

CORPORATE GOVERNANCE REPORT

STOCK CODE : 1295
COMPANY NAME : Public Bank Berhad
FINANCIAL YEAR : December 31, 2018

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company’s leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.1

The board should set the company’s strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company’s values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application	: Applied
Explanation on application of the practice	<p>: The Board is responsible for formulating and reviewing the Bank’s strategic plans and key policies, and charting the course of the Bank’s business operations. The Board, through the Audit Committee, Risk Management Committee and Compliance Committee, 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.</p> <p>The key responsibilities of the Board include but are not limited to the following:</p> <ul style="list-style-type: none"> • 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.

	<ul style="list-style-type: none"> • 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 Chief Executive Officer, 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. • 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 Bank Negara Malaysia (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.
Explanation for departure	:
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	:
Timeframe	:

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

Application	:	Applied
Explanation on application of the practice	:	<p>Tan Sri Dato' Sri Dr. Teh Hong Piow was the Chairman of the Board during the financial year 2018.</p> <p>He retired as Chairman on 31 December 2018. Mr Lai Wan was appointed as the new Chairman of the Board with effect from 1 January 2019.</p> <p>The Chairman of the Board provides leadership to the Board and is responsible for the developmental needs of the Board.</p> <p>The Chairman ensures the smooth functioning of the Board and that the procedures and processes are in place to facilitate effective conduct of business of the Board.</p> <p>The Chairman also ensures 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.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

Application	:	Applied
Explanation on application of the practice	:	<p>The position of Chairman with effect from 1 January 2019 is held by Mr Lai Wan, an Independent Non-Executive Director, while the position of CEO is held by Tan Sri Dato' Sri Tay Ah Lek, the Managing Director/CEO.</p> <p>The role and responsibilities of the Non-Executive Chairman are distinct and separate from the duties and responsibilities of the Managing Director/CEO. This segregation between the duties of the Non-Executive Chairman and the Managing Director/CEO ensures an appropriate balance of role, responsibility and accountability at Board level.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is supported by the Company Secretary who is very experienced, competent and knowledgeable on new statutes and directives issued by the regulatory authorities. She gives clear and sound advice on the measures to be taken and requirements to be observed by the Company and the Directors arising from new statutes and guidelines issued by the regulatory authorities.</p> <p>The Company Secretary attends all Board meetings and ensures accurate and proper records of the proceedings and resolutions passed are maintained in the statutory records at the registered office of the Company. The Company Secretary also facilitates timely communication of decisions made and policies set by the Board at Board meetings, to the Senior Management for action. The Company Secretary works closely with the Management to ensure that there are timely and appropriate information flows within and to the Board and Board Committees, and between the Non-Executive Directors and Management. The appointment and removal of the Company Secretary must be approved by the Board. An annual assessment of meeting the fit and proper criteria for appointment must be conducted by the Nomination Committee on the Company Secretary.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application	:	Applied
Explanation on application of the practice	:	<p>The agenda for Board meetings 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.</p> <p>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.</p> <p>The Board meeting papers are prepared and presented in a concise and comprehensive manner so that the Directors have a proper and relevant depiction of the issues at hand, in order that the Board deliberations and decision-making are performed systematically and in a well-informed manner. The Board meeting papers contain information in a form and of a quality appropriate to enable the Board to discharge its duties effectively.</p> <p>Meeting papers tabled to the Board include progress reports on business operations; detailed information on business propositions and corporate proposals including where relevant, supporting documents such as risk evaluations and professional advice from solicitors or advisors. In order to maintain confidentiality, meeting papers on issues or corporate proposals which are deemed highly confidential and top secret, would only be distributed to Directors at the Board meeting itself.</p>

	<p>The minutes of 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 Directors may request for clarification or raise comments before the minutes are tabled for confirmation and upon receiving confirmation from all the Members at the Board meetings, the minutes will be signed by the Chairman of the meeting as a correct record of the proceedings of the meeting.</p> <p>The Directors have direct access to the Senior Management and have unrestricted 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 in order to make informed and timely decisions.</p>	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Application	:	Applied
Explanation on application of the practice	:	<p>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 on Public Bank's corporate website at www.publicbankgroup.com.my.</p> <p>The Board Charter covers the following key areas:</p> <ul style="list-style-type: none">• Board Composition and Maximum Tenure for Directors.• Annual Review of Directors.• New Appointment/Re-appointment/Re-election of Directors.• Key Responsibilities of the Board.• Matters Reserved for Board's Consideration and Approval.• Role of Non-Executive Chairman.• Role of Managing Director/CEO.• Role of Non-Executive Directors.• Role of Management• Procedures of Board• Maximum Number of External Professional Commitments• Board Committees <p>The Board delegates the day-to-day management of Public Bank's business to the Board Executive Committee, but reserves for its consideration and approval, significant matters such as the following:</p> <ul style="list-style-type: none">• Approval of financial statements.• Declaration of dividends.• Risk appetite setting.• Short-term and medium-term business plans.• Annual budget.

	<ul style="list-style-type: none"> • 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. <p>The Board delegates and confers some of the Board’s authorities and discretion on the Managing Director/CEO as well as on properly constituted Board Committees comprising Non-Executive Directors.</p>
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company’s website.

Application	:	Applied
Explanation on application of the practice	:	<p>The Public Bank Group Code of Ethics for Directors, Officers and Employees is in alignment with the Professional Code for the Financial Services Industry issued by the Financial Services Professional Board (FSPB). The Board acknowledged and accepted the principles of ethics and standards of professional conduct outlined in the FSPB Professional Code as a minimum requirement for PBB.</p> <p>The Public Bank Group Code of Ethics is encapsulated in the following Five (5) Fundamental Ethical Principles:</p> <ul style="list-style-type: none"> • Competence • Integrity • Fairness • Confidentiality • Objectivity <p>The concise version of PBB’s Code of Ethics is published in the Bank’s website.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	:	Applied
Explanation on application of the practice	:	<p>The scope of the Whistleblowing Policy and Procedures (WBP) covers staff and third parties (e.g. contractors, consultants, interns, suppliers, vendors and/or customers) and has been implemented on a Group basis.</p> <p>The platform, accessibility and channels of reporting are user-friendly to facilitate the submission of disclosures.</p> <p>A Board member has also been appointed and designated as the Non-Executive Director responsible for the effective implementation of WBP.</p> <p>The WBP is published in the Bank's website and the link for submission of disclosures is embedded in the WBP for easy access.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board as at 21 March 2019 comprises 8 Members following the appointment of 2 new Directors ie. Mr Lee Chin Guan as Non-Independent Non-Executive Director with effect from 27 December 2018 and Dato' Mohd Hanif bin Sher Mohamed as Independent Non-Executive Director with effect from 22 January 2019.</p> <p>The Board comprises only 1 Executive Director and a strong presence of 7 Non-Executive Directors, of whom 5 ie. more than half of the Board Members are Independent Non-Executive Directors.</p> <p>The presence of a majority of Independent Non-Executive Directors provides effective check and balance in the functioning of the Board to safeguard the interests of the Bank and all stakeholders.</p> <p>The 5 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 and help develop proposals on strategy, scrutinise the performance of Management in meeting approved goals and objectives, and monitor the risk profile of the Bank's business and the reporting of monthly business performances.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application	:	Not applicable - Step Up 4.3 adopted	
Explanation on application of the practice	:		
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.3 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years.

Application	:	Adopted
Explanation on adoption of the practice	:	The Board has approved the following policy on maximum tenure for Independent Non-Executive Directors: “The maximum tenure of an Independent Non-Executive Director shall be a cumulative term of 9 years. Upon reaching such maximum tenure, the Independent Non-Executive Director may continue to serve on the Board but shall be re-designated as Non-Independent Non-Executive Director.”

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Application	:	Applied
Explanation on application of the practice	:	<p>The appointments of Directors and Senior Management are based on fit and proper criteria which are in accordance with the stringent fit and proper criteria for such appointments stated in Bank Negara Malaysia policy document.</p> <p>The Public Bank Group has implemented the Fit and Proper Policy for Key Responsible Persons in adherence to the guidelines set out by Bank Negara Malaysia (BNM) to ensure that key positions in the Public Bank Group are filled by ethical, professional and competent personnel who have been assessed to have met with the following criteria:-</p> <ul style="list-style-type: none">• Probity, personal integrity and reputation - possesses the personal quality such as honesty, integrity, diligence, independence of mind and fairness;• Competence and capability – have the relevant knowledge, skills, experience, ability and commitment to carry out the person’s role;• Financial integrity – able to manage his financial affairs properly and prudently; and• To preserve an appropriate separation between ownership and management of the Bank, Senior Management staff have to declare that they do not hold an aggregate interest of 5% or more in the shares of the Bank during their initial Fit & Proper assessment. Thereafter they are required to inform the Bank as and when there are changes pertaining to their declaration. <p>All Senior Management staff are assessed on a yearly basis. They are also required to immediately disclose to the Board any circumstances that may affect their ability to meet the requirements.</p>

Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board had 33% women Directors ie. 2 out of 6 Directors, until the recent appointments of new Directors as follows:</p> <ul style="list-style-type: none">• Appointment of Mr Lee Chin Guan as Director with effect from 27 December 2018, whereby the proportion of women Directors became 29% (ie. 2 out of 7 Directors).• Appointment of Dato' Mohd Hanif bin Sher Mohamed as Director with effect from 22 January 2019, whereby the proportion of women Directors became 25% (ie. 2 out of 8 Directors).
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Nomination and Remuneration Committee/Board will endeavour to identify suitable women candidates for appointment to the Board.
Timeframe	:	Others

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application	:	Applied
Explanation on application of the practice	:	Public Bank can leverage on external sources including the FIDE Forum Directors' Register to identify candidates for proposed appointment as director, subject to Bank Negara Malaysia's approval.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman of the Nomination Committee for financial year 2018 was Mr Lai Wan, an Independent Non-Executive Director.</p> <p>Following the Board's approval, the Nomination Committee had been combined with the Remuneration Committee into a single committee named as "Nomination and Remuneration Committee" with effect from 1 January 2019. The Chairman of the Nomination and Remuneration Committee is Mr Tang Wing Chew, an Independent Non-Executive Director.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has established an annual performance evaluation process to assess the performance and effectiveness of the Board and Board Committees, as well as the performance of each Director and each Audit Committee Member.</p> <p>Each Director evaluates the performance of the Board and conducts a peer assessment of the other Directors. Each Board Committee Member evaluates their respective Board Committees, while each Audit Committee Member conducts a peer assessment of the other Audit Committee members. These assessments are made against evaluation factors pre-established by the Board.</p> <p>Each Director and Board Committee Member completes the evaluation form and submits it on a confidential basis to the Secretary of the Nomination and Remuneration Committee who collates the responses and produces a report for tabling to the Nomination and Remuneration Committee. The Nomination and Remuneration Committee reviews the report and submits its findings and the report to the Board for assessment of the performance and effectiveness of the Board and Board Committees; the performance of each Non-Executive Director and each Audit Committee Member, and the independence of Independent Non-Executive Directors.</p>

The Nomination and Remuneration Committee also assesses the independence of Directors annually based on the criteria specified in the BNM Policy Document on Corporate Governance and the Bursa Malaysia Main Market Listing Requirements. A Director is considered independent if he/she:

- is not and has not been an executive of Public Bank in the last 2 years.
- is not a substantial shareholder of Public Bank or any of its affiliates.
- does not have significant business or contractual relationship with Public Bank or any of its affiliates within the last 2 years.
- is not an Executive Director of Public Bank or any related corporations of Public Bank.
- is not a family member of any Executive Director, officer or major shareholder of Public Bank.
- is not acting as a nominee or representative of any Executive Director or major shareholder of Public Bank.
- has not been engaged as an adviser by Public Bank under such circumstances as prescribed by Bursa Malaysia or is not presently a partner, Director (except as an Independent Director) or major shareholder, as the case may be, of a firm or corporation which provides professional advisory services to Public Bank under such circumstances as prescribed by Bursa Malaysia.
- has not engaged in any transaction with Public Bank under such circumstances as prescribed by Bursa Malaysia or is not presently a partner, Director or major shareholder, as the case may be, of a firm or corporation (other than subsidiaries of Public Bank) which has engaged in any transaction with Public Bank under such circumstances as prescribed by Bursa Malaysia.

The Board upon its annual assessment carried out for financial year 2018, concurred with the Nomination and Remuneration Committee that:

- The size and composition of the Board are adequate to provide for a diversity of views, facilitate effective decision making, and appropriate balance of executive, independent and non-independent directors.
- All the members of the Board are persons of high calibre and integrity, and they have a sound understanding of the Bank's business as well as deep industry expertise. They possess the skills, knowledge, experience and competencies to address the key risks and major issues relating to the Bank's business and its policies and strategies. All members of the Board had discharged his/her duties and responsibilities effectively for the financial year 2018.

	<ul style="list-style-type: none"> The Board Committees had remained effective in the financial year 2018 and each individual Audit Committee member had discharged his/her duties and responsibilities effectively. <p>The Board shall appoint independent experts to facilitate evaluations of the Board on a periodic basis.</p>	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p><u>Directors</u></p> <p>The Nomination and Remuneration Committee recommends the level and structure of Directors' fees which comprise an annual fee for service on the Board. In making the recommendation, the Nomination and Remuneration Committee considers the responsibilities of the Directors and also benchmarking against the Directors' fees of peer banks, in order to retain talent, skills and experience at the Public Bank Board.</p> <p><u>Senior Management</u></p> <ul style="list-style-type: none">• The PBB Group Remuneration Policy is established to put in place a framework to ensure a robust balance between attracting, retaining, motivating staff and prudent risk management within the organisation to be in line with its risk culture.• The Policy has been reviewed by the Nomination and Remuneration Committee and approved by the Board for implementation at all levels of staff including Senior Management and other staff not governed by any collective agreement in Public Bank, Public Islamic Bank Berhad and Public Investment Bank Berhad. Senior Management in this context refers to the Chief Executive Officers and Senior Officers of the abovementioned companies in the Group.

	<ul style="list-style-type: none"> • For consistency, the Senior Officers are identified as:- <ul style="list-style-type: none"> ○ Key Responsible Persons who are defined under BNM’s Fit and Proper Policy Document as those who have primary and significant responsibility for the management and performance of significant business activities of the Group. ○ Other Senior Management staff performing group-wide management responsibilities. • The remuneration framework is designed to ensure that reward is measurably linked to 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 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 which 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 bonus which is cash based and does not consist of shares or non-cash instruments as the Group does not have such instruments in place. The pool for the variable remuneration is determined by financial matrices such as the Group’s overall performance, achievement of selected financial ratios, market trends and economic outlook. • To ensure the financial matrix is appropriately adjusted for risk, the framework also allows for downward adjustment to the pool if the Bank’s risk taking threshold e.g. level of impaired loans, treasury loans, liquidity shortfalls and capital controls are compromised or exceeded. • The awarding of the variable remuneration to individual staff is determined by the performance and contribution of individual staff and the business units or departments in terms of business achievement.
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	<ul style="list-style-type: none"> • Other considerations include the non-financial matrix which captures the achievement on qualitative performance such as compliance with risk management policies, adherence to legal, regulatory and ethical standards, customer service and effectiveness and efficiency of supporting operations. • Poor achievement in the financial and non-financial matrices will result in reduction or forfeiture of the variable remuneration. • As part of the consideration for risk mitigation, the variable remuneration is subject to a deferment of up to 8 months to align the reward with the time horizon of risk. This deferral timeframe is based on the non-complexity of the Bank’s business model as well as the nature of the Bank’s retail focus business where the risk is better diversified and requires shorter timeframe for results validation. • Up to 100% of the deferred remuneration shall be subject to malus arrangement which may result in a full or partial forfeiture of the amount vested. Events that may lead to the operations of malus include material violation of risk limits, material loss due to negligence, misstatement, misconduct or fraud. The mechanism also allows for the suspension of bonus if staff is under investigation arising from regulatory or disciplinary circumstances especially those related to fraud. • The Remuneration Policy is subject to annual review to ensure it remains applicable and in compliance with relevant corporate governance provisions.
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	The Remuneration Policy will be further enhanced to be compliant with the provisions of Bank Negara Malaysia Policy Document on Corporate Governance by the stipulated deadline of 3 August 2019.
Timeframe :	3 August 2019

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has a Nomination and Remuneration Committee which is made up of majority Independent Non-Executive Directors and is chaired by Mr Tang Wing Chew, an Independent Non-Executive Director.</p> <p>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.</p> <p>The Nomination and Remuneration Committee also oversees 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.</p> <p>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.</p> <p>The terms of reference of the Nomination and Remuneration Committee are disclosed in the Public Bank's corporate website at www.publicbankgroup.com.</p>

Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application	:	Applied	
Explanation on application of the practice	:	The details of the Directors' remuneration (including benefits-in-kind) of each Director during the financial year 2018 are disclosed on page 59 of the Public Bank 2018 Annual Report.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board is of the opinion that it is not to the Bank's advantage or best business interest for such disclosure considering the highly competitive market for talents in the banking industry. As an alternative to Practice 7.2, please refer to Practice 6.1 on the qualitative aspect of the remuneration policy and section B of this CG Report on the disclosure of the remuneration of senior management.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The Board will monitor the market practice in respect of such disclosure for future consideration.	
Timeframe	:	Others	

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Audit Committee is Mr Tang Wing Chew, who is not the Chairman of the Board.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application	:	Applied
Explanation on application of the practice	:	<p>The composition, quorum, frequency of meeting as well as the specific duties, responsibilities and authority of the Audit Committee are set out in its Terms of Reference. The Terms of Reference are approved by the Board of Directors (Board) and published in the Public Bank's corporate website.</p> <p>The Audit Committee has a policy that requires a former key audit partner (i.e. an engagement partner or other audit partners on the engagement team who makes key decisions or judgements on significant matters with respect to the audit of the Bank's financial statements on which the external auditor will express an opinion) to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee. The Board has on 31 October 2017 approved the incorporation of the said policy in the Terms of Reference of the Audit Committee.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application :	Applied
Explanation on application of the practice :	<p>The Audit Committee has put in place policies and procedures to assess the suitability, objectivity and independence as well as the performance of the external auditor. These policies and procedures, which were drawn up with reference to the requirements set out in the Bank Negara Malaysia's Policy Document on External Auditor, are documented in the Public Bank Berhad Group's Policies and Procedures for Appointment/Re-appointment of External Auditors for Audit and Non-Audit Services (herein known as Group Policies and Procedures).</p> <p>Annually, the Audit Committee reviews and assesses the appointment or re-appointment of external auditor to ensure that the independence and objectivity of the external auditor as statutory auditor are not compromised. Such reviews are carried out via an assessment checklist in accordance with the assessment criteria set out in the Group Policies and Procedures. This assessment checklist covers regulatory requirements, the competency, audit quality and resources of the external auditor in relation to the audit as well as the independence and objectivity of the external auditor.</p> <p>In the evaluation of the external auditor's independence, the Audit Committee obtained assurance from the external auditor that it has in place robust and comprehensive processes and systems to ensure the independence of its partners and staff of the audits they are engaged in. Detailed programmes are in place to assess such independence on a periodic basis and a monitoring system is in place to ensure their compliance.</p> <p>In addition, the Audit Committee also obtained annual confirmation from the external auditor on its independence in accordance with the By-laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code).</p>

It is the policy of the Audit Committee to meet up with the external auditor to discuss its audit plan, audit findings and their views in respect of the true and fair view of the financial statements of Public Bank and the Public Bank Group. As provided under the Audit Committee's Term of Reference, meeting between the Audit Committee and the external auditor without the presence of the Management and Internal Audit staff are held at least twice a year. The Audit Committee also meets up with the external auditor whenever it deems necessary to discuss key changes to regulatory requirements and latest developments in the accounting and auditing standards. Such meetings/engagement with the external auditor would also enable the Audit Committee to evaluate its suitability, competency, objectivity and independence.

In terms of provision of non-audit services, whilst the external auditor is not precluded from consideration for the provision of advisory, consultancy or other types of non-audit services, due care is taken in the selection process in order to ensure that the appointment does not impede on the independence, quality and conduct of the statutory audit.

For engagement of external auditor to perform non-audit services, the Audit Committee has to be satisfied that the external auditor is suitable, independent and objective in the provision of such services, no element of conflict of interest and the proposed fees are within the allowable threshold set before recommending the proposed engagement of the external auditor to the Board of Directors for consideration and approval. In the event where the allowable threshold is exceeded, special deliberation by the Audit Committee is required to consider the justification and rationale why only the particular external auditor or its affiliated consultancy services firm should be appointed to perform the said non-audit services.

The details of the fees paid/payable to the external auditor for its provision of statutory audit, audit related and non-audit related services in 2018 are set out below.

	Bank RM'000	Group RM'000
<u>Fees paid/ payable to Ernst & Young</u>		
o Audit	3,364	6,581
o Regulatory Related		
- <i>Half-year Limited Review</i>	237	374
- <i>Report on agreed-upon procedures in relation to submission to PIDM</i>	155	212
- <i>Report on AUP on non-individual deposit rates</i>	30	80
- <i>Accounting advice in relation to establishment of Additional Tier 1 Capital Securities Programme</i>	20	20
- <i>Statement of Risk Management and Internal Control/Statement of Internal Control</i>	15	68
- <i>Review of Banking Return</i>	-	152
o Non-Audit		
- <i>Tax</i>	-	68
	3,821	7,555
<u>Fees paid/payable to other auditors</u>		
o Audit	31	154
o Regulatory Related		
- <i>Statement of Internal Control</i>	9	9
- <i>Corporate Governance</i>	7	7
o Non-Audit		
- <i>Tax</i>	17	17
	64	187
Grand Total	3,885	7,742

Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	All members of the Audit Committee are Independent Non-Executive Directors.

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application :	Applied
Explanation on application of the practice :	<p>The Audit Committee is established by the Board of Directors (Board) and comprises five (5) Members as at 21 March 2019, all of whom are Independent Non-Executive Directors.</p> <p>Collectively, the Audit Committee Members have a wide range of necessary skill, knowledge and experience, including accounting or related banking expertise and experience, ranging from banking regulatory, finance, research, training and stewardship of financial institutions to discharge their duties. One (1) of the Audit Committee Members is a Chartered Accountant of the Malaysian Institute of Accountants.</p> <p>The profile of each of the Member of the Audit Committee is set out in page 44, pages 46 to 48 and page 50 of the Public Bank 2018 Annual Report.</p> <p>With the relevant skill sets, knowledge and experience, the Audit Committee Members are financially literate and are able to understand, analyse, critically and objectively review, challenge and made recommendations on matters under the purview of the Audit Committee, including the financial reporting process.</p> <p>In discharging the duties and responsibilities over its oversight of the financial reporting process and assesses of the reliability of the financial reporting of Public Bank and Public Bank Group, the Audit Committee seeks explanations and additional information from the Senior Management, including the Chief Financial Officer and the Chief Internal Auditor in regard to the financial performance and preparation of the financial statements.</p>

The Audit Committee also reviews and discusses with the external auditor on the outcome of their audit of the annual and interim financial results of Public Bank and the Public Bank Group with particular focus on: a) The appropriateness and consistency of the accounting policies applied, its changes and impact as well as the significant judgements and assumptions made by the Management and b) Conformance with the applicable approved accounting standards in Malaysia and compliance with the regulatory requirements in terms of disclosures.

During the financial year 2018, the Audit Committee Members have attended training courses, conferences, seminars and talks on areas relevant to their duties and responsibilities to keep themselves abreast of the latest developments in banking industry such as the relevant regulatory requirements as well as effective governance practices.

The details of the continuous professional development undertaken by the Members of the Audit Committee are set out below:

Seminars/Courses/Programmes
Topical Talks Arranged by Knowledge & Learning Centre, Public Bank
1. 2018 Global Macroeconomic Outlook - The Calm Before the Storm (conducted by Professor Antonio Fatas, INSEAD)
2. Clearing the Digital Blur (conducted by Mr Rajiv Jayaratnam, KNOLSKAPE)
3. Updates on AML/CFT (conducted by Datin Prof. Dr. Lee Mei Pheng)
4. Professionalism and Ethics for Board of Directors and Senior Management (conducted by Dr Paramsothy Vijayan)
5. Hostage at the Table - The Art of Leadership & Negotiations (conducted by Professor George Kohlreiser of Leaderonomics)
6. Economic Outlook (conducted by Dr Steven G. Cochrane, Moody's Analytics)
Programmes organised by FIDE Forum
7. BNM-FIDE FORUM Dialogue: Managing Cyber Risks in Financial Institutions
8. Blockchain in Financial Services Industry
9. IBM THINK Malaysia (organised by FIDE FORUM in collaboration with IBM Malaysia)

	<table border="1"> <thead> <tr> <th colspan="2" data-bbox="446 226 1396 279" style="background-color: #cccccc;">Seminars/Courses/Programmes</th> </tr> </thead> <tbody> <tr> <td data-bbox="446 279 479 426">10.</td> <td data-bbox="479 279 1396 426"> <ul style="list-style-type: none"> • FIDE FORUM Dinner Talk: The Director as Coach - An Exclusive Dialogue with Dr Marshall Goldsmith • Launch of FIDE FORUM'S "DNA of a Board Leader" </td> </tr> <tr> <td data-bbox="446 426 479 531">11.</td> <td data-bbox="479 426 1396 531">BNM-FIDE FORUM Board Conversation - Dialogue with Senior Officials of BNM</td> </tr> <tr> <th colspan="2" data-bbox="446 531 1396 573" style="background-color: #cccccc;">Programmes organised by ICLIF</th> </tr> <tr> <td data-bbox="446 573 479 678">12.</td> <td data-bbox="479 573 1396 678">FIDE Elective Programme: Emerging Risks, the Future Board and Return on Compliance</td> </tr> <tr> <td data-bbox="446 678 479 783">13.</td> <td data-bbox="479 678 1396 783">FIDE Elective Programme: Anti-Money Laundering/Counter Financing of Terrorism</td> </tr> <tr> <td data-bbox="446 783 479 856">14.</td> <td data-bbox="479 783 1396 856">Independent Directors' Programme: The Essence of Independence</td> </tr> <tr> <th colspan="2" data-bbox="446 856 1396 898" style="background-color: #cccccc;">Others</th> </tr> <tr> <td data-bbox="446 898 479 1035">15.</td> <td data-bbox="479 898 1396 1035">Corporate Governance Briefing Sessions: Malaysian Code on Corporate Governance Reporting & Corporate Governance Guide (organised by Bursa Malaysia together with Securities Commission)</td> </tr> <tr> <td data-bbox="446 1035 479 1140">16.</td> <td data-bbox="479 1035 1396 1140">2018 Conference for Independent Non-Executive Directors (organised by Hong Kong Monetary Authority)</td> </tr> </tbody> </table>	Seminars/Courses/Programmes		10.	<ul style="list-style-type: none"> • FIDE FORUM Dinner Talk: The Director as Coach - An Exclusive Dialogue with Dr Marshall Goldsmith • Launch of FIDE FORUM'S "DNA of a Board Leader" 	11.	BNM-FIDE FORUM Board Conversation - Dialogue with Senior Officials of BNM	Programmes organised by ICLIF		12.	FIDE Elective Programme: Emerging Risks, the Future Board and Return on Compliance	13.	FIDE Elective Programme: Anti-Money Laundering/Counter Financing of Terrorism	14.	Independent Directors' Programme: The Essence of Independence	Others		15.	Corporate Governance Briefing Sessions: Malaysian Code on Corporate Governance Reporting & Corporate Governance Guide (organised by Bursa Malaysia together with Securities Commission)	16.	2018 Conference for Independent Non-Executive Directors (organised by Hong Kong Monetary Authority)
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Explanation :																					
for departure																					
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>																					
Measure :																					
Timeframe :																					

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company’s objectives is mitigated and managed.

Practice 9.1

The board should establish an effective risk management and internal control framework.

<p>Application</p>	<p>: Applied</p>
<p>Explanation on application of the practice</p>	<p>: The Board of Directors (Board) has established a risk management and internal control system that enables the identification, measurement, continuous monitoring and reporting of all relevant and material risks on a group and entity-wide basis, including new and emerging risks. The Board ensures that the risk management and internal control system manages the Public Bank Group’s relevant and material risks within its risk appetite in the Group’s pursuit of its strategies and business objectives.</p> <p>The establishment of the risk management and internal control system is driven by the Public Bank Group’s Risk Management Framework (the Framework) which is developed based on the Bank Negara Malaysia’s Policy Document on Risk Governance. The key principles and components of the Framework outlining the requirements for effective risk management are Risk Governance, Risk Appetite, Risk Management Processes and Risk Culture.</p> <p>The Framework articulates that the Board has oversight responsibility on the soundness of the risk management and internal control system and for ensuring the Framework is effective for managing and controlling risk-taking activities in line with the risk appetite and group strategies. The Board is aware that the system of risk management and internal control is designed to manage rather than eliminate risks and therefore cannot provide an absolute assurance against material misstatements or losses.</p>

	<p>The Board has established an ongoing process for identifying, evaluating and managing the relevant and material risks encountered by the Public Bank Group and a key aspect of this process is the adoption of the three lines of defence model which sets out clear risk management and control responsibilities of the parties involved. The Board is assisted by the Risk Management Committee, the Compliance Committee and the Audit Committee in its regular review of the process for assessing the adequacy and effectiveness of the risk management and internal control system.</p> <p>The Board is further assisted by the Management who is overall responsible for ensuring that the day-to-day management of the Group's activities is consistent with the risk strategy, including the risk appetite and policies approved by the Board.</p>	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

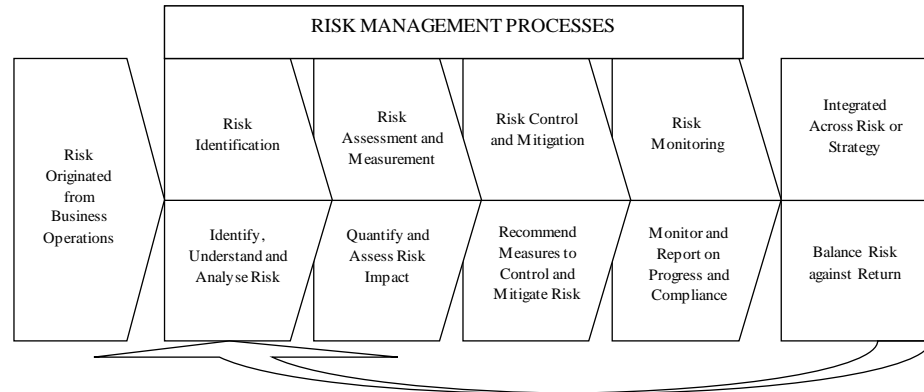
Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application :	Applied
Explanation on application of the practice	<p>The key features of the Public Bank Group's risk management and internal control framework are as follows:</p> <p>a) The establishment of the risk management and internal control system is driven by the Public Bank Group's Risk Management Framework which is developed based on the Bank Negara Malaysia's Policy Document on Risk Governance. The key principles and components of the Group's Risk Management Framework are as follows:</p> <ul style="list-style-type: none">▫ <u>Risk Governance</u> <p>The Public Bank Group's risk governance sets out the roles and responsibilities of the Board, the risk committees and the three lines of defence in managing risks comprising the business and support units as the first line of defence, risk management and compliance units as the second line of defence, and internal audit, the third line of defence.</p> <ul style="list-style-type: none">▫ <u>Risk Appetite</u> <p>The Public Bank Group's risk appetite defines the types and amount of risk that the Group is able and willing to accept in pursuit of its business objectives. It also reflects the level of risk tolerance and limits to govern, manage and control the Group's risk-taking activities. All entities within the Group are required to develop risk indicators and risk limits that have considered the Group's risk guiding principles and the respective entities' strategic business directions, risk taking capacity, risk profile and the operating environment.</p>

□ Risk Management Processes

A structured approach to risk management which balances risks against returns is established for all relevant and material risks. The four broad processes for risk management to lead to a balanced risk-return framework are as follows:



The risk management processes are supported by management information systems that facilitate timely and reliable reporting of risks to the Board and Management for deliberation.

□ Risk Culture

The inculcation of a risk awareness culture is key in managing risk. The key factors of the Group’s risk culture are as follows:

- Strong corporate governance
- Organisational structure with clearly defined roles and responsibilities
- Effective communication
- Commitment to compliance with laws, regulations and internal controls
- Integrity in fiduciary responsibilities
- Clear policies, procedures and guidelines
- Continuous training

- b) The Board is assisted by the Risk Management Committee (“RMC”) to oversee the management of all identified risks including ensuring the risk infrastructures, processes and controls are able to manage the risk activities within the risk appetite. The core committees and working groups set up to manage specific risk areas include the Credit Risk Management Committee, the Assets & Liabilities Management Committee, the Credit Committee, the Operational Risk Management Committee, the Shariah Committee and the Internal Capital Adequacy Assessment Process Working Group.

c) The Board has also established the Board Executive Committee to oversee the implementation and monitoring of the Board's decisions and to provide strategic guidance to the Management in response to the changes to the business environment or regulatory requirements. In addition, to discharge its stewardship and fiduciary obligations more effectively, the Board has delegated authority to various Board committees such as the Nomination and Remuneration Committee, the Risk Management Committee, the Credit Risk Management Committee, the Compliance Committee and the Audit Committee.

d) Various Management Committees and management working committees of the Bank and its major operating subsidiaries are established to ensure that the day-to-day business operations are consistent with the corporate objectives, strategies and business plans and budgets approved by the respective Boards including addressing issues emanating from both the external business environment and internal operating conditions. In addition, the management working committees also ensure the integration of sustainability in the business operations including the monitoring and implementation of sustainability-related strategies.

The management working committees include the Group Human Resource Committee, the Credit Committee, the Operational Risk Management Committee, the Assets & Liabilities Management Committee, the Share Investment Committee, the Business Continuity Management Committee, the IT Steering Committee and the Sustainability Management Committee.

e) Annual business plans and budgets of the Bank and its major operating subsidiaries, which are developed in line with the Public Bank Group's strategies and risk appetite, are reviewed and approved by the respective Boards. Performance achievements are assessed against the approved budgets and actions are taken to address variances identified and escalated to the respective Boards periodically. The respective Boards of the Bank and its major subsidiaries review and deliberate on reports from the Management on a regular basis, such as business propositions, proposals on introduction of new products or services and management reports which highlight the key financial and performance indicators, as well as latest developments and compliance requirements on legal and regulatory matters to ensure that appropriate actions are taken to resolve issues identified and where necessary provide directions to the Management.

- f) 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. Policies and procedures are formulated in support of the Public Bank Group's internal control framework to ensure compliance with internal controls and relevant laws and regulations and to govern the business and operations of the Group. These policies and procedures are subject to periodic review based on a structured review process and frequency to ensure relevance to the changes in the operational needs, business environment or regulatory requirements and are approved by the Boards, relevant board committees or management committees respectively.
- g) The Public Bank Group's Policy on Managing Reputation Risk is established to ensure that reputation risk is consistently identified, assessed, mitigated/controlled and monitored at both entity and group levels. In addition, procedures on the escalation and management of potential or current reputation events are in place to ensure any reputation events are managed timely and appropriately.
- h) The Corporate Information Security Management Policy is established to ensure that the Public Bank Group's information systems and data are properly safeguarded and adequately protected from major potential threats such as errors, frauds, privacy violations, service disruptions and natural disasters. In addition, the Group Cyber Resilience Framework ("CRF") is established to provide guidance to the Group on managing cyber security risk, improving cyber resilience as well as ensuring adequate cyber-security preparedness throughout the Group on a continuous basis. The CRF sets out baseline security control requirements encompassing technology, processes and people in achieving cyber resilience.

The adequacy and effectiveness of the risk management and internal control system as well as the level of compliance with the relevant laws, regulations, policies and procedures are subject to ongoing assessment by the Risk Management Function, Compliance Function and Internal Audit Function of the Bank and its major operating subsidiaries. These independent control functions, as well as the Risk Management Committee, the Compliance Committee and the Audit Committee assist the Boards in discharging their oversight responsibilities on the adequacy and effectiveness of the risk management and internal control system.

The Board receives assurance from the Chief Executive Officer and the Chief Financial Officer on the adequacy and effectiveness of the Public Bank Group's risk management and internal control system on an annual basis.

	<p>The details of the key functions and processes that the Board has established in reviewing the adequacy and effectiveness of the risk management and internal control system are set out under the Public Bank Group’s Statement on Risk Management and Internal Control on pages 82 to 87 of the Public Bank 2018 Annual Report.</p> <p>Taking into consideration the assurance from the management and input from the relevant assurance providers, the Board is of the view that the Public Bank Group’s risk management and internal control system in place for the financial year under review is adequate and effective to safeguard the interests of shareholders, customers, employees and the Group’s assets.</p>	
Explanation : for departure		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application	:	Adopted
Explanation on adoption of the practice	:	The Risk Management Committee is established by the Board and comprises six (6) members as at 21 March 2019, of whom five (5) members including the Chairman of the Risk Management Committee are Independent Directors. All members are Non-Executive Directors. The Chairman of the Risk Management Committee is appointed by the Board and is not the Chairman of the Board. Collectively, the Risk Management Committee members have a wide range of necessary skills, knowledge and experience, including accounting or related banking expertise and experience in discharging their duties, ranging from banking regulatory, finance, research, training and stewardship of financial institutions. The Risk Management Committee assists the Board in meeting the expectations on risk management including ensuring the effective implementation of the risk management framework. The composition, authority as well as the duties and responsibilities of the Risk Management Committee are set out under its Terms of Reference approved by the Board. The Risk Management Committee holds monthly meetings and all members are able to allocate sufficient time to Public Bank to discharge their duties and responsibilities effectively. Their commitment is affirmed by their full attendance at the Risk Management Committee meetings held during the financial year ended 31 December 2018.

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application	:	Applied
Explanation on application of the practice	:	<p>Public Bank has an in-house Internal Audit function which is carried out by the Internal Audit Division (IAD). IAD is governed by the Internal Audit Charter (IAC) approved by the Board which sets out the purpose, objectives, authority, scope of work and responsibilities of the Internal Audit function. The IAC which were drawn up with reference to the relevant guidelines and policy document issued by Bank Negara Malaysia and the Basel Committee on Banking Supervision, is subject to review annually to ensure that it remains relevant.</p> <p>The Audit Committee oversees the performance and effectiveness of the Internal Audit function based on the approved key performance indicators, assesses the competency and experience of the Internal Audit staff as well as the adequacy of resources in order for the Internal Audit function to carry out its work effectively. The Audit Committee also ensures that Internal Audit staff have the authority to carry out their work objectively and independently, free from any relationship or conflicts of interest as governed by the IAC.</p> <p>To reflect the independence of Internal Audit function, Internal Audit staff report directly to the Group Chief Internal Auditor (GCIA), who in turn reports functionally to the Board through the Audit Committee. In this regard, the Audit Committee approves the appointment, replacement and dismissal of the GCIA as well as to evaluate the GCIA's performance and review the remuneration and/or bonus, if any, payable to the GCIA. In addition, the Audit Committee will have sole authority to approve the recruitment and dismissal of the Senior Management Staff of IAD as well as to evaluate their performance and to take personnel action, such as salary increments, bonus decisions and promotions of this category of staff.</p> <p>The details of the Audit Committee's oversight over the Internal Audit function are set out under the Audit Committee Report on pages 88 to 95 of the Public Bank 2018 Annual Report.</p>

Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied
Explanation on application of the practice	:	<p>The Internal Audit Division (IAD) of Public Bank Berhad comprises nine sections specialising in various auditing/business areas and has a staff strength of 200 individuals, majority of whom are equipped with the relevant experience and qualifications.</p> <p>The Group Chief Internal Auditor (GCIA), Mr Lim Then Fui oversees the Internal Audit function. He is a qualified accountant and a Member of the Malaysian Institute of Accountants (MIA) and Malaysian Institute of Certified Public Accountants (MICPA). Mr Lim has a total of 39 years of working experience in auditing, risk management, compliance and commercial banking.</p> <p>The Internal Audit function performs ongoing reviews and assessments on the Bank's risk management systems, internal controls and governance processes in accordance with and conforms to the requirements set out in the Bank Negara Malaysia's Guidelines on Internal Audit Function of Licensed Institutions. The Internal Audit function has also adopted the standards outlined in the Institute of Internal Auditors' International Professional Practices Framework (IPPF) which was last revised on 1 January 2017.</p> <p>As part of measures to ensure that internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence, Internal Audit staff recruited from other divisions within Public Bank are not allowed to conduct audit on areas in which they were previously engaged in immediately preceding their current internal audit appointment until after the "cooling off" period or until an independent audit has been conducted during the intervening period, whichever is earlier. For this purpose, the "cooling off" period shall not be less than six months from the date they joined Internal Audit or such longer period as may be determined by the GCIA.</p>

	<p>In order to internalise objectivity and independence, Internal Audit function does not have responsibility or authority over any audit area nor is involved in any activity that may impair the judgement of the Internal Audit function. For this purpose, when providing consulting and advisory services to Management, such as review of the risk exposures of new systems, business products and services to assess the controls that should be put in place to mitigate the associated risks identified prior to implementation, Internal Audit is not involved in the system selection or implementation process in order to maintain its objectivity and independence.</p>	
<p>Explanation for departure</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>		
<p>Timeframe</p>		

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

Application :	Applied
Explanation on application of the practice :	<p>EFFECTIVE STAKEHOLDER COMMUNICATION AND INVESTOR RELATIONS</p> <p>Public Bank places great emphasis on continuous disclosures and dissemination of relevant and comprehensive information to the public in a timely manner to keep its stakeholders informed of its growth strategies, business activities, business and financial performance, including the sustainability of its performance. With enhanced understanding and appreciation of the overall affairs of the Public Bank Group, this strengthens stakeholders' confidence in making informed decision, be it in their dealings with the Group or in exercising their rights as shareholders.</p> <p>Furthermore, representatives of the Bank's Investor Relations function regularly engage the investment community and analysts on longer-term strategic development as well as latest financial performance and on-going business initiatives. As the investment community is increasingly integrating consideration of sustainability matters into their decision-making, Public Bank also has a sustainability statement in place to communicate its sustainability performance to its stakeholders. The Bank views sustainable and responsible business practices as important for maximisation of stakeholder's value and the sustainable growth of the Bank's business.</p> <p>To ensure an effective communication, the Bank always takes cognisance of the Bursa Malaysia Main Market Listing Requirements pertaining to continuing disclosure and the best practices as recommended in the MCG 2017. The Bank regularly reviews its communication practices to ensure an appropriate level of transparency and openness in stakeholder communication. Several communication channels are used to promote effective communication between the Bank and its stakeholders.</p>

Annual General Meeting: Public Bank regards its annual general meeting as an important avenue for engaging and communicating with shareholders, for which it enables shareholders of the Bank to engage directly with the Bank's Directors and Senior Management. At the annual general meeting, the Chairman of the meeting presents a comprehensive review of the Public Bank Group's financial performance and value created for the shareholders. Queries from the shareholders are addressed, while feedbacks and suggestions are taken note by the Directors and Senior Management. The turnout of shareholders at the annual general meetings has always been high and this supports a meaningful and effective engagement with shareholders. A summary of the proceedings of the annual general meetings is made available at the corporate website of the Bank.

Periodic and Continuous Disclosures: Public Bank is committed to providing shareholders with information that is relevant and timely. Public Bank's key channel of shareholder communication include the Bank's annual report, corporate governance report, press release, quarterly group financial results and analysts' briefing.

Public Bank's annual report and corporate governance report provide comprehensive and up-to-date information about the Public Bank Group. The scope and extent of information disclosed in the annual report and corporate governance report are in compliance with the Bursa Malaysia Main Market Listing Requirements and BNM Policy on Financial Reporting for Financial Institutions.

Public Bank makes announcements of its quarterly group financial results to Bursa Malaysia, followed by an issuance of press release. In addition to announcements of the quarterly group financial results, the Bank conducts briefings to the analysts covering the Bank's half-year and annual group financial results. For the analysts who could not be present at the briefings, subsequent conference calls with them are arranged.

Public Bank also issues press releases periodically to communicate with its stakeholders on the Bank's quarterly financial results, corporate developments and business initiatives. The Bank disseminates its press releases through financial press, printed and electronic media for wider publicity and media coverage to keep the stakeholders informed of the progress and development of the Public Bank Group's business.

Issuance of Annual Report and Release of Quarterly Group Financial Results: Public Bank continues to ensure dissemination of information to stakeholders at the earliest timeline possible.

Dates of Issuance of Annual Report and Release of Quarterly Group Financial Results

	Date of Issue/Release	Number of Days after end of Year/Quarter	Bursa Malaysia Deadline
Annual Report 2018	21 March 2019	80	30 April 2019
Annual Report 2017	22 March 2018	81	30 April 2018
<u>2018 Quarterly Results</u>			
1st Quarter	2 May 2018	32	31 May 2018
2nd Quarter	15 August 2018	46	31 August 2018
3rd Quarter	25 October 2018	25	30 November 2018
4th Quarter	20 February 2019	51	28 February 2019

Electronic Communications: Public Bank's corporate website (www.publicbankgroup.com) is an essential platform to provide convenient access to the latest and archival information about the Bank. Once relevant information is disclosed to the public and available to investors, it is also published on the corporate website.

The corporate website has a dedicated Investor Relations section and Corporate Governance section that provide relevant investor-related information. The information available on the corporate website includes corporate and financial information, annual reports, presentation slides, press releases and regulatory announcements made by the Bank to Bursa Malaysia.

Investor Relations: Public Bank's Investor Relations unit has the primary responsibility as an effective channel of communication with the broad investment community, both in Malaysia and international. The Bank's investor relations activities also include communications with the fixed-income securities investors.

Over the years, the Senior Management Officers have built credibility and trust with the analysts and investors through conducting analysts' briefing, meetings on a one-on-one or group basis as well as hosting teleconferences.

Investor Relations Activities in 2018

Number of Investor Relations Activities Attended		Number of Investors / Analysts Engaged
2	Analysts' Briefing	71
9	Teleconferences	24
58	One-on-One/ Group Meetings	159
1	Investor Conferences/ Forums/ Roadshows	19

Conference and Roadshow Attended			
Date	Event	Location	Organiser
23-25 May 2018	UBS APAC Financials Conference 2018	Hong Kong	UBS

Public Bank's enhanced effort in cementing effective and transparent engagement with the investment community has been well recognised through various Investor Relations awards received over the years. The constructive investor relations programmes of the Bank and the high level of investors' interest in the Bank have led to a wide coverage of the Public Bank Group by stock brokerage and equity research firms. As at the end of December 2018, the Bank was covered by 25 research houses, reflecting the Bank as one of the core coverage for the investment community on Bursa Malaysia.

Shareholders and investors can make inquiries about investor relations matters with the dedicated investor relations team as follows:

PUBLIC BANK

Tan Sri Dato' Sri Tay Ah Lek
Managing Director/Chief Executive Officer
 Telephone number: +603-21766000
 E-mail: ir@publicbank.com.my

Chang Siew Yen
Chief Operating Officer
 Telephone number: +603-21767460
 E-mail: changsiewyen@publicbank.com.my

Yik Sook Ling
Chief Financial Officer
 Telephone number: +603-21773310
 E-mail: yiksookling@publicbank.com.my

Ng Seiw Kuan
General Manager,
Corporate Planning, Strategy & Economics
 Telephone number: +603-21773170
 E-mail: ngseiwkuan@publicbank.com.my

PUBLIC FINANCIAL HOLDINGS LIMITED

Investor Relations Unit

Tan Yoke Kong
Executive Director
 Telephone number: +852-25419200
 E-mail: yktan@publicbank.com.hk

Denise Fong Po Yen
Corporate Planning, Strategy & Economics
 Telephone number: +603-21766293
 E-mail: ir@publicbank.com.my

Explanation :	for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Group takes an incremental approach towards integrated reporting and intends to gradually move towards a more integrated approach of reporting from its existing reporting structure.</p> <p>The Group continuously enhances its annual report in order to improve its communication with its stakeholders with regards to the Group's financial results, business performance and operations of the Group.</p> <p>Currently, the information disclosed in the annual report is in line with the fundamental elements which underpin integrated reporting and include the Group's strategy, governance, performance and prospects. The key categories of information disclosed are as follows:</p> <p><i>a) <u>Company overview and external environment</u></i></p> <p>An overview of the Group's business operations and environment in which the Group operates including key quantitative and qualitative information about the Group are disclosed in the Corporate Profile section of the annual report.</p> <p><i>b) <u>Governance</u></i></p> <p>The governance structure including the Bank's leadership structure, the skillset and diversity of its board members as well as the profile of its executive management is disclosed in the Bank's annual report.</p>

The Corporate Governance section of the annual report includes the Corporate Governance Overview Statement, Statement on Risk Management and Internal Control as well as Audit Committee Report. In addition, the mechanisms and policies in place to address issues relating to integrity and ethics are also summarised and disclosed in the Ethics, Integrity and Trust section of the annual report.

c) Business Model and Strategy

The Group's business model and its strategic direction are disclosed in the Corporate Profile and Management Discussion and Analysis sections.

d) Risk Management Approach

The Group's risk management approach and processes are disclosed in the Risk Management and Statement on Risk Management and Internal Control sections of the annual report to provide stakeholders with an understanding of what the risks to the business are and how the Group manages these risks.

e) Performance

The overview of the Group's business and operations, discussion and analysis of the financial results and financial condition, review of operating activities, discussion on identified and anticipated risks, forward looking statements are disclosed in the Management Discussion and Analysis section of the annual report.

f) Outlook

The outlook for the next financial year including expectations and opportunities in the external environment as well as strategies and directions of the Group are highlighted in the Outlook section under Management Discussion and Analysis and the Malaysian Economy: Review and Outlook section of the annual report.

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure	: The Group will continue to move towards a more integrated approach of reporting from its existing reporting in order to provide systematic and comprehensive disclosures of the Group’s value creation over the short, medium and long term.
Timeframe	: Others The Bank will monitor market development in respect of integrated reporting for future consideration.

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Applied	
Explanation on application of the practice	:	The Notice of the Public Bank’s 53rd Annual General Meeting was given to shareholders 31 days prior to the date of the Annual General Meeting.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application	:	Applied	
Explanation on application of the practice	:	All Directors attended the Public Bank's 52nd Annual General Meeting held on 23 April 2018 as well as the past Annual General Meetings.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company's shares are held by about 70,000 central depository system (CDS) account holders, of which about 37% shares are held by foreigners.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The Company will be exploring the appropriate measures to facilitate greater participation by shareholders in the Company's annual general meetings by leveraging on technology.	
Timeframe	:	Others	In view of the complexity and large shareholders base throughout Malaysia and overseas, the Company will endeavour to apply Practice 12.3 within the next 5 years.

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

BOARD OF DIRECTORS

Board Composition

The Board as at 21 March 2019 comprises the following 8 Members:

1. Tan Sri Dato' Sri Dr. Teh Hong Piow, Founder, Chairman Emeritus, Director and Adviser
2. Mr Lai Wan, Independent Non-Executive Chairman
3. Tan Sri Dato' Sri Tay Ah Lek, Managing Director/Chief Executive Officer
4. Mr Tang Wing Chew, Independent Non-Executive Director
5. Ms Lai Wai Keen, Independent Non-Executive Director
6. Ms Cheah Kim Ling, Independent Non-Executive Director
7. Mr Lee Chin Guan, Non-Independent Non-Executive Director
(newly appointed on 27 December 2018)
8. Dato' Mohd Hanif bin Sher Mohamed, Independent Non-Executive Director
(newly appointed on 22 January 2019)

The key personal details and background of each Director are available on Public Bank's corporate website at www.publicbankgroup.com.

Role and Responsibilities of Board

The role and responsibilities of the Board are as disclosed under Section A, Practice 1.1 of this Corporate Governance Report.

Number of Meetings Convened by the Board and Attendance of Each Director

The Directors' record of attendance at Board meetings held in the financial year ended 31 December 2018 is as reflected below:

Name of Director	Number of Board Meetings Attended/Held
<u>Non-Independent</u>	
Tan Sri Dato' Sri Dr. Teh Hong Piow <i>Non-Executive Chairman</i>	19/19
Tan Sri Dato' Sri Tay Ah Lek <i>Managing Director/Chief Executive Officer</i>	19/19
Lee Chin Guan <i>Non-Executive Director</i> <i>(newly appointed on 27 December 2018)</i>	1/1
<u>Independent</u>	
Lai Wan <i>Non-Executive Deputy Chairman</i>	19/19
Tang Wing Chew <i>Non-Executive Director</i>	19/19
Lai Wai Keen <i>Non-Executive Director</i>	19/19
Cheah Kim Ling <i>Non-Executive Director</i>	18/19
Dato' Mohd Hanif bin Sher Mohamed <i>Non-Executive Director</i> <i>(newly appointed on 22 January 2019)</i>	N/A

Directors' Training

During financial year 2018, the Members of the Public Bank Board had received training on areas relevant to their duties and responsibilities as Directors by attending external seminars/talks and internally facilitated sessions. The Directors had attended talks, dialogue sessions and focus group sessions organised by FIDE Forum, an initiative of the alumni members of the Financial Institutions Directors' Education (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 Directors had also kept up-to-date with market developments and related issues through Board discussion meetings with the Deputy CEO, Chief Operating Officers, Chief Financial Officer and other Senior Management Officers.

Conferences, seminars and training programmes attended by Directors in 2018 included the following:

Corporate Governance

- Corporate Governance Briefing Sessions: Malaysian Code on Corporate Governance & Corporate Governance Guide.
- FIDE Forum 1st Distinguished Board Leadership Series: Navigating the VUCA World by Professor Tan Sri Dato' Dr. Lin See-Yan.
- FIDE Forum Board Conversation – Dialogue with Senior Officials of BNM
- FIDE Forum Dinner Talk: The Director as Coach – An Exclusive Dialogue with Dr. Marshall Goldsmith.
- Launch of FIDE Forum's "DNA of a Board Leader".
- Corporate Directors Conference 2018.
- Conference for Independent Non-Executive Directors.
- Independent Directors' Programme: The Essence of Independence.
- Talk on Open Source Leadership.
- Talk on Professionalism and Ethics for Board of Directors and Senior Management.
- Talk on Hostage at the Table – The Art of Leadership & Negotiations.

Risk/Compliance/Regulatory

- FIDE Forum: Managing Cyber Risks in Financial Institutions.
- FIDE Elective Programme: Emerging Risks, the Future Board and Return on Compliance.
- FIDE Elective Programme: Anti-Money Laundering/Counter Financing of Terrorism.
- Talk on Updates on Anti-Money Laundering/Counter Financing of Terrorism.

Banking, Finance & Economy

- Overview of MFRS 9 Financial Instruments.
- Talk on 2018 Global Macroeconomic Outlook – The Calm before the Storm.
- Talk on Economic Outlook.

FinTech and Technology Based Innovations

- FIDE Forum: Blockchain in Financial Services Industry.
- FIDE Forum: IBM THINK Malaysia.
- Talk on Clearing the Digital Blur.

Board Committees

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

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

The Nomination Committee and Remuneration Committee had been combined into a single committee named as 'Nomination and Remuneration Committee with effect from 1 January 2019.

Common memberships in Board Committees such as the Audit Committee, Risk Management Committee and Compliance Committee, facilitate a holistic overview of the risk and control functions under the oversight of these Committees.

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

■ Nomination and Remuneration Committee

Public Bank's Nomination and Remuneration Committee comprises of majority Independent Non-Executive Directors. The Nomination and Remuneration Committee is chaired by Mr Tang Wing Chew.

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 Chief Executive Officer (CEO) and Deputy CEO.
- To assess and recommend 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 Bank Negara Malaysia (BNM) Policy Document on Fit and Proper Criteria.
- 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 Corporate Governance and in the Bursa Malaysia Main Market Listing Requirements. 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 Corporate Governance and in the Bursa Malaysia Main Market Listing Requirements.
- To assess and recommend to the Board, the Directors/CEO 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; and the performance evaluation of the CEO, Deputy 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 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.

- To ensure 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.
- To recommend to the Board the removal of a Director, the CEO, the Deputy CEO 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 Financial Services Act 2013, the BNM Policy Document on Fit and Proper Criteria and the Company'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, 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.
- To 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.
- 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, the Deputy 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 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.

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

The attendance of Members at the Nomination Committee meetings held in 2018 is as reflected below:

Name of Committee Members	Number of Nomination Committee Meetings Attended/Held
Lai Wan (Chairman) <i>Independent Non-Executive</i>	7/7
Tang Wing Chew <i>Independent Non-Executive</i>	7/7
Lai Wai Keen <i>Independent Non-Executive</i>	6/7
Cheah Kim Ling <i>Independent Non-Executive</i>	7/7
Lee Chin Guan <i>Non-Independent Non-Executive Director</i> <i>(newly appointed as Member on 27 December 2018)</i>	1/1

The attendance of Members at the Remuneration Committee meetings held in 2018 is as reflected below:

Name of Committee Members	Number of Remuneration Committee Meetings Attended/Held
Lai Wan (Chairman) <i>Independent Non-Executive</i>	4/4
Tang Wing Chew <i>Independent Non-Executive</i>	4/4
Lai Wai Keen <i>Independent Non-Executive</i>	4/4
Cheah Kim Ling <i>Independent Non-Executive</i>	4/4
Lee Chin Guan <i>Non-Independent Non-Executive Director</i> <i>(newly appointed as Member on 27 December 2018)</i>	0/0

■ Audit Committee

Public Bank's Audit Committee comprises exclusively of Independent Non-Executive Directors. The Audit Committee is chaired by Mr Tang Wing Chew.

The responsibilities and duties of the Audit Committee are as follows:

a. Risk Management Systems, Internal Controls and Governance Processes

To review the adequacy and effectiveness of the risk management systems, internal controls and governance processes implemented in Public Bank and the Public Bank Group.

b. Internal Audit

- To assess and approve, the appointment, replacement and dismissal of the Group Chief Internal Auditor (GCIA). On an annual basis, to review and assess the suitability of the GCIA, being a key responsible officer, in accordance with the fit and proper criteria as approved by the Board of Directors. The assessments shall be escalated to the Board of Directors for noting.
- To evaluate the performance and approve the remuneration of the GCIA and escalate the outcome to the Board of Directors for noting.
- To approve the recruitment and dismissal of the Senior Management Staff (Senior Manager and above) of Internal Audit Division.
- To evaluate and approve the performance and remuneration of the Senior Management staff of the Internal Audit Division.
- To review 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.
- To approve the annual audit plan, training plan and internal audit framework.
- To review the internal audit charter for recommendation to the Board of Directors for approval.
- To establish a mechanism to assess the performance and effectiveness of the Internal Audit function.
- To exercise oversight over the Internal Audit function of the Bank's subsidiary companies through the Audit Committee of the respective subsidiary companies.

c. External Audit

- To review the External Auditor's audit plans, scope of its audits and their audit reports, including the External Auditor's evaluation of the system of internal controls.
- To assess the performance of the External Auditor and make recommendations to the Board of Directors on their appointment/re-appointment, remuneration and removal.
- To review the suitability, 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.

d. Audit Reports

- i. To review 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.
- ii. To note the significant disagreements between the CGIA and the rest of the Senior Management team, irrespective of whether these have been resolved, in order to identify any impact the disagreements may have on the audit process or findings.

e. Financial Reporting

To review the quarterly and annual financial statements of Public Bank and the Public Bank 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.

f. Related Party Transactions

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

g. Other Matters

- To review the accuracy and adequacy of the Chairman's Statement in the Directors' Report, corporate governance disclosures, interim financial reports and preliminary announcements in relation to the preparation of financial statements.
- To monitor compliance with the Board of Directors' conflicts of interest policy.
- To review third-party opinions on the design and effectiveness of the Bank's internal control framework.
- To consider such other matters as the Committee considers appropriate or as authorised by the Board of Directors.

The Audit Committee meets at least once a month.

The attendance of Members at the Audit Committee meetings held in 2018 is as reflected below:

Name of Committee Members	Number of Audit Committee Meetings Attended/Held
Tang Wing Chew (Chairman) <i>Independent Non-Executive</i>	17/17
Lai Wan <i>Independent Non-Executive</i>	17/17
Lai Wai Keen <i>Independent Non-Executive</i>	17/17
Cheah Kim Ling <i>Independent Non-Executive</i>	17/17

Note:

Dato' Mohd Hanif bin Sher Mohamed, appointed as an Independent Non-Executive Director with effect from 22 January 2019, was appointed as a Member of the Audit Committee with effect from 22 January 2019.

■ Risk Management Committee

The Risk Management Committee is made up of majority Independent Non-Executive Directors and is chaired by Ms Lai Wai Keen.

The roles and responsibilities of the Risk Management Committee are as follows:

- Supports the Board in meeting the expectations on risk management in the following areas:
 - Ensures Public Bank 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 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.
 - Ensures risk management is well-integrated throughout the organisation and embedded into the culture and business operations of Public Bank.
 - Ensures Public Bank have the appropriate mechanisms in place for communicating risks across the organisation and for reporting risk developments to the Board of Directors and Senior Management.
 - Assesses the adequacy and effectiveness of Information Technology (IT) risk management framework and policies to manage all IT risks.
 - Understands Public 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.
 - Exercises oversight over the Public Bank's subsidiaries risk management and ensures that appropriate processes are established to monitor the subsidiaries' compliance with the Group's risk management policies.
- 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 and Nomination Committee.

- Coordinates 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.
- Reviews and approves the appointment, replacement and dismissal of the Chief Risk Officer.
- Evaluates and approves the performance and remuneration of the Chief Risk Officer and Senior Management staff of Risk Management Division.

The Risk Management Committee holds monthly meetings.

The attendance of Members at the Risk Management Committee meetings held in 2018 is as reflected below:

Name of Committee Members	Number of Risk Management Committee Meetings Attended/Held
Lai Wai Keen (Chairperson) <i>Independent Non-Executive</i>	12/12
Lai Wan <i>Independent Non-Executive</i>	12/12
Tang Wing Chew <i>Independent Non-Executive</i>	12/12
Cheah Kim Ling <i>Independent Non-Executive</i>	12/12
Mr Lee Chin Guan <i>Non-Independent Non-Executive</i> <i>(newly appointed as Member on 27 December 2018)</i>	1/1

Note:

Dato' Mohd Hanif bin Sher Mohamed, appointed as an Independent Non-Executive Director with effect from 22 January 2019, was appointed as a Member of the Risk Management Committee with effect from 22 January 2019.

■ Compliance Committee

The Compliance Committee is made up of majority Independent Non-Executive Directors and is chaired by Ms Cheah Kim Ling.

The roles and responsibilities of the Compliance Committee are as follows:

- Approves policies and methodologies in assessing the compliance risk profile and evaluates the effectiveness of overall management of compliance risks.
- Reviews and concurs with the revisions of Public Bank Group's compliance policy and oversees its implementation.
- Reviews and approves Public Bank's compliance plan.
- Assesses and reviews compliance risk profile to ensure that the overall compliance risk is effectively managed.
- Ensures 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. This includes ensuring that the staff of the Compliance Division have access to any records or files for the purpose of discharging their responsibilities.
- Ensures adequate oversight is provided on the overall compliance function of Public Bank's subsidiaries.
- Reviews the periodic reports presented on the assessment of compliance status of the Bank and the Group, and updates on regulatory trends and requirements.
- Deliberates compliance issues to ensure that the issues are resolved effectively and expeditiously.
- Ensures appropriate lines of reporting have been established for timely escalation of compliance issues to the Operational Risk Management Committee, Compliance Committee and the Board of Directors.
- Ensures training is provided to compliance staff to upgrade their knowledge and to keep abreast with the laws and regulations, standards and guidelines on compliance-related issues.

- Assesses and approves, prior to the appointment and on an annual basis, the suitability of the Chief Compliance Officer, being a key responsible officer, in accordance with the fit and proper criteria as approved by the Board of Directors.
- Evaluates and approves the appointment, replacement, dismissal, performance and remuneration of the Chief Compliance Officer and escalate to the Board of Directors for noting.
- Evaluates and approves the performance and remuneration of the Senior Management staff of the Compliance Division.

The Compliance Committee holds monthly meetings.

The attendance of Members at the Compliance Committee meetings held in 2018 is as reflected below:

Name of Committee Members	Number of Compliance Committee Meetings Attended/Held
Cheah Kim Ling (Chairperson) <i>Independent Non-Executive</i>	12/12
Lai Wan <i>Independent Non-Executive</i>	12/12
Tang Wing Chew <i>Independent Non-Executive</i>	12/12
Lai Wai Keen <i>Independent Non-Executive</i>	12/12
Mr Lee Chin Guan <i>Non-Independent Non-Executive</i> <i>(newly appointed as Member on 27 December 2018)</i>	1/1

Note:

Dato' Mohd Hanif bin Sher Mohamed, appointed as an Independent Non-Executive Director with effect from 22 January 2019, was appointed as a Member of the Compliance Committee with effect from 22 January 2019.

■ Credit Risk Management Committee

The Credit Risk Management Committee is made up of majority Independent Non-Executive Directors and was chaired by Mr Lai Wan during the financial year 2018. Upon Mr Lai Wan's appointment as Chairman of the Board on 1 January 2019, he had been redesignated from Chairman to Member of the Credit Risk Management Committee with effect from 1 January 2019.

The Credit Risk Management Committee is chaired by Dato' Mohd Hanif bin Sher Mohamed, an Independent Non-Executive Director with effect from 22 January 2019.

The roles and responsibilities of the Credit Risk Management Committee are as follows:

- Assists the Board of Directors in its supervisory role on the management of credit risk.
- Evaluates and assesses the adequacy of strategies to manage the overall credit risk associated with the Bank's activities.
- Oversees the development of credit policies encompassing all products and businesses ensuring the development of policy manual and procedures.
- Monitors, assesses and advises the credit risk portfolio composition.
- Reviews the sensitivity analysis conducted on the credit portfolios and its impact on the earning/capital.
- Assesses the risk-return trade-off of credit products.
- Ensures processes and procedures are in place to meet the regulatory requirements on credit risk management.
- Reviews reports of the credit review process, asset quality and ensure that corrective action is taken.
- Reviews and evaluates the various credit products engaged by the Bank to ensure that it is conducted within the standards and policies set by the Board of Directors.

- Exercises oversight over Public Bank’s subsidiaries credit risk management and ensures 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.

The Credit Risk Management Committee holds monthly meetings.

The attendance of Members at the Credit Risk Management Committee meetings held in 2018 is as reflected below:

Name of Committee Members	Number of Credit Risk Management Committee Meetings Attended/Held
Lai Wan (Chairman) <i>Non-Independent Non-Executive</i>	12/12
Cheah Kim Ling <i>Independent Non-Executive</i>	12/12

INTERNAL CONTROL FRAMEWORK

Main features of the internal control framework, and the nature and frequency of any review and assessment conducted on the internal control framework

- 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. Authority limits are imposed on the Management within the Public Bank Group (the Group) to govern the day-to-day risk taking activities such as extension of credits, treasury operations, investments, acquisitions and disposal of assets. Policies and procedures are formulated in support of the Group's internal control framework to ensure compliance with internal controls and relevant laws and regulations and to govern the business and operations of the Group. These policies and procedures are subject to periodic review based on a structured review process and frequency to ensure relevance to the changes in the operational needs, business environment or regulatory requirements and are approved by the Boards, relevant board committees or management committees respectively.
- The adequacy and effectiveness of the risk management and internal control system as well as the level of compliance with the relevant laws, regulations, policies and procedures are subject to ongoing assessment by the Risk Management Function, Compliance Function and Internal Audit Function of the Bank and its major operating subsidiaries. These independent control functions, as well as the Risk Management Committee, the Compliance Committee and the Audit Committee assist the Boards in discharging their oversight responsibilities on the adequacy and effectiveness of the risk management and internal control system.
- The Compliance Function is responsible for the management of statutory and regulatory compliance risk of the Group across all jurisdictions in which the Group operates. Reports on compliance matters covering compliance findings, corrective measures, the latest regulatory environment and any discernible areas of regulatory focus such as anti-money laundering and counter financing of terrorism are tabled to the Compliance Committee for review and deliberations at the monthly meetings. This facilitates appropriate actions to be taken to address the non-compliance issues, where applicable. The Internal Audit Divisions of the Bank and its major subsidiaries check for compliance with statutory/regulatory requirements, internal policies and procedures and review the work processes/procedures for efficiency and effectiveness. In addition, the Internal Audit Divisions assess the operating effectiveness of the risk management and internal control systems during their course of the audits.

The Audit Committees of the Bank and its major subsidiaries review internal control issues identified by the respective Internal Audit Divisions, the external auditors, the regulatory authorities and the Management, including the remedial actions taken to address and resolve the issues identified, and evaluate the adequacy and effectiveness of the risk management and internal control systems. The Audit Committees also review the internal audit functions with particular emphasis on the audit scope, the frequency of audits and the adequacy and knowledge of the resources.

The details of the key elements of the internal control system of the Group are further elaborated as set out under the Public Bank Group's Statement on Risk Management and Internal Control (SORMIC) on pages 82 to 87 of the Public Bank 2018 Annual Report.

Key policies and procedures of the internal control framework, including any changes made to these policies and procedures during the financial year

Policies and procedures formulated in support of the Group's internal control framework include the Group Risk Appetite Framework, the Group Compliance Policy, the Group Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Policy, the Group Banking Secrecy Framework, the Group Policy on Outsourcing Activities and the Group 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 the Group. These policies and procedures are subject to periodic review based on a structured review process and frequency to ensure relevance to the changes in the operational needs, business environment or regulatory requirements and are approved by the Boards, relevant board committees or management committees respectively.

REMUNERATION

The information on Public Bank Group Remuneration Policy and Practices are as disclosed under Section A, Practice 6.1 of this Corporate Governance Report.

The details of the Directors' remuneration (including benefits-in-kind) of each Director during the financial year 2018 are disclosed on page 59 of the Public Bank 2018 Annual Report.

The total value of cash based remuneration paid out to Senior Management staff of Public Bank for financial year 2018 are as per the below table :

Remuneration	No. of Senior Management Staff	Non-Deferred (RM)	Deferred (RM)
Fixed	23	17,990,331	-
Variable		2,780,850	12,702,000

Note: The above excludes the remuneration of MD/CEO which has been declared under the Directors' Remuneration