

# **PUBLIC ISLAMIC BANK**

## **Corporate Governance Disclosures**

As an Islamic financial institution licensed under the Islamic Financial Services Act 2013 (IFSA), 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 directions. 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 and matters reserved for Board's consideration and approval are set out in the Board Charter, which can be downloaded from PIBB's corporate website at [www.publicislamicbank.com.my](http://www.publicislamicbank.com.my).

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, Attendance 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 not 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.

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. All Directors had registered full attendance at Board meetings held in 2023 except for one Director who did not attend one Board meeting due to medical reason.

At the monthly Board meetings, the Board reviews management reports on the business performance of PIBB and reviews, inter-alia, the results compared with 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, Risk Management Committee on Compliance Function, 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. This is to allow time for the Directors to review the Board papers and to facilitate full discussion at Board meetings. The meeting papers are uploaded onto a secure portal which is 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 on the agenda.

A Director is required to abstain from deliberations and decisions of the Board on matters where he/she is an interested party, so that he/she does not exercise any influence over the Board's decision 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 and thereafter signed by the Chairman of 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 PBB and the General Manager of PIBB attend 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 serves as the primary reference that guides the governance and conduct of the Board. It 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 subject to periodic review to ensure it remains fit for purpose. The Board Charter is available at PIBB's corporate website at [www.publicislamicbank.com.my](http://www.publicislamicbank.com.my).

### **Board Size and Composition**

The Board as at 25 March 2024 comprises 6 Members. During the financial year 2023, Datuk Mohd Anwar bin Yahya was appointed as an Independent Non-Executive Director with effect from 1 August 2023. The size and composition of the Board are adequate to provide for a diversity of views, facilitate effective decision making, and appropriate balance of independent and non-independent directors. The present Board comprises Members who bring experiences from various disciplines, particularly banking and finance, business administration, accountancy, Shariah and Islamic finance.

The 6 Members of the Board are persons of high calibre and integrity, and they have a sound understanding of PIBB's business as well as deep industry expertise. 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, the BNM Policy Document on Fit and Proper Criteria as well as PIBB's Fit and Proper Policy for Directors. None of the Members of the Board is an active politician.

The profile of each 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/CEO 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.
- Dato' Haji Kamil Khalid is currently the Chairman of FWD Insurance Berhad (formerly known as Gibraltar BSN Life Berhad) and Liberty General Insurance Berhad (formerly known as AmGeneral Insurance Berhad). He is also the Chairman of Putrajaya Holdings Sdn Bhd and Director of several other private companies.

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

- Tan Sri Dato' Sri Dr. Tay Ah Lek has been in the banking and finance industry for 62 years.
- He holds a Master's degree in Business Administration from Henley, United Kingdom and he 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.
- He is presently the Chairman of the Association of Hire Purchase Companies Malaysia and is a Council Member of the Association of Banks in Malaysia and the Asian Institute of Chartered Bankers.
- His directorships in other public companies in the Public Bank Group include as Director of Public Bank Bhd (a public company listed on the Main Market of Bursa Malaysia Securities Bhd), Public Investment Bank Bhd, Public Mutual Bhd and Public Bank (Hong Kong) Ltd. His directorships in other public companies are in Cagamas Holdings Bhd and Ombudsman for Financial Services.

**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 is a Fellow of CPA Australia.
- She was an Associate Professor of the Faculty of Business and Accountancy at University of Malaya until October 2022.
- 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 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 Committee of Agrobank, Member of Shariah Advisory Body of Syarikat Takaful Malaysia, Member of Shariah Advisory Council of MFPC and Member of Investigating Tribunal Panel of the Bar Council Malaysia.

### **Datuk Mohd Anwar bin Yahya**

#### **Independent Non-Executive Director**

- Datuk Mohd Anwar holds a Bachelor of Science (Honours) Degree in Economics and Accountancy from the University of Hull, United Kingdom. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a Member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.
- Datuk Mohd Anwar has more than 45 years of experience in accounting and finance. He also held various financial and business advisory roles in PricewaterhouseCoopers that span over a wide range of industries.
- Datuk Mohd Anwar currently sits on the Board of Fraser & Neave Holdings Bhd, Sime Darby Plantation Berhad and Amanah Saham Nasional Bhd.

## **Board Balance and Independence**

The Board currently comprises 1 Non-Independent Executive Directors and 5 Independent Non-Executive Directors ie. 5 out of 6 Directors or 83% of the Board Members are Independent Non-Executive Directors, thus constituting the majority on the Board.

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.

Based on the outcome of the Board Effectiveness Evaluation exercise conducted by the independent external consultant for financial year 2023, all the Independent Non-Executive Directors continue to meet the criteria of an Independent Director as specified in the BNM Policy Document on Corporate Governance. An Independent Non-Executive Director has an ongoing obligation to inform the Board of any circumstances which could impair his or her independence.

## **Tenure of Independent Directors**

The maximum tenure of an Independent Non-Executive Director is 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.

## **Fit and Proper Policy for Directors**

The Members of the Board provide strategic leadership that influences the financial position and future direction of PIBB. All Members of the Board are required to have the necessary qualities, competencies and experience that will allow them to perform the duties and carry out the responsibilities required of the position.

The Nomination and Remuneration Committee shall take into consideration the following in conducting the assessment of the fitness and propriety of the person identified for appointment as a Director or for re-appointment/re-election as a Director:

- 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 Executive Director, Non-Executive Directors and Independent Directors.

- The person's ability to supplement the collective skill sets of the Directors and bring different perspectives to the Board, and his/her fitness and propriety to be considered for appointment/re-appointment/re-election 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 overarching criteria:-

- Probity, Personal Integrity and Reputation

The person must have the personal qualities such as honesty, integrity, diligence, independence of mind and fairness.

- Competence and Capability

The person must have the necessary skills, ability, experience and commitment to carry out the role.

- Financial Integrity

The person must manage his or her debts and financial affairs prudently.

A person who has been identified for appointment as a Director or for re-appointment/re-election as a Director shall be required to provide a declaration that he/she comply with the fit and proper factors as specified in PIBB's Fit and Proper Policy and the BNM Policy Document on Fit and Proper Criteria.

- The person must not be disqualified under Section 68(1) of the IFSA.
- The person must not have competing time commitments that impair his/her ability to discharge his/her duties effectively.
- In the case of proposed appointment/re-appointment/re-election of an Independent Director, the person must be free of any business or other relationship with the Company which could reasonably be perceived to materially interfere with the exercise of unfettered and independent judgment, and must fulfill the criteria of an Independent Director as defined in the BNM Policy Document on CG.
- The person meets regulatory requirements for appointment/re-appointment/re-election and possesses the qualifications to be able to contribute effectively as a Member of a harmonious Board.

The fit and proper assessment of the person identified for appointment as a Director or for re-appointment/re-election as a Director shall be conducted prior to the initial appointment or proposed re-appointment/re-election as a Director. The fit and proper assessment of a Director shall also be conducted at regular intervals of at least annually or whenever PIBB becomes aware of information that may materially compromise a Director's fitness and propriety.

## **New Appointment and Re-Appointment of Director**

Suitable candidates will be identified to fill vacancies on the Board as and when they arise. The Nomination and Remuneration Committee will source the curriculum vitae of potential candidates from diverse channels including recommendations from Board Members and/or may leverage on external sources such as Financial Institutions Directors' Education (FIDE Forum) Directors' Register to identify candidates for proposed appointment as Director. The Board's succession planning is adaptable, aligning with evolving needs to ensure that the collective knowledge, experience and skill set of its Members remain well-suited to meet the dynamic demands of the ever-evolving financial industry.

Pursuant to provisions of the IFSA 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 proposed re-appointment of a Director, upon expiry of his/her current term of appointment as approved by BNM, is also subject to the approval of BNM. The Nomination and Remuneration Committee is responsible for assessing the performance and the fitness and propriety 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 on the submission of 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 of PIBB 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.

The Nomination and Remuneration Committee had carried out the fit and proper assessment of the Directors who are retiring by rotation at the forthcoming Annual General Meeting to be held in 2024 and the Board was satisfied with the favourable evaluation of the performance and contributions of the Directors to the Board as well as their fitness and propriety.

## **Time Commitment**

To ensure that Directors do not have competing time commitments that will 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.

All Directors are in compliance with the Policy on Maximum Number of Directorships and they remain fully committed in carrying out their duties and responsibilities. The Directors are able to give adequate time commitment to their duties and responsibilities as reflected by their full attendance at the Board meetings held during the financial year ended 31 December 2023 except for one Director who did not attend one Board meeting due to medical reason.

The Directors' record of attendance at Board meetings held in the financial year ended 31 December 2023, is as reflected below:

Name of Director	Number of Board Meetings	
	Held During Tenure in Office	Attended
<b>Non-Independent</b>		
Tan Sri Dato' Sri Dr. Tay Ah Lek <i>Executive Director</i>	19	18
<b>Independent</b>		
Dato' Haji Kamil Khalid bin Dato' Mushir Ariff <i>Non-Executive Chairman</i>	19	19
Datin Dr. Rusnah binti Muhamad <i>Non-Executive Director</i>	19	19
Mr Lam Song Shen <i>Non-Executive Director</i>	19	19
Dr. Shafaai bin Musa <i>Non-Executive Director</i>	19	19
Datuk Mohd Anwar bin Yahya <sup>1</sup> <i>Non-Executive Director</i>	7	7

Notes:

<sup>1</sup> Appointed as Independent Non-Executive Director with effect from 1 August 2023.

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**

Directors' training is an on-going process as the Directors acknowledge the need to continually develop and refresh their knowledge and skills, and to update themselves on developments in the financial industry and business landscape both domestically and internationally.

During financial year 2023, Members of the PIBB Board had received training on areas relevant to their duties and responsibilities as Directors by participating in external seminars/talks and internally facilitated sessions. The Directors had participated in talks, webinars, dialogue sessions and focus group sessions organised by FIDE Forum, an initiative of the alumni members of the FIDE Programme, which is set up to enhance corporate governance practices adopted by 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-ordinators to manage and co-ordinate the Directors' training requirements, which include the following:

- **Mandatory**

- **FIDE Programme**

FIDE Core Programme shall be the core training for Directors. All newly appointed Directors are required to complete the FIDE Core Programme within 1 year of their respective appointments.

- **Islamic Finance for Board Programme**

All newly appointed Directors are required to attend the Islamic Finance for Board Programme within 2 years of his/her appointment.

- **Induction Programmes**

New Directors are to participate in induction programmes which allow the new Directors to meet with the CEO/Senior Management staff and be accustomed with the PIBB's governance framework, financial management and business operations.

- Electives

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

- Enrichment

To keep abreast with the developments in the marketplace, Directors will be provided with opportunities to attend 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 and Secretaries of Audit Committee, Risk Management Committee, Risk Management Committee on Compliance function, Joint PBB/PIBB Credit Risk Management Committee and Joint PBB/PIBB Board Sustainability Management Committee 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 2023 included the following:

#### Corporate Governance

- PBB In-House Training: Talk on the Generational Divide: Bridging Differences and Building Collaboration
- Distinguished Board Leadership Series 2023 – Empowering Change Through Diversity, Equity and Inclusion

#### Risk/Compliance/Regulatory

- FIDE Core Programme
- PBB In-House Training: Talk on AML/CFT Updates: Evolving Challenges & Expectations in Regulatory Compliance

## Banking, Finance & Economy

- 1st Distinguished Board Leadership Series for 2023 on Can America Stop China's Rise? Will ASEAN be Damaged?
- PBB In-House Training: Talk on Global Economic Outlook 2023

## Islamic Banking and Finance

- Islamic Finance for Board of Directors

## Environment, Social and Governance (ESG)

- PBB In-House Training: Talk on Contextualising Net Zero
- PBB In-House Training: Talk on Introduction to Climate Risk Management

## Digital Banking and Cybersecurity

- Understanding the Impact of Digital Transformation in the Financial Industry: What Board Members Need to Know
- PBB In-House Training: Talk on The New Cyber Threat Landscape

## **Board Effectiveness Evaluation**

The Board has 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.

Practice 6.1 of the MCCG 2021 stipulates that the Board should undertake a formal and objective annual evaluation to determine the effectiveness of the Board, its Committees and each individual Director. For large companies, the Board should engage an independent expert at least every 3 years, to facilitate objective and candid board evaluation.

While the MCCG 2021 is targeted at listed companies, non-listed companies are encouraged to embrace this code on corporate governance and should consider applying the practices in the MCCG 2021 to enhance their accountability, transparency and sustainability.

The Board has, upon the recommendation of the Nomination and Remuneration Committee, engaged an independent external consultant to conduct the assessment of the Board of Directors, Board Committees and individual Directors for the financial year ended 31 December 2023.

The objective of the Board Effectiveness Evaluation exercise is to assist the Board in identifying areas of strength and improvement opportunities so as to enable the Board to take steps that will positively impact their performance.

Based on the findings of the Board Effectiveness Evaluation exercise conducted by the independent external consultant for the financial year ended 31 December 2023, both the Chairman of the Board and Chair of Board Committees demonstrated strong leadership qualities and dynamic stewardship. They fostered a culture of healthy discussion among the Directors. However, there is room for improvement in enhancing the Boardroom configuration, particularly in strengthening digital expertise, upskilling on the ESG front at the Board level, and implementing a structured succession plan for Directors.

### **Directors' Remuneration**

The Nomination and Remuneration Committee recommends the level and structure of Directors' remuneration and ensures 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. In making its recommendation, the Nomination and Remuneration Committee considers the responsibilities of the Directors and also by benchmarking against the Directors' fees structure of peer banks, in order to be competitive to retain skills and talent, and achieve diversity, on the Board.

In 2023, the Board has upon the recommendation of the Nomination and Remuneration Committee, engaged an external consultant to conduct an independent review of the Non-Executive Directors' remuneration structure (Board Remuneration Review) to assist the Board in establishing a transparent and robust remuneration framework for Non-Executive Directors that takes into account the skills and experience required of the Non-Executive Directors. The Board Remuneration Review also serves to ascertain whether the Non-Executive Directors' quantum and composition of remuneration are competitive and align with peer banks.

Based on the outcome of the analyses of PIBB Non-Executive Directors' remuneration vis-à-vis market, sectorial and comparator benchmarks for PIBB's Board and Board Committees, the remuneration of the Non-Executive Directors are generally aligned with the market. However, in the case of the Chairman's remuneration, it was highlighted that the remuneration accorded to the Chairman was not aligned with the market norms where Board Chairmen are typically compensated with a special allowance vis-à-vis Non-Executive Directors, given the heightened responsibility assumed. Arising from the outcome of the review, the Board, upon the recommendation of the Nomination and Remuneration Committee, proposed, subject to shareholder's approval at the Annual General Meeting that the remuneration of the Non-Executive Directors for the financial year ended 31 December 2023 shall be based on a revised fee structure in order to be in line with the market norms and better practices.

## **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 25 March 2024 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*
- Datuk Mohd Anwar bin Yahya  
*Independent Non-Executive Director*

## **Roles and Responsibilities**

The Nomination and Remuneration Committee shall:

- Establish the minimum requirements on the skills, knowledge, expertise, experience, qualifications and other core competencies of a Director and of the CEO.
- 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.
- 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.
- Assess and recommend to the Board, the Directors/CEO/Shariah Committee Members for re-appointment before the application for approval is submitted to BNM.
- 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.
- 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.

- 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 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; BNM Policy Document on Fit and Proper Criteria and PIBB's Fit and Proper Policy as approved by the Board.
- 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; BNM Policy Document on Fit and Proper Criteria and PIBB's Fit and Proper Policy as approved by the Board.
- Review periodically 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.
- 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, the BNM Policy Document on Fit and Proper Criteria and PIBB's Fit and Proper Policy.
- 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.
- 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.

- 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.
- Oversee 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, and reviews and recommends changes to the Board whenever necessary.
- 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.
- Carry out such other responsibilities as may be specified by BNM or other regulatory authorities 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 meetings held in 2023 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>	12	11 <sup>2</sup>
Dato’ Haji Kamil Khalid bin Dato’ Mushir Ariff <i>Independent Non-Executive Chairman</i>	12	12
Mr Lam Song Shen <i>Independent Non-Executive Director</i>	12	12
Dr. Shafaai bin Musa <i>Independent Non-Executive Director</i>	12	12
Datuk Mohd Anwar bin Yahya <sup>1</sup> <i>Independent Non-Executive Director</i>	5	5

Notes:

<sup>1</sup> Appointed as Member of Nomination and Remuneration Committee with effect from 1 August 2023.

<sup>2</sup> Datin Dr. Rusnah did not attend one Nomination and Remuneration Committee meeting on her proposed re-appointment as Independent Non-Executive Director.

**Quorum**

A quorum shall consist of at least half of the Members and more than 50% shall be Independent Directors.

## **Audit Committee**

The Audit Committee (AC)'s 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 at least half of the AC Members and shall comprise Independent Directors.

#### d. Secretary

The Secretary of the AC shall be the Group Chief Internal Auditor of 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 provided that such access and/or the disclosure of the information and documents is permitted, not restricted and/or prohibited under all applicable laws in the relevant jurisdiction, whether in or outside of Malaysia including but not limited to Islamic Financial Services Act 2013.
- convene meetings with the Internal Auditors without the presence of the CEO and other Senior Management staff whenever deems necessary.
- meet with the External Auditors at least twice a year without the presence of the CEO and other Senior Management staff and when necessary, without the Internal Audit staff/Group Chief Internal Auditor.
- Invite other directors and employees of the PIBB and PBB to attend the AC meeting.

f. Responsibilities and Duties

- Risk Management Systems, Internal Controls and Governance Processes

To review the adequacy, soundness and effectiveness of risk management systems, internal controls, anti-corruption measures, whistleblowing policy and governance systems implemented in PIBB.

- Internal Audit
  - i. To review the adequacy of the scope, competency and the resources of Internal Audit function which is undertaken by the Internal Audit function of PBB and that it has the necessary authority to carry out its work.
  - ii. To approve proposed annual audit plan.
  - iii. To review the proposed revised Internal Audit Charter for recommendation to the Board of Directors for approval.
  - iv. To review and assess the performance and effectiveness of the Internal Audit function.
  - v. 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 their 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, resignation and removal.
  - iii. To review the suitability, 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. Concurrence from PBB's AC shall be obtained for proposal to appoint the External Auditor of PBB and/or its affiliated firm or corporation on the provision of non-audit services.
  
- Audit Reports
  - i. To review the investigation, internal and external audit reports to ascertain that appropriate remedial actions have been taken timely by Management to address and resolve the identified key issues including Shariah non-compliance issues/significant lapses in controls and procedures.
  - ii. To note any significant disagreements over audit issues between the Group Chief Internal Auditor of PBB and PIBB's Senior Management team, irrespective of whether these issues/lapses have been resolved, in order to identify the impact of such disagreements that 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/auditing standards in Malaysia 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

- To review the accuracy and adequacy of the Chairman's Statement in the Directors' Report, corporate governance disclosures and interim financial reports.
- To monitor compliance with the Board of Directors' conflicts of interest policy.
- To review third-party opinions on the design and effectiveness of PIBB's internal control framework.
- 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 2023.

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 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 <i>Independent Non-Executive Director</i>	17	17
Datuk Mohd Anwar bin Yahya <sup>1</sup> <i>Independent Non-Executive Director</i>	6	6

Notes:

<sup>1</sup> Appointed as Member of AC with effect from 1 August 2023.

## **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 as well as financial reporting and disclosures are in compliance with the relevant regulatory requirements and applicable accounting standards. 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 principles applied, and judgements exercised that may have material impact to the financial statements as well as compliance with the applicable approved accounting/auditing standards in Malaysia and other legal and regulatory requirements.

### Internal Control

The Board of Directors has overall responsibility for overseeing the implementation of 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 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 Internal Audit 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 Internal Audit function of PBB also reviews the work processes/procedures for efficiency and effectiveness. The Internal Audit 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 PBB 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 PBB 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 auditors without the presence of the Management and Internal Audit 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 PBB Group's Policies and Procedures for Appointment/Re-appointment of External Auditors for Audit and Non-Audit Services (Group Policies and Procedures) to ascertain 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 stipulated in the BNM's Policy Document on External Auditors.

The assessments of the external auditors are carried out vide an assessment checklist in accordance with the assessment criteria as 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 as the independence and objectivity of the external auditors.

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 (RMC) is made up of 4 Independent Non-Executive Directors and 1 Independent Non-Executive Chairman of PIBB.

The RMC is chaired by Mr Lam Song Shen, an Independent Non-Executive Director.

### **The Roles and Responsibilities of the RMC**

- a. Support the Board of Directors in meeting the expectations on risk management in the following areas:
  - Oversee that 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 on senior management's actions having considered the risk strategy and policies approved by the Board of Directors including the risk appetite;
  - Provide effective oversight on the ability of the risk management framework to identify, measure and monitor 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;
  - Provide effective oversight on the integration of the risk management practices throughout the organisation and embedded into the culture and business operations of PIBB;
  - Provide effective oversight on the implementation of the risk management framework is reinforced with an effective compliance function and subjected to an independent internal audit review;

- Provide effective oversight that PIBB have put in place the appropriate mechanisms in place for communicating risks across the organisation and for reporting risk developments to the Board of Directors and Senior Management;
  - Understand PIBB's operational and organisational structure and the risks it poses and is satisfied that it is not overly complex or opaque such that it hampers effective risk management;
  - Provide effective oversight on 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 the AC 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 RMC holds monthly meetings.

The attendance of Members at the RMC meetings held in 2023 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 <i>Independent Non-Executive Director</i>	12	12
Datuk Mohd Anwar bin Yahya <sup>1</sup> <i>Independent Non-Executive Director</i>	5	5

Notes:

<sup>1</sup> Appointed as Member of RMC with effect from 1 August 2023.

## **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 AC with effect from 25 April 2017.

### **Terms of Reference of the RMC on Compliance Function as at 31 December 2023**

#### a. Composition

- The Committee, being a Board Committee 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 Committee Members shall be Independent Directors.
- The Chairperson of the Committee shall be approved by the Board of Directors and shall be an Independent Non-Executive Director. In the absence of the Chairperson of the Committee, the Directors present shall elect one of themselves to chair the meeting.

#### b. Frequency of Meetings

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

#### c. Quorum

A quorum shall consist of at least half of the Members and shall comprise a minimum of 2 Independent Directors.

#### d. Secretary

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

#### e. Authority

The Committee shall have the authority to:

- investigate any matter within its terms of reference;

- have full and unrestricted access to any information and documents pertaining to PIBB provided that such access and/or the disclosure of the information and documents is permitted, not restricted and/or prohibited under all applicable laws in the relevant jurisdiction, whether in or outside of Malaysia including but not limited to Malaysia Islamic Financial Services Act 2013;
- 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 meetings with the CCO without the presence of the CEO 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 for effective management of the overall compliance risk.
- e. To put in place appropriate infrastructure, resources, processes and systems for compliance assessment and to support initiatives that are directed at improving and contributing to the effectiveness of the compliance function. This includes granting PIBB's Compliance Division staff the 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 such that the issues are resolved effectively and expeditiously.
- h. To establish appropriate lines of reporting for timely escalation of compliance issues to the Management and the Board of Directors.
- i. To oversee that 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 2023 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 <i>Independent Non-Executive Director</i>	12	12
Datuk Mohd Anwar bin Yahya <sup>1</sup> <i>Independent Non-Executive Director</i>	5	5

Notes:

<sup>1</sup> Appointed as Member of RMC on Compliance Function with effect from 1 August 2023.

## **Joint PBB/PIBB Credit Risk Management Committee**

The Joint PBB/PIBB Credit Risk Management Committee (CRMC) is a joint Board Committee comprising of certain Board Members of PBB and PIBB. The CRMC 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.

The CRMC was chaired by Ms Cheah Kim Ling, a Non-Independent Non-Executive Director of PBB until 31 October 2023, and ceased to be the Chair and Member of CRMC with effect from 1 November 2023. Ms Teoh Meow Choo, an Independent Non-Executive Director of PBB is appointed as the Chair of CRMC with effect from 1 November 2023.

As at 31 December 2023, CRMC 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.

### **The Roles and Responsibilities of the CRMC**

- a. Assist the PBB and PIBB Board 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. Assist the Board in overseeing the integration of climate-related risk management into the credit risk management process.
- c. Evaluate and assess the adequacy of strategies to manage the overall credit risk associated with the PBB and its subsidiaries; and PIBB's activities.
- d. Oversee 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. Review 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. Provide effective oversight that processes and procedures are in place to meet the regulatory requirements on credit risk management.
- i. Review reports of the credit review process, asset quality and be satisfied that corrective action is taken.

- j. Review and evaluate the various credit products engaged by PBB and PIBB and be satisfied that conducted within the standards and policies set.
- k. Provide effective oversight on the PBB's subsidiaries credit risk management and be satisfied that appropriate processes are established to monitor their credit risk profiles and implementation of credit risk management framework, policies and guidelines are appropriate to the nature, scale and complexity of its activities.

### Frequency of Meetings

The CRMC holds monthly meetings.

The attendance of Members at the CRMC meetings held in 2023 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 (Chairperson) <sup>1</sup> <i>Non-Independent Non-Executive Director, PBB</i>	10	10
Ms Teoh Meow Choo <sup>2</sup> <i>Independent Non-Executive Director, PBB</i>	2	2
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

Notes:

<sup>1</sup> Ceased as Chairperson and Member of the Joint PBB/PIBB CRMC with effect from 1 November 2023.

<sup>2</sup> Appointed as Chairperson of the Joint PBB/PIBB CRMC with effect from 1 November 2023.

## **Joint PBB/PIBB Board Sustainability Management Committee**

The Joint PBB/PIBB Board Sustainability Management Committee (BSMC) is a joint Board Committee comprising certain Board Members of PBB and PIBB. The 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 BSMC assists the Board to oversee the setting of sustainability strategies, priorities and targets, and ensuring alignment with the Group's sustainability commitments.

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

For the year 2023, the BSMC was chaired by Mr Lim Chao Li (the Chairman of the BSMC), an Independent Non-Executive Director of PBB.

### **The Roles and Responsibilities of the BSMC**

- a. Review and recommend to the Board for approval, 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 Group; and
- 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 BSMC holds quarterly meetings. In 2023, 4 BSMC meetings were conducted. The attendance of Members at the BSMC meetings in 2023 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>	4	4
Mr Lai Wan <i>Non-Independent Non-Executive Chairman, PBB</i>	4	4
Dato’ Haji Kamil Khalid bin Dato’ Mushir Ariff <i>Independent Non-Executive Chairman, PIBB</i>	4	4
Ms Tham Chai Fhong <i>Independent Non-Executive Director, PBB</i>	4	4
Ms Gladys Leong <i>Independent Non-Executive Director, PBB</i>	4	4

## **Shariah Committee**

### **Role and Authority of Shariah Committee**

PIBB 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 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:

- a. Perform an oversight role on Shariah matters related to the PIBB's business operations and activities, including oversight requirements;
- b. Advise the Board of Directors and the Management on Shariah related matters in order for PIBB to comply with Shariah rules and principles at all times. The SC Members are responsible and accountable for all Shariah decisions, opinions and views provided by them;
- c. Endorse Shariah related policies and guidelines;
- d. Approve products and services to ensure compliance with Shariah rules and principles;
- e. Assess work carried out by Shariah Risk Management, Shariah Review and Compliance and Shariah Audit (Shariah Control Function), which form part of the SC's duties in providing compliance assessment in terms of Shariah and assurance information in the annual report of PIBB;
- f. Advise related parties such as the parent company, subsidiaries, clients, legal counsels, auditors and/or consultants on Shariah matters for advice upon request;
- g. Advise PIBB to consult the SACs of BNM and Securities Commission on Shariah matters that cannot be resolved;

- h. Provide written Shariah opinions in circumstances where PIBB makes reference to the SAC for further deliberation or where PIBB submits application to BNM for new product approval; and
- i. Notwithstanding the above, the SC is also responsible to perform any specific duties and responsibilities outlined in any policy documents and/or standards issued by the relevant authorities at all times.

In 2023, a total of 13 meetings were held and details of attendance of the SC Members are as follows:

Name of Committee Members	Number of Shariah Committee Meetings	
	Held During Tenure in Office	Attended
Dr. Shafaai Bin Musa	13	13
YM Engku Ahmad Fadzil Bin Engku Ali	13	13
En Wan Abdul Rahim Kamil Bin Wan Mohamed Ali	13	13
Assoc. Prof. Dr. Syed Musa bin Syed Jaafar Alhabshi	13	13
Assoc. Prof. Dr. Marhanum bin Che Mohd Salleh <sup>1</sup>	3	3
Dr. Ab Mumin Bin Ab Ghani <sup>2</sup>	3	3

*Notes:*

<sup>1</sup> *Appointed as Member of the SC with effect from 1 November 2023.*

<sup>2</sup> *Ceased as Member of the SC with effect from 1 April 2023.*

## **Senior Management**

Strong and deep-rooted corporate governance and professional business ethics are fundamental to an organisation's continued success and sustainable financial strength. These pillars enable the Bank to remain strong and resilient despite the evolving business landscapes and challenges.

The CEO together with a competent team of Senior Management are entrusted with the stewardship of perpetuating sound corporate governance across the full spectrum of business and operations and all levels of employees.

The CEO and the Senior Management collectively play a pivotal role in the development and implementation of the corporate goals and strategic business plans in accordance with the directions as set out by the Board of Directors.

There is a clear segregation of responsibilities among the Senior Management to ensure an appropriate balance of roles, responsibilities and accountabilities in support of a strong control environment. It also serves as an embedded check and balance mechanism for the day-to-day business and operations.

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 outlines the structured process and procedure 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:

- Probity, Personal Integrity and Reputation
- Competence and Capability
- Financial Integrity
- They do not hold an aggregate interest of 5% or more in the shares of PBB.

## **Succession Planning**

Human capital is the catalyst towards sustainable business growth and succession management is essential to leadership continuity and business sustainability in meeting the Bank's long term goals and objectives.

The Bank has put in place a robust succession planning process which covers multi-pronged talent identification and development approaches to identify and build a pool of talents with the right skill sets, experience and leadership qualities to prepare them for succession to all the Key Leadership Positions (KLPs) within the Bank.

A 3-dimensional assessment, which covers aspects of talents' competency, behavioural tendencies and career aspirations, provides a holistic view of their talents, strengths and developmental gaps. In addition, the talents are subject to periodic assessment on their competencies, which serves as a 'health check' of the talent pool to enable early interventions to ensure a seamless succession plan.

The career path for the identified talents is specially curated to harness their potential as well as leadership skills. Customised individual developmental plans, which include accelerated and customised learning opportunities, are developed to nurture the talents thus closing the identified gaps and fast tracking their development to address critical positions. The Bank continues to adopt a 'Look Within' policy to empower identified talents to assume higher responsibilities whilst retaining the invaluable corporate knowledge and ensure that corporate values are embedded at Senior Management level.

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 PIBB Remuneration Policy is established to put in place a framework which drives performance with appropriate risk-taking behaviour and reinforces the Bank's corporate and risk culture.

The subject of sustainability has been integrated into the long-term strategic plans as well as performance assessment of the CEO and Senior Management to uphold sustainability practices across the Bank's operations, whilst contributing to a more sustainable and responsible society.

The quantitative ESG KPI on “Achievement of Sustainability Targets in respect of ESG Initiatives” is included in the performance assessment of the CEO and the Senior Management in Financial Year 2023 (FY2023) to be consistent with the collective responsibility in driving and implementing the sustainability plans/objectives of the Bank.

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 employees 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, comprising the following:

- CEO
- 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 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 employees of the control functions are to be assessed independently from the business units. For effective segregation, these employees 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 business units.

The remuneration framework outlines the total compensation packages of fixed remuneration and variable remuneration payable to employees. Fixed remuneration refers to basic salary and other fixed income, commensurate with the role and position of an individual employee, 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 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 3 years from the date of payment to the employee.

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 depicts the total value of cash-based remuneration paid out to Senior Management employees of PIBB for FY2023:

Remuneration	Non-Deferred		Deferred			
			Paid in the Financial Year		Outstanding	
	No. *	Amount (RM)	No. *	Amount (RM)	No. *	Amount (RM)
<b>Fixed</b>	7	2,374,426	-	-	-	-
<b>Variable</b>	6	358,682	4	753,564	4	258,435

Notes:

\* Staff movement in FY2023 where there was new appointment, promotion and retirement amongst the Senior Management.

## **Strengthening Corporate Governance Culture**

The Bank embraces governance culture as business essentials for the Bank. The Bank has therefore emplaced the following policies to further internalise governance and compliance culture in the Bank:

### a. PIBB Code of Ethics

The PIBB Code of Ethics has been drawn up in line with the PBB Group's Code of Ethics and the "Code of Ethics for the Financial Services Industry" established by the Financial Services Professional Board. The Bank's Code of Ethics defines the behavioural standards required of each employee in their personal and professional interactions. The Bank's values are entrenched in the following 5 Fundamental Ethical Principles:

- Competence
- Integrity
- Fairness
- Confidentiality
- Objectivity

### b. Diversity, Equality and Inclusion Policy

The Bank's Diversity, Equality and Inclusion Policy lays the foundation in advocating an inclusive culture which emphasises care, collaboration and mutual trust.

The Diversity, Equality and Inclusion Policy upholds a diverse workforce and promotes diversity, equality, and inclusiveness within the Bank for those of all ages, race, ethnic, culture, national origins, gender, marital and parental status, physical impairment, disability and religious beliefs.

### c. Whistleblowing Policy and Procedures

The Bank's Whistleblowing Policy and Procedures provide an avenue for its employees and third parties to communicate any malpractice, impropriety, non-compliance or improper conduct in a responsible and transparent manner without the fear of reprisals. The Bank's Whistleblowing Policy and Procedures are aligned with the Standards on Whistleblowing for Financial Institutions established by the Financial Services Professional Board.

The Whistleblowing Policy and Procedures are accessible via the Bank's corporate website at [www.publicislamicbank.com.my](http://www.publicislamicbank.com.my). The platform, accessibility and channels of reporting are user-friendly to facilitate the submission of disclosure. All disclosures are further managed by an authorised personnel with strictest confidentiality.

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-Sexual Harassment Policy

The Bank is committed to providing all employees with a safe and respectful work environment. The Bank does not tolerate any detrimental, abusive behaviour nor any form of harassment, humiliation and/or intimidation.

The Anti-Sexual Harassment Policy has been formulated to uphold the Bank's zero tolerance towards any form of sexual harassment and to raise awareness on the definition of sexual harassment including the avenues for seeking help or to lodge a report.

e. Anti-Fraud Policy

The Bank continues to uphold a culture of zero-tolerance towards any form of fraud. The Anti-Fraud Policy is developed in line with the Bank's commitment to eliminate fraud from all its business activities.

The Anti-Fraud Policy articulates the Bank's requirements of all its employees relating to the prohibition, recognition, reporting and investigation of suspected fraud, corruption, misappropriation and other similar irregularities.

f. Compliance Policy

The Bank has in place a Compliance Policy which sets out the fundamentals of the Bank's compliance framework. The Bank's Compliance Policy has been developed to support the following objectives:

- To set out the roles and responsibilities of the Board of Directors, Senior Management and employees of Bank in managing compliance risk;
- To set out the mandate of the Compliance Function for the Bank;
- To set out the compliance requirements and standards for the Bank;

- To set out the operating model for Compliance Function with regards to the identification, management and reporting of compliance risk; and
- To promote a corporate culture that upholds high standards of zero tolerance for legal and regulatory non-compliance, integrity and ethics in the conduct of the Bank's business.

g. Anti-Bribery and Anti-Corruption Policy

The Bank remains steadfast in conducting its business in accordance with the highest ethical standards and prohibits all forms of bribery or corruption.

The Anti-Bribery and Anti-Corruption Policy (hereinafter referred to as ABAC Policy) demonstrates the Bank's zero tolerance approach towards any acts of bribery and corruption. All employees are further guided on what is permissible and non-permissible conduct in the discharge of their duties.

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 objectives of the ABAC Policy are as follows:

- 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 employees the commitment of the Bank against corruption in all its forms, including bribery.
- To define what constitutes bribery and corruption and other prohibited practices.

h. Staff Grievance Policy

The Bank recognises that effective grievance handling is essential to the development and maintenance of an amicable, positive and harmonious working environment. Hence, the Staff Grievance Policy has been established for Management to engage and understand employees' grievances in order to resolve issues raised in a prompt and amicable manner.

A digital platform "Staff Grievance Portal" has also been established to facilitate employees in channelling their concerns for resolution at the lowest possible level.