial Year		Outstanding	
	No.	Amount (RM)	No.	Amount (RM)	No.	Amount (RM)
Fixed	5	1,903,620.04	-	-	-	-
Variable	4*	279,328	4	605,543.46	3	167,454.00

* note: One (1) of the Senior Management staff joined the Bank on 4 October 2022.

Strengthening Corporate Governance Culture

A sound and effective corporate governance must be manifested in every sphere of the Bank's management and business activities. It is a prominent differentiating factor for long-term value creation and sustainable business performance. The following corporate governance policies and procedures are put in place to enhance awareness and their adoption and compliance. These policies and procedures are subject to regular review to ensure that they remain relevant and reflective of the prevailing practices:

a) PIBB Code of Ethics

The PIBB Code of Ethics is aligned with Public Bank Group's Code of Ethics and the "Code of Ethics for the Financial Services Industry" established by the Financial Services Professional Board and it is enshrined in Five (5) Fundamental Ethical Principles which the Bank and each employee must adhere to, both in letter and in spirit. The Five (5) Fundamental Ethical Principles are as follows:

1. Competence
2. Integrity
3. Fairness
4. Confidentiality
5. Objectivity

b) Diversity, Equality and Inclusion Policy

The Diversity, Equality and Inclusion Policy is put in place to promote diversity, equality, and inclusion within the Bank for those of all ages, race, ethnic, culture, national origins, gender, marital and parental status, physical impairment, disability and religious beliefs.

The Bank is committed to building and fostering a fair and inclusive workplace and continues to promote diversity and encourages respect for dignity. Diversity is an important value of the Bank, where each employee is respected, valued and appreciated for their differences.

c) **Whistleblowing Policy and Procedures**

The Bank's Whistleblowing Policy and Procedures (WBP) has been established to cultivate a culture of integrity in the workplace. The scope of WBP covers all staff and third parties in making disclosure of any improper conduct or irregularities without risk of reprisals or adverse consequences. The Bank's WBP is aligned with the Standard on Whistleblowing for Financial Institutions by the Financial Services Professional Board.

The user-friendly whistleblowing channels are accessible via the Bank's corporate website (www.publicislamicbank.com.my). All disclosures are held in strictest confidentiality by the authorised personnel.

A Board member who is also the Chairman of the Audit Committee has been appointed and designated as the Non-Executive Director responsible for the effective implementation of this Policy.

d) **Anti-Fraud Policy**

The establishment of the Anti-Fraud Policy is underpinned by integrity and it documents the Bank's expectation of all its staff and the requirements relating to the prohibition, recognition, reporting and investigation of suspected fraud, corruption, misappropriation and other similar irregularities.

The Bank adopts a zero-tolerance approach towards any form of fraud and is committed in eliminating any improper and illegal acts from all its business activities.

e) **Anti-Bribery and Anti-Corruption Policy**

The Public Bank Group upholds the highest level of integrity and honesty in all its business dealings and adopts a "zero-tolerance approach" towards any form of bribery and corruption. It is committed to conducting its activities free from any acts which are contrary to its ethics and integrity.

The Anti-Bribery and Anti-Corruption Policy (hereinafter referred to as "ABAC Policy") guides all staff on the Bank's zero-tolerance towards any acts of bribery and corruption. The ABAC Policy complies with all applicable laws and regulations including but not limited to Malaysian Anti-Corruption Commission Act 2009 and its amendments and all other laws which are applicable to the Bank's business.

The ABAC Policy is established with the following objectives:

- to build and foster a business environment which is free of bribes and corruption and which enhances integrity, transparency and accountability.
- to inculcate in all members of the Board of Directors and staff the commitment of the Bank against corruption in all its forms, including bribery.
- to define what constitutes bribery and corruption and other prohibited practices.