

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) 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 PIBB's strategic plans and key policies, and charting the course of PIBB's business operations. The Board, through the Audit Committee, Risk Management Committee and Risk Management Committee on Compliance function, provides effective oversight of the Management's performance, risk assessment and controls over business operations, 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 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.

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 and Risk Management Committee through minutes of these committees.

The Board Members deliberate, 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 Chairman of the various Board Committees would inform the Directors at Board meetings, of salient views and 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 Board Members come 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 all 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 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 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 25 February 2021 comprises 8 members. The size and composition of the Board are ideal 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, property, Shariah and Islamic finance.

The 8 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 2017.

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

Tan Sri Dato' Sri Dr. Teh Hong Piow Non-Independent Non-Executive Director

- Tan Sri Dato' Sri Dr. Teh Hong Piow, who is the Founder, Chairman Emeritus, Director and Adviser of PBB (parent company), holds an impeccable record as one of the most outstanding Chief Executive Officers in the banking industry and in the ASEAN region.

He was the President/CEO of PBB for 36 years before his re-designation as Non-Executive Chairman on 1 July 2002.

He retired as Chairman of PBB on 31 December 2018 and was conferred the position of Chairman Emeritus and Adviser of PBB with effect from 1 January 2019.

- Tan Sri Teh is widely acclaimed both domestically and internationally as a banking grandmaster. He has received numerous awards for his par excellence achievements as a banker, CEO and transformational leader. Tan Sri Teh has received countless prestigious awards in recognition of his significant contributions to the banking and finance industry, and for his socio-economic development initiatives, both locally and abroad.

- In recognition of his contributions to society and the economy, he was conferred the Doctor of Laws (Honorary) from University of Malaya in 1989.
- Tan Sri Teh was conferred The Honorary Doctor of The University by The Board of Directors and The Academic Senate of Sunway University on 28 January 2019, in recognition of his distinction as one of the leading bankers of Malaysia, having founded and overseen the evolution of PBB into a modern and integrated financial institution, and for his outstanding contribution to the growth of the financial services industry of Malaysia.
- Tan Sri Teh is an Emeritus Fellow of the Malaysian Institute of Management and is a Fellow of the Asian Institute of Chartered Bankers; the Chartered Institute of Bankers, United Kingdom; the Institute of Administrative Management, United Kingdom; and the Governance Institute of Australia.

Dato' Mohammed Najeeb bin Abdullah
Independent Non-Executive Chairman

- Dato' Mohammed Najeeb bin Abdullah is an MBA graduate from the University of Charles Darwin, Australia and also a graduate from the Chartered Institute of Marketing, United Kingdom. He has more than 36 years of experience in both conventional and Islamic banking.
- He started his career in banking with a local bank and later worked in PBB/PIBB for over 27 years. Through the years he had built an exciting and successful career in banking, attaining a top management position.
- In April 2010, Dato' Mohammed Najeeb was appointed as a Senator of the Upper House of Parliament by the Government of Malaysia for a 3-year term. As a Senator he had participated in many local and international forums and conferences. In October 2012, he led a Senatorial delegation to the United Nations 67th General Assembly, New York, where he presented Malaysia's two policy statements at the Second Committee Meeting on Economics and Financial.
- Dato' Mohammed Najeeb is a Chartered Member of Chartered Professional in Islamic Finance.

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

- Tan Sri Dato' Sri Tay Ah Lek has been in the banking and finance industry for 60 years.
- He is presently the Chairman of the Association of Hire Purchase Companies Malaysia and is a 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 he had attended the Advanced Management Program at 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.

Dato' Dr. Mahmood Zuhdi bin Haji Ab Majid
Non-Independent Non-Executive Director

- Dato' Dr. Mahmood Zuhdi possesses professional qualifications and wide experience, knowledge and expertise in Shariah and Islamic Finance.
- Dato' Dr. Mahmood Zuhdi holds a Master's degree in Shariah from Al-Azhar University, Cairo, a Doctorate in Shariah from University of Malaya and a Master's Degree in Philosophy from University of Kent, United Kingdom.
- Dato' Dr. Mahmood Zuhdi is a well-known Shariah scholar and is actively involved in various Shariah supervisory boards.

Mr Vasantha Kumar Tharmalingam
Independent Non-Executive Director

- Mr Kumar has vast experience and expertise as a real estate valuer and property consultant.
- Mr Kumar graduated from the College of Estate Management, London School of Economics with a Bachelor of Science in Real Estate from the University of London.
- He is a Fellow of the Royal Institution of Chartered Surveyors, United Kingdom, Fellow of the Institution of Surveyors Malaysia and registered as a Real Estate Valuer and Property Consultant with the Board of Valuers in Malaysia.

Datin Dr. Rusnah binti Muhamad
Independent Non-Executive Director

- Datin Dr. Rusnah possesses expertise and experience in Accounting and Finance.
- 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 and Associate Member of Association of Shariah Advisors in Islamic Finance (ASAS).

She has completed Level 1 of the Certified Shariah Practitioner, and is currently pursuing the completion of Level 2 and Level 3.

- Datin Dr. Rusnah is a member of PIBB Shariah Committee since 1 April 2011 and is also a member of Shariah Committee of AIA PUBLIC Takaful Berhad.
- She is currently an Associate Professor at the Faculty of Business and Accountancy of University of Malaya, and she is the Chairperson of the Ministry of Higher Education UM-INCEIF Islamic Finance Research Program.
- She also serves as the Chief Editor for the Asian Journal of Accounting Perspective.

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.

Dato' Haji Kamil Khalid bin Dato' Mushir Ariff (Appointed on 1 November 2020) Independent Non-Executive Director

- 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.

Board Balance and Independence of Directors

The current Board comprises 3 Non-Independent Non-Executive Directors and 5 Independent Non-Executive Directors ie. 5 out of 8 Directors or 63% of the Board Members are Independent Non-Executive Directors.

The presence of a majority of Independent Non-Executive Directors provides effective check and balance 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 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 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 Non-Executive Directors and 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.
- 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 performance 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 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 2020.
- 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 2020, is as reflected below:

Name of Director	Number of Board Meetings	
	Held During Tenure in Office	Attended
Non-Independent		
Tan Sri Dato' Sri Dr. Teh Hong Piow <i>Non-Executive Director</i>	21	20
Tan Sri Dato' Sri Tay Ah Lek <i>Non-Executive Director</i>	21	21
Dato' Dr. Mahmood Zuhdi bin Haji Ab Majid <i>Non-Executive Director</i>	21	20
Independent		
Dato' Mohammed Najeeb bin Abdullah <i>Non-Executive Chairman</i>	21	21
Mr Vasantha Kumar Tharmalingam <i>Non-Executive Director</i>	21	21
Datin Dr. Rusnah binti Muhamad <i>Non-Executive Director</i>	21	21
Mr Lam Song Shen <i>Non-Executive Director</i>	21	21
Dato' Haji Kamil Khalid bin Dato' Mushir Ariff <i>Non-Executive Director</i> <i>(Appointed on 1 November 2020)</i>	3	3

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 2020, the Members of the PIBB Board had received training on areas relevant to their duties and responsibilities as Directors by attending/participating virtually in external seminars/talks and internally facilitated sessions. The Directors had attended/participated virtually in talks, 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**
 - 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.
 - FIDE Core Programme shall be the core training for Directors.
 - Islamic Finance for Board Programme is one of the initiatives of BNM in support of the developments that have shaped the Malaysian Islamic banking landscape over the past three decades. The programme aims to activate Islamic banking innovations as a board room priority of financial institutions, emphasising on a clear understanding of differences in the value orientation and operationalisation of Islamic banking business vis-à-vis conventional banking.

- **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 current 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 attended/participated virtually by the Directors during each financial year.

Conferences, seminars and training programmes attended/participated virtually by Directors in 2020 included the following:

Corporate Governance

- 3rd Distinguished Board Leadership Webinar on Challenging Times: What Role Must the Board Play?
- 4th Distinguished Board Leadership Webinar on Risks: A Fresh Look from the Board's Perspective
- Training on Environmental Social Governance
- Webinar on Banking of Governance, Insuring Sustainability
- Webinar: BNM-FIDE FORUM Annual Dialogue with the Governor of BNM 5th Distinguished Board Leadership Webinar on Climate Action: The Board's Leadership in Greening the Financial Sector Risk/Compliance/Regulatory
- Anti-Money Laundering/Counter Financing of Terrorism & Targetted Financial Sanctions: Compliance - A Need to Protect Business
- The Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001: Risk, Challenges, Governance & Transparency in Managing Business & Compliance

Banking, Finance & Economy

- Webinar on COVID-19 and Current Economic Reality: Implications for Financial Stability
- 3rd Session Webinar on COVID-19 and Critical Supply Chains: Medical Services and Food
- 5th Session Webinar on Marketing for a New Normal
- 2nd Distinguished Board Leadership Webinar on Outthink the Competition: Excelling in a Post COVID-19 World
- Dialog Ekonomi Perbankan
- Webinar on The Open Banking Opportunity for Public Bank
- Sharing Session on IFRS17 and its Implications to Products and Industry
- Business Foresight Forum 2020 (Virtual Conference)
- Talk on the Uncertain State of the World Economy
- Overview of MFRS 17, Insurance Contracts

FinTech and Technology Based Innovations

- Webinar on Digital Banking: Why Does It Matter
- 6th Session Webinar on Building Security in an Unsecure World
- Webinar on Digital Financial Institutions Series: Managing Virtual Banking and Insurance Businesses
- 6th Distinguished Board Leadership Webinar on Green Fintech: Ping An's Journey to Becoming a top ESG-Performing Financial Institutions

Islamic Banking and Finance

- Talk on Trends and Development in Islamic Finance
- Shariah Research in Islamic Finance
- Muzakarah Zakat Bersama Majlis - Majlis Agama Islam Negeri dan Wilayah Persekutuan
- Seminar on Local Fiqh
- Workshop on Ekonomi Zakat dan Wakaf
- Workshop on Pemandu Mabuk dari Perspektif Hukum Syariah dan Undang Undang Negara
- Dialog on Mahkamah Utama Syariah Negeri Perak
- Dialog Pengajian Syariah di Perguruan Tinggi
- Shariah Governance Policy Document Thematic Session: Board's Interaction with the Shariah Committee
- Islamic Banking Products & Services - Discussion on the Shariah Contracts applicable in the structuring of Islamic banking products
- Investment in the Future: Shariah Fraternity's Role in Islamic Capital Market
- Shariah Audit Conference 2020 (Virtual Conference)

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 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 also considers the duties and responsibilities of the Directors.

The Board as a whole determines the remuneration of Non-Executive Directors.

The proposed Directors' fees for the financial year ended 31 December 2020 are subject to shareholder's approval.

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

The functions and terms of reference 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 PIBB Nomination and Remuneration Committee are as follows:

- Mr Vasantha Kumar Tharmalingam (Chairman)
Independent Non-Executive Director
- Dato' Mohammed Najeeb bin Abdullah
Independent Non-Executive Chairman
- Dato' Dr. Mahmood Zuhdi bin Haji Ab Majid
Non-Independent Non-Executive Director
- Datin Dr. Rusnah binti Muhamad
Independent Non-Executive Director
- Dato' Haji Kamil Khalid bin Dato' Mushir Ariff
Independent Non-Executive Director (Appointed on 1 November 2020)

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 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 meetings held in 2020 is as reflected below:

Name of Committee Members	Number of Nomination and Remuneration Committee Meetings	
	Held During Tenure in Office	Attended
Mr Vasantha Kumar Tharmalingam (Chairman) <i>Independent Non-Executive Director</i>	12	12
Dato' Mohammed Najeeb bin Abdullah <i>Independent Non-Executive Chairman</i>	12	12
Dato' Dr. Mahmood Zuhdi bin Haji Ab Majid <i>Non-Independent Non-Executive Director</i>	12	10
Datin Dr. Rusnah binti Muhamad <i>Independent Non-Executive Director</i>	10	10
Dato' Haji Kamil Khalid bin Dato' Mushir Ariff <i>Independent Non-Executive Director</i> <i>(Appointed on 1 November 2020)</i>	2	2

Quorum

A quorum shall consist of at least 3 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 effectiveness and efficiency of the internal controls, risk management and governance systems of Public Islamic Bank Berhad (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 of Independent Directors.

d. Secretary

The Secretary of the AC shall be the Group Chief Internal Auditor of Public Bank Berhad (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 deemed necessary.

- meet with the External Auditor 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

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

- To approve the annual audit plan.

- To review and assess the performance and effectiveness of the IA function.

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

- External Audit

- To review the External Auditor's audit plan, scope of its audits and audit reports, including the External Auditors' evaluation of the system of internal controls.

- To assess the performance of the External Auditor and make recommendations to the Board of Directors on their appointment/reappointment, remuneration and removal.

- To review the independence and objectivity of the External Auditor and their services, including non-audit services.

- 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 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 PIBB 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

- 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 Audit Committee which state that meetings shall be held not less than 12 times a year, the Audit Committee had met 17 times in year 2020.

The attendance of each Audit Committee 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 (Chairperson) <i>Independent Non-Executive Director</i>	17	17
Dato’ Mohammed Najeeb bin Abdullah <i>Independent Non-Executive Chairman</i>	17	17
Mr Vasantha Kumar Tharmalingam <i>Independent Non-Executive Director</i>	17	17
Mr Lam Song Shen <i>Independent Non-Executive Director</i>	17	17
Dato’ Haji Kamil Khalid bin Dato’ Mushir Ariff <i>Independent Non-Executive Director</i> <i>(Appointed on 1 November 2020)</i>	2	2

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 seeks explanations and additional information from the Senior Management and the Chief Financial Officer of PBB in regard to the financial performance and preparation of the financial statements of PIBB.

The AC reviews and discusses with the external auditor on their observations of the annual and interim financial results of PIBB, including the appropriateness of the accounting standards applied, its changes and the significant judgements and assumptions made by the 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 involves 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 noting.

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 to ensure that these transactions are undertaken on an arm's length basis.

Relationship with External Auditor

It is a requirement for the AC to meet with the external auditor to discuss their audit plan, audit findings and their 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 auditor whenever it deems necessary to discuss on key changes to regulatory requirements and latest developments in the accounting and auditing standards.

The AC is responsible for the review and assessment on the appointment or re-appointment of external auditor for statutory audit, recurring audit-related and non-audit related services. Recurring audit-related and non-audit related services comprise regulatory reviews and reporting, interim reviews, tax advisory and compliance services. The review and assessment for the appointment/re-appointment of external auditor is carried out annually via an assessment checklist in accordance with the assessment criteria covering regulatory requirements, performance and independence and objectivity as set out in the PBB Group's Policies and Procedures for Appointment/Re-appointment of External Auditors for Audit and Non-Audit Services to ensure that the independence and objectivity of the external auditor as statutory auditor are not compromised.

In addition, the AC reviews the terms of engagement for services provided by the external auditor prior to submission to the Board of Directors for approval.

The Board of Directors, upon concurrence with the outcome of the assessment, approves the appointment or re-appointment of the external auditor based on the AC's recommendation subject to the approval by Bank Negara Malaysia and shareholder at the annual general meeting of PIBB.

Risk Management Committee

The PIBB Risk Management Committee is made up of 5 Independent Non-Executive Directors and 1 Non-Independent Non-Executive Director and is chaired by Mr Lam Song Shen.

The Roles and Responsibilities of the PIBB 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 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 organisation 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 organisation and for reporting risk developments to the Board of Directors and senior management;
 - Understands 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;
 - 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 Risk Management Committee 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 Remuneration Committee; and

- d. Coordinates 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 PIBB Risk Management Committee holds monthly meetings.

The attendance of Members at the PIBB Risk Management Committee meetings held in 2020 are as follows:

Name of Committee Members	Number of Credit Risk Management Committee Meetings	
	Held During Tenure in Office	Attended
Mr Lam Song Shen (Chairman) <i>Independent Non-Executive Director</i>	12	12
Dato' Mohammed Najeeb Bin Abdullah <i>Independent Non-Executive Chairman</i>	12	12
Dato' Dr. Mahmood Zuhdi Bin Haji Ab Majid <i>Non-Independent Non-Executive Director</i>	12	12
Mr Vasantha Kumar Tharmalingam <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 Director</i>	2	2

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 2020

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 Public Bank Berhad (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 2020 are 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
Dato' Mohammed Najeeb Bin Abdullah <i>Independent Non-Executive Chairman</i>	12	12
Dato' Dr. Mahmood Zuhdi bin Haji Ab Majid <i>Non-Independent Non-Executive Director</i>	12	12
Mr Vasantha Kumar Tharmalingam <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 Director</i> <i>(Appointed as Member on 1 November 2020)</i>	2	2

Credit Risk Management Committee

The Credit Risk Management Committee is a joint Board Committee comprising of certain Board members of PBB and PIBB. The 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 Independent Non-Executive Directors of PBB and PIBB.

From the period of 22 January 2019 to 28 March 2020, the Credit Risk Management Committee was chaired by Dato' Mohd Hanif bin Sher Mohamed, an Independent Non-Executive Director of PBB and from 29 March 2020 to date, the Credit Risk Management Committee is chaired by Ms Cheah Kim Ling, an Independent Non-Executive Director of PBB.

The Roles and Responsibilities of the 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. Evaluates and assesses the adequacy of strategies to manage the overall credit risk associated with the PBB and its subsidiaries; and PIBB's activities.
- c. Oversees the development of credit policies encompassing all products and businesses ensuring the development of policy manual and procedures.
- d. Monitors, assesses and advises on the credit risk portfolio composition.
- e. Reviews the sensitivity analysis conducted on the credit portfolios and its impact on the earning/capital.
- f. Assesses the risk-return trade-off of credit products.
- g. Ensures processes and procedures are in place to meet the regulatory requirements on credit risk management.
- h. Reviews reports of the credit review process, asset quality and ensure that corrective action is taken.
- i. Reviews and evaluates the various credit products engaged by PBB and PIBB to ensure that it is conducted within the standards and policies set.
- j. 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 Credit Risk Management Committee holds monthly meetings.

The attendance of Members at the Credit Risk Management Committee meetings held in 2020 are as follows:

Name of Committee Members	Number of Credit Risk Management Committee Meetings	
	Held During Tenure in Office	Attended
Ms Cheah Kim Ling (Chairman) <i>Independent Non-Executive Director, PBB</i>	12	12
Mr Lai Wan <i>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

SHARIAH COMMITTEE

Shariah Members

Public Islamic's Shariah Committee (SC) was established in line with the requirements of Islamic Financial Services Act 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 members of the SC as at 31 December 2020 are as follows:

- Dr. Ab Mumin Bin Ab Ghani
- Ir. Dr. Muhamad Fuad Bin Abdullah
- YM Ustaz Engku Ahmad Fadzil Bin Engku Ali
- Datin Dr. Rusnah Binti Muhamad
- En Khairil Anuar Bin Mohd Noor

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

- Provide objective and sound advice to ensure that Public Islamic'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 Bank Negara Malaysia (the SAC) or standards on Shariah matters that are applicable to the operations, business, affairs and activities of PIBB;
- 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 a SNC finding by any relevant functions; and
- Endorse a rectification measure to address a SNC event.

Frequency of Meetings

During the year 2020, a total of 20 meetings were held and the details of attendance of each member are as follows:

Shariah Committee Members	Number of Shariah Committee Meetings	
	Held During Tenure in Office	Attended
Dato' Dr. Mahmood Zuhdi Bin Haji Ab Majid (Chairman)*	4	4
Dr. Abdul Bari Bin Awang*	4	4
Dr. Mohd Afandi Bin Awang Hamat*	4	4
Datin Dr. Rusnah Binti Muhamad <i>(Re-appointed on 1 April 2020)</i>	20	20
Dr. Ab Mumin Ab Ghani <i>(Appointed on 1 April 2020)</i>	16	16
Ir. Dr. Muhamad Fuad Abdullah <i>(Appointed on 1 April 2020)</i>	16	16
YM Ustaz Engku Ahmad Fadzil Engku Ali <i>(Appointed on 1 April 2020)</i>	16	16
En Khairil Anuar Mohd Noor <i>(Appointed on 1 November 2020)</i>	4	4

Note:

* Members who have completed their tenure as at 31 March 2020.

SENIOR MANAGEMENT

The collective leadership of Senior Management and the CEO are imperative in the development and implementation of the corporate strategies and the establishment of a strong governance culture in the Bank. They play an active and pivotal role in conducting the business operations in accordance with the directions set out by the Board of Directors.

There is a clear segregation of responsibilities among the Senior Management which promotes accountability and transparency as well as serves as an embedded check and balance system for the day to day business and operations of the Bank.

The internal control mechanisms which include compliance with regulatory requirements and internal policies are constantly 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 control functions are independent and 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 established procedures and processes for the appointment and removal of the relevant Key Responsible Persons (KRPs) as well as the stringent assessment of candidates against the minimum 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 management is essential to leadership continuity and business sustainability. The Bank has in place a robust succession planning, talent development and talent management programmes to build a pipeline of talents from within the Bank with the right skill sets, experience and leadership qualities. Identified talents are groomed as successors to key leadership positions.

In tandem with the evolving and strategic HR practices as well as to align with the Group's business priorities, the succession planning process has been further enhanced for a more effective talent identification and talent management.

Customised and focused developmental plans corresponding to the identified competency gaps of each talent are drawn up in order to effectively close the readiness gaps. The identified candidates are provided with targeted training covering job knowledge, skill development and job-related exposures to be ready in assuming key leadership positions. There are continuous reviews and evaluations of their progress and the tracking of targets as set out in their individual development plans.

The Bank continues to practise a ‘Look Within’ policy so as to retain corporate knowledge and ensure that the Bank’s corporate culture and values are embedded at Senior Management level. This also creates growth opportunities and paves a path for internal talents.

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 collectively implemented by the Senior Management team.

Remuneration Policy & Practice

The Public Islamic Bank Remuneration Policy is drawn up based on its corporate vision, strategic business objectives and ethical values. It sets out the Bank’s philosophy and principles to perpetuate a performance-orientated culture, appropriately balanced with prudent risk-taking across its business practices in support of the Bank’s strategies and its long term vision.

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 staff including Senior Management and other staff not governed by any collective agreement in the Bank. Senior Management in this context refers to Management Staff who are Key Responsible Persons (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 comprises of:

- i. Chief Executive Office (CEO)
- ii. Senior Officers defined as follows:
 - a) Key Responsible Persons (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 Group.
 - b) 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 will be 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 payout criteria. The first component of the performance bonus is linked to the individual performance of Senior Management and the payout 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 Public Bank Berhad. 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 achievement of Total Shareholders' Return (TSR) 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 Public Islamic Bank Berhad for the financial year 2020:

Remuneration	No. of Senior Management Staff	Non-Deferred (RM)	Deferred (RM)
Fixed	2	966,561	-
Variable		159,158	200,000

Strengthening Corporate Governance Culture

The Public Bank Group recognises that upholding high standards of corporate governance and ethics is key to long-term value creation and contributes directly to a sustainable business performance. The following policies have been established to further inculcate ethical values and governance culture in the Group:

Public Bank Group Code of Ethics

The Public Bank Group Code of Ethics is aligned to the Professional Code established by the Financial Services Professional Board and it is encapsulated in 5 Fundamental Ethical Principles which the Group and each employee must adhere to, both in letter and in spirit. The 5 Fundamental Ethical Principles are as follows:

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

Whistleblowing Policy and Procedures

The scope of the Whistleblowing Policy and Procedures (WBP) covers all employees and third parties in making disclosure of any improper conduct or irregularities without any risk of reprisals. The WBP is accessible via the Group's corporate website (www.publicislamicbank.com.my). The platform, accessibility and channels of reporting are user-friendly to facilitate the submission of disclosure.

The scope of the WBP has been expanded in line with the recommended Standard on Whistleblowing for Financial Institutions by Financial Services Professional Board.

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

Anti-Fraud Policy

The Anti-Fraud Policy sets out the Group's expectations on all its staff and the requirements relating to the prohibition, recognition, reporting and investigation of suspected fraud, corruption, misappropriation and other similar irregularities.

The Policy also articulates the Group's ultimate objective in eliminating any form of fraud from all its business activities as the Group has zero-tolerance towards any form of fraud.

The definition/scope of "FRAUD" in the Anti-Fraud Policy has been expanded to cover the following:

- a. Asset Misappropriation
- b. Fraudulent Statement / Representation
- c. Corruption
- d. Fraudulent acts or attempted fraudulent acts committed on but is not limited to assets, data, records, documents or other information, etc. belonging to a shareholder, customer, staff, supplier, vendor, agent or any persons who has dealings with the Group.

Anti-Bribery and Anti-Corruption Policy

The Public Bank Group recognises the importance of establishing and maintaining good corporate governance and is committed to conducting business in accordance with the highest ethical standards and in full compliance with all applicable laws, regulations and standards in all locations and jurisdictions in which the Bank operates. In this regard, the Group has established the Anti-Bribery and Anti-Corruption Policy (hereinafter referred to as the ABAC Policy) with reference to the requirements of the Guidelines on Adequate Procedures issued by the Prime Minister's Department on 4 December 2018 and Subsection (5) of Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (MACC Act 2009), as stated in the MACC Amendment Act 2018.

The ABAC Policy is developed with the following objectives:

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