

**PUBLIC BANK BERHAD**

**BOARD CHARTER**

(Approved by Board of Directors at  
Board Meeting held on 27 December 2018)

## PUBLIC BANK BERHAD - BOARD CHARTER

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# **PUBLIC BANK BERHAD - BOARD CHARTER**

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## **1. Purpose**

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.

## **2. Authority**

The Board derives its authority to act from the Memorandum and Articles of Association of the Company and the laws and regulations governing banks/companies in Malaysia.

## **3. Board Composition and Maximum Tenure for Directors**

### **3.1 Board Composition**

Until otherwise determined by a general meeting, the number of Directors shall not be less than 5 or more than 18.

The Chairman of the Board must not be an executive, and must not have served as a Chief Executive Officer (CEO) in the past five years.

The Board must have a majority of Independent Directors.

### **3.2 Maximum Tenure for Directors**

- i. There shall be no limit on the tenure of the following on the Board:
  - Founder, Chairman Emeritus, Director and Adviser
  - Chairman
  - Managing Director/CEO
- ii. The maximum tenure of an Independent Non-Executive Director shall be a cumulative term of 9 years.

Upon reaching such maximum tenure, the Independent Non-Executive Director may continue to serve on the Board but shall be re-designated as a Non-Independent Non-Executive Director.
- iii. The maximum tenure of a Non-Executive Director shall be a cumulative term of 15 years.

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### **4. Annual Review of Directors**

The Board conducts an annual assessment of the performance of each Director. The results of the review of individual Directors will be taken into account by the Board in determining its assessment of the Directors to stand for re-election at the next annual general meeting.

### **5. New Appointment/Re-appointment/Re-election of Director**

#### **5.1 New Appointment/Re-appointment of Director**

- The proposed appointment of a new Director is subject to the approval of Bank Negara Malaysia (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(s) for proposed directorship and proposed Board Committee membership 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 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 submitting their recommendation to the Board for decision on the submission of application to BNM for the proposed re-appointment of the Director concerned.

#### **5.2 Re-election of Directors**

The Articles of Association of the Bank provide that at every annual general meeting of the Bank, one-third of Directors for the time being and those appointed during the financial year shall retire from office and shall be eligible for re-election. The Articles of Association further provide that all Directors shall retire from office once at least in each 3 years but shall be eligible for re-election.

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### **6. Key Responsibilities of the Board**

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

- Approving the Bank's risk appetite, annual business plans, and the medium-term and long-term strategic plans.
- Approving the Bank'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 the Bank's operations.
- Overseeing the Bank's business operations and financial performance.
- Overseeing the implementation of the Bank'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 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 the Bank.
- Promoting, together with Senior Management, a sound corporate culture within the Bank which reinforces ethical, prudent and professional behaviour including fostering a strong compliance culture within the Bank.
- Ensuring that the culture of accountability; transparency; integrity; professionalism and responsible conduct is consistently adhered to in the Bank.
- Promoting sustainability through appropriate environment, social and governance considerations in the Bank's business strategies.

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- Overseeing and approving the recovery and resolution as well as business continuity plans for the Bank 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 the Bank and BNM on matters affecting or that may affect the safety and soundness of the Bank.
- Undertaking various functions and responsibilities as specified in the policy documents and directives issued by BNM from time to time.

### **7. Matters Reserved for Board's Consideration and Approval**

The Board reserves for its consideration and approval significant matters such as the following:

- Approval of financial statements
- Declaration of dividends
- Risk appetite setting
- Short-term and medium-term business plans
- Annual budget
- Governance structure for implementation of Internal Capital Adequacy Assessment Process (ICAAP) and Public Bank Group ICAAP Framework
- Capital management plan
- Issuance of debt instruments
- Credit policy
- Material acquisitions and disposals of assets not in the ordinary course of business.
- Appointment of Directors, CEO, Deputy CEO, and other key responsible persons
- Appointment of Board Committee Members

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### **8. Role of Non-Executive Chairman**

The role of the Non-Executive Chairman includes but is not limited to the following:

- Ensuring the smooth functioning of the Board and the governance structure, and inculcating positive culture in the Board.
- Ensuring that procedures and processes are in place to facilitate effective conduct of business by the Board.
- Ensuring that decisions are taken on a sound and well-informed basis, including by ensuring that all strategic and critical issues are considered by the Board, and that Directors receive the relevant information on a timely basis.
- Encouraging healthy discussion and ensuring that dissenting views can be freely expressed and discussed.
- Providing leadership to the Board and is responsible for the developmental needs of the Board.
- Providing support and guidance to Senior Management Officers to help facilitate management succession planning.

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### **9. Role of Managing Director/CEO**

The role of the Managing Director/CEO includes but is not limited to the following:

- Developing the business direction and strategies of the Bank.
- Ensuring that the Bank's business strategies and policies are effectively implemented.
- Ensuring that Board decisions and policies set by the Board are implemented effectively.
- Providing the direction for the implementation of short and long-term business plans.
- Providing strong leadership ie. effectively communicating a vision, management philosophy and business strategy to employees.
- Keeping the Board well informed of salient aspects and issues concerning the Bank's operations and ensuring that adequate management reports are submitted to Board members.
- Responsible for the effective management of the Bank's day-to-day operations.



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### **10. Role of Non-Executive Directors**

The role of the Non-Executive Directors includes but is not limited to the following:

- Providing independent and objective views (in the case of Non-Executive Directors who are Independent Non-Executive Directors), assessment and suggestions in deliberations of the Board.
- Mitigating any possible conflict of interest between the decision-making process and day-to-day management of the Bank.
- Constructively challenging and contributing to the development of the business strategies and direction of the Bank.
- Ensuring that there are adequate systems, controls and check and balance to safeguard the interests of the Bank and all stakeholders.

### **11. Role of Management**

The role of the Management includes but is not limited to the following:

- Implementing the business and risk strategies, remuneration policy, succession planning and other policies in accordance with the direction given by the Board.
- Establishing a management structure that promotes accountability and transparency throughout the Bank's operations and preserves the effectiveness and independence of control functions.
- Ensuring that the day-to-day management of the Bank's activities is in compliance with all regulatory requirements and consistent with the risk strategy, including the risk appetite, and policies approved by the Board.
- Undertaking various functions and responsibilities as specified in the policy document and directives issued by BNM or other regulatory authorities from time to time.

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### **12. Procedures of Board**

#### **12.1 Frequency of Board Meetings and Attendance**

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 the Bank'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.

A Director must attend at least 75% of the Board meetings held in each financial year, and must not appoint another person to attend or participate in a Board meeting on his/her behalf.

#### **12.2 Board Meeting Agenda and Board Papers**

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 the Board meeting. There is a process in place for Non-Executive Directors to seek clarifications or obtain details concerning the Board agenda papers from the Management or the Company Secretary or if they deem necessary to take independent professional advice at the Company's expenses. Confidential papers or urgent proposals are presented and tabled at the Board meetings under supplemental agenda.

#### **12.3 Quorum for Board Meetings**

Pursuant to Paragraph 9.5 of BNM Policy Document on Corporate Governance, the quorum for Board meetings shall be at least half the number of the Board members.

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### 12.4 Conflict of Interest

Section 58 of the Financial Services Act 2013 require a Director to disclose to the Board the nature and extent of his/her interest in a material transaction or material arrangement, and, if such material transaction or material arrangement is being deliberated during a Board meeting, to be absent from the meeting during such deliberations.

For the purpose of Section 58(4) of the Financial Services Act 2013:

- An existing or proposed transaction or arrangement will be considered material if it is one which a Director is required to declare under Section 221 of the Companies Act 2016, unless the Director or any person linked to him/her cannot reasonably be expected to derive a benefit or suffer a detriment from the transaction or arrangement in a way that will place the Director in a position of conflict; and
- An interested Director must make the disclosure by way of written notice to all members of the Board and the Company Secretary:
  - i. As soon as practicable after being aware of his/her interest in the material transaction or arrangement; and
  - ii. If the material transaction or arrangement is being deliberated at a Board meeting, before the commencement of that deliberation.

The Directors have a duty to declare immediately to the Board should they be interested in any transaction to be entered into directly or indirectly by the Bank. An interested Director is required to abstain from deliberations and decisions of the Board on the transaction and he/she does not exercise any influence over the Board in respect of the transaction. In the event a corporate proposal is required to be approved by shareholders, interested Directors are required to abstain from voting in respect of their shareholdings in the Bank on the resolutions pertaining to the corporate proposal, and will further undertake to ensure that persons connected to them similarly abstain from voting on the resolutions.

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### 12.5 Directors' Access to Information and Advice

The Directors have direct access to the Senior Management and have unrestricted and immediate access to any information relating to the Bank's business and affairs in the discharge of their duties.

The Directors may request to be furnished with additional information or clarification from the Management, particularly in respect of complex and technical issues tabled to the Board.

### **13. Maximum Number of External Professional Commitments**

Directors must not hold more than an aggregate of 5 directorships in listed companies in Malaysia and overseas, and must not hold more than an aggregate of 15 directorships/positions in non-public listed companies and non-profit organisations in Malaysia and offshore/overseas.

### **14. Board Committees**

The Board has established the following Board Committees to support the Board in carrying out its functions:

- Nomination and Remuneration Committee
- Audit Committee
- Risk Management Committee
- Compliance Committee
- Credit Risk Management Committee

The roles and responsibilities of the 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.

As part of the integrated risk management initiatives, the Board is informed of the decisions and salient issues deliberated by the Board Committees by the Chairmen of the Board Committees and also through minutes of these Board Committees.

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

- Nomination and Remuneration Committee

The Nomination and Remuneration Committee establishes the minimum requirements on the skills, knowledge, expertise, experience, qualifications and other core competencies of a Director and of the CEO and Deputy CEO.

The Nomination and Remuneration Committee assesses and recommends to the Board suitable persons for appointment as Directors, Board Committee Members, CEO, Deputy CEO and other key responsible persons (KRPs) as defined in the BNM Policy Document on Fit and Proper Criteria.

The Nomination and Remuneration Committee oversees 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.

It assesses, on an annual basis, that the Directors, the CEO, the Deputy CEO, the Company Secretary and other KRPs as defined in the BNM Policy Document on Fit and Proper Criteria are not disqualified under Section 59 of the Financial Services Act 2013 and that the Directors, the CEO, the Deputy 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 Financial Services Act 2013; BNM Policy Document on Fit and Proper Criteria and the Company's Fit and Proper Policy as approved by the Board.

It also ensures that all Directors 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.

The Nomination and Remuneration Committee reviews periodically and recommends to the Board the remuneration system for Directors, CEO, Deputy CEO 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.

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The Nomination and Remuneration Committee also oversee the performance evaluation of the CEO, Deputy 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.

The Nomination and Remuneration Committee 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.

- **Audit Committee**

The Audit Committee reviews the adequacy and effectiveness of the risk management systems, internal controls and governance processes implemented in the Bank and the Group.

The Audit Committee also reviews the adequacy of the scope, functions, competency and resources of Internal Audit Division and that it has the necessary authority to carry out its work.

It approves the annual audit plan, training plan and internal audit framework.

The Audit Committee reviews the External Auditor's audit plans, scope of its audit and their audit reports, including the External Auditor's evaluation of the system of internal controls.

It also reviews the internal and external audit reports to ensure that appropriate and adequate remedial actions are taken by Management to address and resolve the significant lapses in controls and procedures that are identified.

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The Audit Committee reviews the quarterly and annual financial statements of the Bank and the Group for recommendation to the Board of Directors for approval, with particular focus on:

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

The Audit Committee also reviews audit report on related party transactions that may arise within the Bank and its related parties.

- Risk Management Committee

The Risk Management Committee supports the Board in meeting the expectations on risk management in the following areas:

- i. Ensures the Bank'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.
- ii. 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.
- iii. Ensures the risk management framework enables the identification, measurement and continuous monitoring of all relevant and material risks on a group and firm-wide basis, supported by robust management information systems that facilitate the timely and reliable reporting of risks and the integration of information across the institution.
- iv. Ensures risk management is well-integrated throughout the organisation and embedded into the culture and business operations of the Bank.

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- v. Ensures the Bank 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.
- vi. Assess the adequacy and effectiveness of information technology (IT) risk management framework and policies to manage all IT risks.
- vii. Understands the Bank'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.
- viii. Exercises oversight over the Bank's subsidiaries risk management and ensures that appropriate processes are established to monitor the subsidiaries' compliance with the group's risk management policies.

The Risk Management Committee 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 Nomination and Remuneration Committee.

It also coordinate with Audit and Compliance Committees 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.

- Compliance Committee

The Compliance Committee approves policies and methodologies in assessing the compliance risk profile and evaluates the effectiveness of overall management of compliance risks.

The Compliance Committee reviews and concurs with the revisions of the Group's compliance policy and oversees its implementation. It also reviews and approves the Bank's compliance plan.

The Compliance Committee assesses and reviews compliance risk profile to ensure that the overall compliance risk is effectively managed.



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It ensures that appropriate infrastructure, resources, processes and systems are in place for compliance risk assessment and supports initiatives that are directed at improving and contributing to the effectiveness of the compliance function.

It also ensures adequate oversight is provided on the overall compliance function of the Bank's subsidiaries.

- Credit Risk Management Committee

The Credit Risk Management Committee assists the Board in its supervisory role on the management of credit risk.

The Credit Risk Management Committee evaluates and assesses the adequacy of strategies to manage the overall credit risk associated with the Bank's activities.

It also oversees the development of credit policies, encompassing all products and businesses ensuring the development of policy manuals and procedures.