

CORPORATE GOVERNANCE DISCLOSURES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. THE BOARD OF DIRECTORS

COMPOSITION OF THE BOARD

The Board of Maybank Islamic comprised five (5) directors of which four (4) were Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The composition of the Board complied with the requirement under the BNM Corporate Governance Policy (“BNM CG Policy”) of having a majority of independent directors at all times.

The members of the Board as at 31 December 2016 were as follows:

Name	Position	Appointment Date
Acting Chairman		
Encik Zainal Abidin Jamal	Non-Independent Non-Executive Director (“NINED”)	NINED - 28 January 2010 Acting Chairman - 29 February 2016
Members		
Dato’ Dr. Muhammad Afifi al-Akiti	Independent Non-Executive Director	15 August 2013
Encik Dali Sardar	Independent Non-Executive Director	11 August 2014
Dato’ Zulkiflee Abbas Abdul Hamid	Independent Non-Executive Director	11 April 2016
Encik Nor Hizam Hashim	Independent Non-Executive Director	18 October 2016

A profile of each member of the Board is presented below:-

ZAINAL ABIDIN JAMAL

Non-Independent Non-Executive Director (Acting Chairman)

Nationality

Malaysian

Age

62

Appointment

28 January 2010

Qualification

- LL.B (Honours), University of Singapore
- Advocate & Solicitor, High Court of Malaya
- Arbitrator, Kuala Lumpur Regional Center for Arbitration

Working Experience

Present

Within Maybank Group

- Acting Chairman of Maybank Islamic Berhad
- Chairman of Mayban Trustees Berhad
- Director of Etiqa Takaful Berhad

Other Companies/Bodies

- Senior Partner of Zainal Abidin & Co, Advocate & Solicitor

Past

- First Class Magistrate in Brunei Darussalam
- Advocate & Solicitor of the Supreme Court of Singapore
- Company Secretary of Harrisons Malaysian Plantation Berhad

Directorship of Other Companies

- Sime Darby Berhad
- Sime Darby Property Berhad
- Sime Darby Industrial Holdings Sdn Bhd
- Lam Soon (M) Berhad
- PNB International Limited
- PNB Asset Management (Japan) Co. Ltd
- PNB-SBI Asean Gateway Investment Management Limited
- Island & Peninsular Sdn Bhd
- Prominent Beauty Sdn Bhd

Attendance in 2016

- 12 out of 12 Board meetings held in the financial year

Declaration

- No family relationship with any director and/or major shareholder of Maybank.
 - No conflict of interest with Maybank Islamic and has never been charged for any offence.
 - Does not hold any shares in Maybank Islamic.
-

DATO' DR MUHAMMAD AFIFI AL-AKITI

Independent Non-Executive Director

Nationality

Malaysian

Age

40

Appointment

15 August 2013

Qualification

- Doctor of Philosophy in Islamic Studies, Oxford University
- Master of Studies in Islamic Studies, Oxford University
- Bachelor of Arts in Scholastic Philosophy and the History of Science, Queen's University of Belfast

Working Experience

Present

Within Maybank Group

- Director of Maybank Islamic Berhad

Other Companies/Bodies

- Islamic Centre Lecturer in Islamic Studies at the Faculty of Theology, University of Oxford
- Fellow of Worcester College, Oxford
- Kuwait Foundation for the Advancement of Sciences (KFAS) Fellow, Oxford Centre for Islamic Studies

Past

- Organized conferences/seminars namely, among others, Special Session on Islamic Social Finance, convened the '*Muslim Thinkers*' Seminar Series, the '*Islamic Finance*' Seminar Series, the '*Introducing Islamic Manuscripts*' Seminar Series, the '*Islamic Ethics : Classical and Contemporary Perspectives*' Seminar Series, etc
- Involved in Academic Editorial work as Deputy Editor, *Journal of Islamic Studies* (Oxford University Press), Associate Editor, *Integrated Encyclopedia of the Qur'an* (CIS), Consultant Editor, *Journal of the Royal Asiatic Society* (Cambridge University Press), Special Guest Editor, *The Muslim World* (Wiley-Blackwell), etc.
- Performed selected consultancy work, to name a few, as working level member of the United Nations High-Level Panel on Humanitarian Financing convened by the UN Secretary-General to deal with the various Multilateral Development Banks (MDBs), in particular, the World Bank and the Islamic Development Bank and the various humanitarian agencies in 2015-16, member of an international task force on Islam and Science convened by Ekmeleddin Ihsanoglu (Secretary-General of the OIC), Istanbul, Turkey, supported by the John Templeton Foundation in 2015, member of the Promotion of Piece in Muslim Societies

Forum, convened by the Foreign Minister of the United Arab Emirates, HH Sheikh Abdullah bin Zayed Al Nahyan, from 2014, etc.

Directorship of Other Companies

- Oxford Islamic Finance Ltd, U.K.
- Oxford Real Estate Ltd, U.K.
- International Advisory Board of Abu Dhabi Educational Council (ADEC) UAE
- International Advisory Board of Sultan Omar 'Ali Saifuddien Centre for Islamic Studies, Universiti Brunei Darussalam (UBD), Brunei
- Board Member of the Perak Islamic and Malay Council
- Member of the Perak Fatwa Council

Attendance in 2016

- 12 out of 12 Board meetings held in the financial year

Declaration

- No family relationship with any director and/or major shareholder of Maybank.
 - No conflict of interest with Maybank Islamic and has never been charged for any offence.
 - Does not hold any shares in Maybank Islamic.
-

DALI SARDAR

Independent Non-Executive Director

Nationality

Malaysian

Age

57

Appointment

11 August 2014

Qualification

- Bachelor of Arts (majoring in Economics), Knox College, Illinois, USA
- Master in Business Administration, American Graduate School of International Management, Arizona, USA

WORKING EXPERIENCE

Present:

Within Maybank Group

- Director of Maybank Islamic Berhad

Other Companies/Bodies

- Director of DTA Capital Group

Past

- Relationship Manager and Vice President of Citicorp/ Citbank
- Executive Director and subsequently promoted as Managing Director of Citicorp Capital.
- Chief Executive Officer of Utama Merchant Bank Berhad
- Director of Maybank Private Equity Sdn Bhd

Directorship of Other Companies

- Chuan Huat Resources Bhd
- Malaysian General Investment Corporation (MGIC) Bhd
- DTA Capital Partners Sdn Bhd
- DTA Ventures Management Sdn Bhd
- DTA Growth Sdn Bhd
- DTA Ventures II Sdn Bhd
- Mavcap ICT Sdn Bhd
- Norhtec Corporation Ltd (Thailand)
- M Development Ltd (Singapore)

Attendance in 2016

- 12 out of 12 Board meetings held in the financial year

Declaration

- No family relationship with any director and/or major shareholder of Maybank.
- No conflict of interest with Maybank Islamic and has never been charged for any offence.
- Does not hold any shares in Maybank Islamic.

DATO' ZULKIFLEE ABBAS BIN ABDUL HAMID

Independent Non-Executive Director

Nationality

Malaysian

Age

59

Appointment

11 April 2016

Qualification

- Masters Degree in Business Administration, Southern Illinois University, Carbondale
- Bachelor of Science Degree in Marketing, Southern Illinois University, Carbondale

Working Experience

Present:

Within Maybank Group

- Director of Maybank Islamic Berhad

Other Companies/Bodies

- Nil

Past:

- Joined Maybank in 1981 and served in various positions and areas of banking such as Enterprise Banking, Corporate Banking, International Banking and Credit Management as well as Maybank offices in London and New York. The last position held at Maybank was the Chief Credit Officer.
- Director of Business Banking at Affin Bank Berhad and subsequently was appointed as the Managing Director/ Chief Executive Officer of Affin Bank Berhad.

Directorship of Other Companies

- Member of the Board of Trustees, Yayasan Budiman UITM
- Council Member and Treasurer, Tabung Pendidikan 1 Billion

Attendance in 2016

- 9 out of 9 Board meetings held in the financial year

Declaration

- No family relationship with any director and/or major shareholder of Maybank.
- No conflict of interest with Maybank Islamic and has never been charged for any offence.
- Does not hold any shares in Maybank Islamic.

NOR HIZAM BIN HASHIM

Independent Non-Executive Director

Nationality

Malaysian

Age

68

Appointment

18 October 2016

Qualification

- Bachelor of Jurisprudence (BOJ) (External) with honours, University of Malaya
- Chartered Accountant, Malaysia Institute of Accountants
- Bachelor of Commerce (Finance, Accounting and Economics), University of Western Australia

Working Experience

Present

Within Maybank Group

- Director of Malayan Banking Berhad
- Director of Maybank Islamic Berhad

Other Companies/Bodies

- Nil

Past

- Accountant and Financial Analyst of ESSO Malaysia Berhad
- Financial Controller of Mamor Sdn Bhd
- General Manager (Finance) of Raleigh Berhad
- Held various senior positions including as Chief Operating Officer of Telekom Malaysia Berhad Group
- Chief Financial Officer of TELKOM SA Ltd
- Chief Executive Officer of TM International Corporation
- Expert Officer to the Public Private Partnership Unit and Economic Planning Unit in the Prime Minister's Department

Directorship of Other Companies

- Minority Shareholders' Watchdog Group

Attendance in 2016

- 3 out of 3 Board meetings held in the financial year

Declaration

- No family relationship with any director and/or major shareholder of Maybank.
- No conflict of interest with Maybank Islamic and has never been charged for any offence.
- Does not hold any shares in Maybank Islamic.

BOARD CHARTER

The Board acknowledges the importance of developing and maintaining a framework of Corporate Governance that is robust and sound, to promote a culture of integrity and transparency throughout the Bank. In this regard, all directors are required to maintain the highest standards of transparency, integrity and honesty. This standard serves as the basis for the principles that govern directors' conduct and their relationship with the Bank's stakeholders.

The Board Charter outlines among others, the respective roles, responsibilities and authorities of the Board (both individually and collectively) in setting the direction, management and control of the Bank.

ROLES AND RESPONSIBILITIES OF THE BOARD

In line with the standards of the BNM CG Policy, the Board's duties and responsibilities include the following function:-

- (a) approve the risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Bank's risk profile;
- (b) oversee the selection, performance, remuneration and succession plans of the CEO, control function heads and other members of Senior Management, such that the Board is satisfied with the collective competence of Senior Management to effectively lead the operations of the Bank;
- (c) oversee the implementation of the Bank's governance framework and internal control framework, and periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of the Bank's operations;
- (d) promote, together with Senior Management, a sound corporate culture within the Bank which reinforces ethical, prudent and professional behaviour;
- (e) promote sustainability through appropriate environmental, social and governance considerations in the Bank's business strategies;
- (f) oversee and approve 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;
- (g) promote timely and effective communication between the Bank and BNM on matters affecting or that may affect the safety and soundness of the financial institution; and
- (h) ensure that there is a reliable and transparent financial reporting process within the Bank.
- (i) promote Shariah compliance in accordance with expectations set out in the policy document on *Shariah Governance Framework for Islamic Financial Institutions (BNM/RH/GL_012_3)* and ensure its integration with the Bank's business and risk strategies; and
- (j) have due regard to any decision of the Shariah Committee on any Shariah issue relating to the carrying on of business, affairs or activities of the institution.

BOARD COMMITTEES

Delegation of certain governance responsibilities has been undertaken by the Board in favour of its Board Committees, which operate within clearly defined terms of references, primarily to assist the Board in the execution of its duties and responsibilities. Although the Board has granted such discretionary authority to these Board Committees to deliberate and decide on certain key and operational matters, the ultimate responsibility for final decision on all matters lies with the entire Board.

Board Investment Committee

As required by para 17.3 of the Investment Account Policy by BNM, every Islamic Bank must establish a separate board investment committee when the investment account constitutes a significant proportion of the total asset of the Bank.

The Board Investment Committee (“BIC”) is responsible for assisting the Board in performing the oversight functions and provide recommendations in respect of the investment strategies, management and performance of the investment account.

The members of the BIC as at 31 December 2016 were as follows:

Name	Position	Appointment Date
Encik Dali Sardar	Chairman	28 September 2016
Dato’ Dr. Muhammad Afifi al-Akiti	Member	31 October 2016
Dato’ Zulkiflee Abbas Abdul Hamid	Member	28 September 2016

The specific duties of the BIC include:

- (i) Review and recommend to the Board on matters including, but not limited to objectives, strategies, policies and processes of the investment account including profit distribution policy and valuation;
- (ii) Review and assess the investment operations to ensure the same are performed in accordance with the fiduciary duties and agency duties in the agreed terms and conditions of the investment account, relevant legislations and Shariah rulings;
- (iii) Review and assess the effectiveness of the established risk management policies, processes and infrastructure to identify, measure, monitor, control and report the various types of risk associated with the assets funded by the investment account including policies and procedures to determine the significant level of investment account business;
- (iv) Review and assess the competency and investment expertise of the personnel managing the investment accounts;
- (v) Review and assess disclosure policies on a regular basis to ensure reliable, relevant and timely information are disseminated to the investment account holders to facilitate informed decision making by the Board and in order to protect the interest of the investment account holders; and
- (vi) Review performance reports on the activities of the Investment Account Unit on a periodic basis.

Under the leverage model, the Board delegated certain of its governance responsibilities to the following Board Committees of Maybank, which operate within clearly defined terms of references primarily to assist the Board in the execution of its duties and responsibilities. Nevertheless, the final decisions were made by the Board of Maybank Islamic.

1. Audit Committee¹
2. Credit Review Committee²
3. Nomination and Remuneration Committee
4. Risk Management Committee²
5. Employee Share Scheme Committee

Notes:

1. The Chairman of the Audit Committee also sits at the Board of Maybank Islamic.
2. Representative of the Board sits in as an invitee at the committee meetings for the deliberations on matters related to Maybank Islamic.

TENURE OF DIRECTORSHIP

Consistent with the Maybank Group's Directors' Independence Policy and recommendations of the Malaysian Code on Corporate Governance 2012 ("the Code"), the Board via the Nomination and Remuneration Committee ("NRC") assesses the independence of Independent Directors upon his/her appointment, re-appointment and in any event, annually. In line with the Code, the tenure of service for Independent Directors has been capped at the maximum period of nine years whereby upon completion of such tenure, the Independent Director may continue to serve on the Board subject to his redesignation as a Non-Independent Director. The Board recognises that an individual's independence cannot be determined arbitrarily on the basis of a set period of time alone. The Board also considers that continued tenure could bring considerable stability to the Board and acknowledges the fact that it has benefited greatly from the presence of Board members who have over time gained valuable insight into the Group and its markets. Hence, the Board may in certain circumstances and subject to the NRC's assessment, decide to maintain a member as an Independent Director beyond the requisite 9-year period, if the Board is satisfied (upon the review by the NRC) that the said Director can remain independent in character and judgment, and would continue to present an objective and constructive challenge to the assumptions and viewpoints presented by the management and the Board. Under such circumstances, the Board may allow the shareholder to decide whether the said Director should continue to be designated as an Independent Director (notwithstanding the fact his tenure has exceeded the 9-year period), with strong justifications provided by the Board to support the proposal. Currently, none of the Board's independent members has reached the 9-year term in Maybank Islamic.

BOARD MEETINGS

The Board meets on a monthly basis, with additional meetings convened as and when urgent issues and/or important decisions are required to be addressed between the scheduled

meetings. During the financial year ended 31 December 2016, the Board met 12 times to deliberate and consider a variety of significant matters that required its guidance and approval.

All the Directors have exceeded the 75% meeting attendance requirement in accordance with BNM CG Policy save for YBhg Dato' Seri Ismail (see Note 1). Details of attendance of each Director on the Board and Board Investment Committee of Maybank Islamic during the financial year ended 31 December 2016 are highlighted in the table below.

Name of Directors	Board			BIC		
	Number of Meeting			Number of Meeting		
	Held	Attended	%	Held	Attended	%
Dato' Seri Ismail bin Shahudin ¹	7	1	14	4	1	25
Tan Sri Datuk Dr Hadenan bin A. Jalil ²	3	3	100			
Encik Zainal Abidin Jamal ³	12	12	100	4	4	100
Tan Sri Dato' Ahmad Fuzi bin Haji Abdul Razak ⁴	7	7	100			
Dato' Dr. Muhammad Afifi al-Akiti ⁵	12	12	100	2	2	100
Encik Dali Sardar ⁶	12	12	100	6	6	100
Dato' Zulkiflee Abbas Abdul Hamid ⁷	9	9	100	2	2	100
Encik Nor Hizam Hashim ⁸	3	3	100			

Notes:

1. Non-attendance at Board and BIC meetings due to hospitalisation. Deceased on 30 July 2016.
2. Retired with effect from 6 April 2016.
3. Stepped down from BIC with effect from 31 October 2016.
4. Ceased directorship with effect from 27 September 2016.
5. Appointed as BIC member with effect from 31 October 2016.
6. Appointed as Chairman of BIC with effect from 28 September 2016.
7. Appointed as a Director on 11 April 2016 and as a member of BIC with effect from 28 September 2016.
8. Appointed as a Director on 18 October 2016.

DIRECTORS' REMUNERATION

The Board believes that one area that the Board needs to focus on in order to remain effective in the discharge of its duties and responsibilities is the setting of a fair and comprehensive remuneration package commensurate with the expertise, skills, responsibilities and the risks of being a director of a financial institution. In line with good corporate governance, the Maybank Group has set out its intention to periodically review the Non-Executive Directors (NEDs) remuneration for Maybank and its group of companies at least once every three years. A summary of the total remuneration of the Directors (shown in nearest thousand), in aggregate with categorisation into appropriate components for the financial year ended 31 December 2016 is as follows:

Name of Directors	Directors' Fee (RM)	Other Emoluments (RM)	Total (RM)
-------------------	---------------------	-----------------------	------------

Dato' Seri Ismail bin Shahudin ¹	124,000	1,000	125,000
Tan Sri Datuk Dr Hadenan bin A. Jalil ²	58,000	4,000	62,000
Encik Zainal Abidin Jamal ³	181,000	15,000	196,000
Tan Sri Dato' Ahmad Fuzi bin Haji Abdul Razak ⁴	96,000	7,000	103,000
Dato' Dr. Muhammad Afifi al-Akiti ⁵	121,000	14,000	134,000
Encik Dali Sardar ⁶	142,000	23,000	165,000
Dato' Zulkiflee Abbas Abdul Hamid ⁷	90,000	17,000	107,000
Encik Nor Hizam Hashim ⁸	24,000	3,000	27,000
Total	836,000	84,000	920,000⁹

Notes:

1. Deceased on 30 July 2016.
2. Retired with effect from 6 April 2016.
3. Stepped down from BIC with effect from 31 October 2016.
4. Ceased directorship with effect from 27 September 2016.
5. Appointed as BIC member with effect from 31 October 2016.
6. Appointed as Chairman of BIC with effect from 28 September 2016.
7. Appointed as a Director on 11 April 2016 and as a member of BIC with effect from 28 September 2016.
8. Appointed as a Director on 18 October 2016.
9. Includes the arrears payment for the financial year ended 31 December 2015.

DIRECTORS' TRAINING

The Board acknowledges the importance of continuing education for its Directors to ensure they are equipped with the necessary skills and knowledge to perform their functions and meet the challenges of the Board. During the year, all the Board members have attended various training programmes and workshops on issues relevant to the Group, including key training programme for Directors of financial institutions, namely the Financial Institutions Directors' Education (FIDE).

The Board continues to assess the training needs of its Directors vide the Board Assessment and identify key areas of focus for training programmes.

Trainings programmes, conferences, forums and talks attended by the Directors for the financial year ended 31 December 2016 were as follows:

FIDE

- FIDE Forum 3rd Distinguished Board Leadership : Effective Board Evaluation
- FIDE Core Programme (Module B)
- FIDE Fintech Forum

Other External Seminars/Conferences/Talks

- Talk on The Innovation Imperative
- Talk on A View from the Periphery (Property Outlook)
- Talk on Motors & Industrials - Living in a VUCA World

- Conference on Invest Malaysia 2016 - ASEAN's Next Wave : Building the Infrastructure of Opportunity
- Global Islamic Finance Forum 5.0 (GIFF 2016) : Preparing Islamic Finance Leaders for the Future
- International Forum on the World's Economic Outlook : Challenges & Opportunities for Malaysian Companies
- 12th World Islamic Economic Forum
- Board Chairman Series Part 2 : Leadership Excellence From The Chair
- Board Effective Assessment Workshop
- The Evolving Role of Audit Committee in Governance, Risk & Control (Malaysian Institute of Corporate Governance)
- Islamic Finance For Board of Directors (IF4BOD) - 1st Pilot Run

Maybank Group Internal Training

- Maybank Islamic Berhad Director's Induction Programme
- Shariah Awareness Forum 2016
- The Guru Series: Integrity Dilemma