

AIA PUBLIC TAKAFUL BHD.
(Incorporated in Malaysia)

CORPORATE GOVERNANCE DISCLOSURES

As a Takaful Operator licensed under Islamic Financial Services Act 2013 and regulated by Bank Negara Malaysia, the Company is subject to Corporate Governance Policy Document issued by Bank Negara Malaysia.

BOARD OF DIRECTORS

The Board consists of seven (7) Directors, as follows:

1. Dato' Thomas Mun Lung Lee (Chairman)
Independent Non-Executive Director

Dato' Thomas is a Barrister at Law (England) and holds a Master of Arts (MA) and Master of Laws (LLM) from Cambridge University, UK. Dato' Thomas has been in legal practice as an Advocate and Solicitor for more than 50 years. Dato' Thomas is an arbitrator with the Court of Arbitration for Sport, Lausanne, Switzerland and is currently the Senior Partner of Lee Hishammuddin Allen & Gledhill. He has over 40 years of experience in Banking, Finance and Corporate Law.

2. Dato' Chang Kat Kiam
Non-Independent Non-Executive Director

Dato' Chang holds a Master's degree in Business Administration from the University of Hull, United Kingdom. Dato' Chang has 42 years of experience in the banking and finance industry. Dato' Chang is currently the Deputy Chief Executive Officer of Public Bank Berhad. He sits on the Board of several companies in the Public Bank Group including, Public Bank (Hong Kong), Public Bank Vietnam, Cambodian Public Bank Plc and Campu Lonpac Insurance Plc in Cambodia.

3. Abu Hassan Assari bin Ibrahim
Non-Independent Non-Executive Director

En. Abu Hassan Assari holds a Bachelor of Arts (Hons.) degree from the University of Malaya. He is the Chief Executive Officer of Public Islamic Bank Berhad and has more than 34 years' experience in the banking industry. Encik Abu joined the Public Bank Group in 1989 and has held several managerial positions at the Head Office in Credit Operations and Retail Banking with his last position being the Director of Credit Operations. He was transferred to Public Islamic Bank in 2010 as General Manager and appointed to his current position in early 2011.

4. Dato' Mohammed Najeeb bin Abdullah
Independent Non-Executive Director
(Appointed in place of Dato' Haji Abdul Aziz bin Dato' Dr. Omar on 16.05.2016)

Dato' Mohammed Najeeb holds a Master's Degree in Business Administration (Accounting and Finance) from the Charles Darwin University, Australia and also graduated from the Chartered Institute of Marketing (UK). He started his career in banking for over 27 years and has more than 35 years' experience in both conventional and Islamic banking. He was appointed as the General Manager of Public Islamic Bank in November 2008. He relinquished his position in Public Islamic Bank when he was appointed as a Senator of the Parliament of Malaysia in April 2010 for a 3-year term. He is an Independent Non-Executive Director of Public Islamic Bank Bhd, Cambodian Public Bank Plc, Campu Lonpac Insurance Plc and PB Trustee Services Bhd.

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CORPORATE GOVERNANCE DISCLOSURES (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

5. Dato' Majid bin Mohamad
Independent Non-Executive Director

Dato' Majid holds a Bachelor of Arts (Hons.) degree from University of Malaya and Masters of Business Administration degree from Manchester Business School, England. Dato' Majid also attended senior management programmes at Harvard Business School, USA, INSEAD in France and ICLIF, Malaysia. Dato' Majid has extensive experience in establishment, governance and regulatory planning and rehabilitation of financial institutions. He started his career in Bank Negara Malaysia in 1977 and held various supervisory roles across key departments, from audit to economics, bank and insurance regulations. Dato' Majid was Chief Executive Officer of several life and general insurance companies in Malaysia and is currently the Principal Advisor of MBM Advisors (L) Ltd, a consultancy based in Labuan International Business and Financial Centre.

6. Mohd Daruis bin Zainuddin
Independent Non-Executive Director

En. Mohd Daruis is a Fellow of the Association of Chartered Certified Accountants as well as a Member of the Malaysian Institute of Certified Public Accountants, Malaysian Institute of Accountants and Chartered Tax Institute of Malaysia. He is the Sole Practitioner in an audit firm MDZ & Co. Encik Daruis was with Pricewaterhouse Coopers Malaysia between 1974 and 2004, when he held the position of Senior Partner. He was also a Member of the ACCA Malaysian Advisory Committee and Dewan Perniagaan Islam Malaysia Negeri Johor.

7. Anusha a/p Thavarajah
Executive Director

Ms Anusha was appointed CEO of AIA Bhd. in June 2015. She joined AIA in 2002 as Vice President of Actuarial and later took on the role of Appointed Actuary & Head of Product Development in ING Insurance Berhad, where she went on to become Deputy CEO. Anusha returned to AIA in 2011 as Deputy General Manager of Operations, Finance & Actuarial. Prior to becoming CEO, Ms Anusha was appointed as the Regional Business Development Director of AIA Group Limited. She holds a First Class Honours in Mathematics & Statistics from the UK's University of Birmingham and is also a Fellow of the Institute of Actuaries, UK.

In promoting independent oversight by the Board, the tenure limit for Independent Directors is nine (9) years from the date of the Director's initial appointment. The Board is also discouraged from having more than seven (7) Directors. However, a maximum of ten (10) Directors may be allowed provided the additional Directors are Independent Directors.

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CORPORATE GOVERNANCE DISCLOSURES (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

During the financial year, a total number of twenty three (23) Board and Board Committee Meetings were held, as set out below:

	Audit Committee	Risk Management Committee	Nominating Committee	Remuneration Committee	Board
Number of meetings	4	4	5	1	9

The Chairman and Members of each Board Committees during the financial year were as follows:

Name of Director	Audit Committee Member	Risk Management Committee Member	Nominating Committee Member	Remuneration Committee Member	Board Member
Dato' Thomas Mun Lung Lee	No	No	No	No	Yes (Chairman)
Dato' Majid bin Mohamad	No	Yes	Yes (Chairman)	Yes (Chairman)	Yes
Mohd Daruis bin Zainuddin <i>(Please refer Note 1)</i>	Yes	Yes (Chairman)	Yes	Yes	Yes
Anusha a/p Thavarajah <i>(Please refer Note 2)</i>	No	No	Yes	No	Yes
Dato' Chang Kat Kiam	Yes	Yes	Yes	Yes	Yes
Dato' Mohammed Najeeb bin Abdullah	Yes (Chairman)	No	Yes	No	Yes
Abu Hassan Assari bin Ibrahim	No	No	No	No	Yes

Notes:

1. *Appointed with effect from 20.05.2016.*
2. *No longer a member with effect from 21.11.2016.*

The roles and responsibilities of the Board and the Board Committees as well as the attendance of each Director at Board and the Board Committee meetings during the financial year are as set out in the Directors' Report of the Company's Audited Financial Statements for the financial year ended 30 November 2016.

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CORPORATE GOVERNANCE DISCLOSURES (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

The Members of the Board had attended briefings, conferences, seminars and trainings during the financial year, which include the following:

No.	Description
1.	Briefing on Financial Institutions Directors' Education (FIDE)'s Directors Remuneration Report 2015
2.	Kuala Lumpur Islamic Finance Forum (KLIFF): Shariah Audit for Islamic Finance
3.	FIDE Core Programme: Module A
4.	FIDE Core Programme: Module B
5.	KLIFF: Accounting for Islamic Finance Institution
6.	FIDE FORUM: 2 nd Distinguished Board Leadership Series Avoiding Financial Myopia
7.	Briefing with Director General on Corporate Governance Concept Paper
8.	Open Consultation on the Draft FSPB Code of Conduct
9.	FIDE Elective Programme: Understanding Evolving Cybersecurity Landscape
10.	The Takaful Rendezvous 2016
11.	In-house Training
12.	Briefing on Whistleblowing Policy

The Members of the Board were also regularly updated on the issuance of new related Acts and regulations as well as the requirements to be observed both by the Company and Directors.

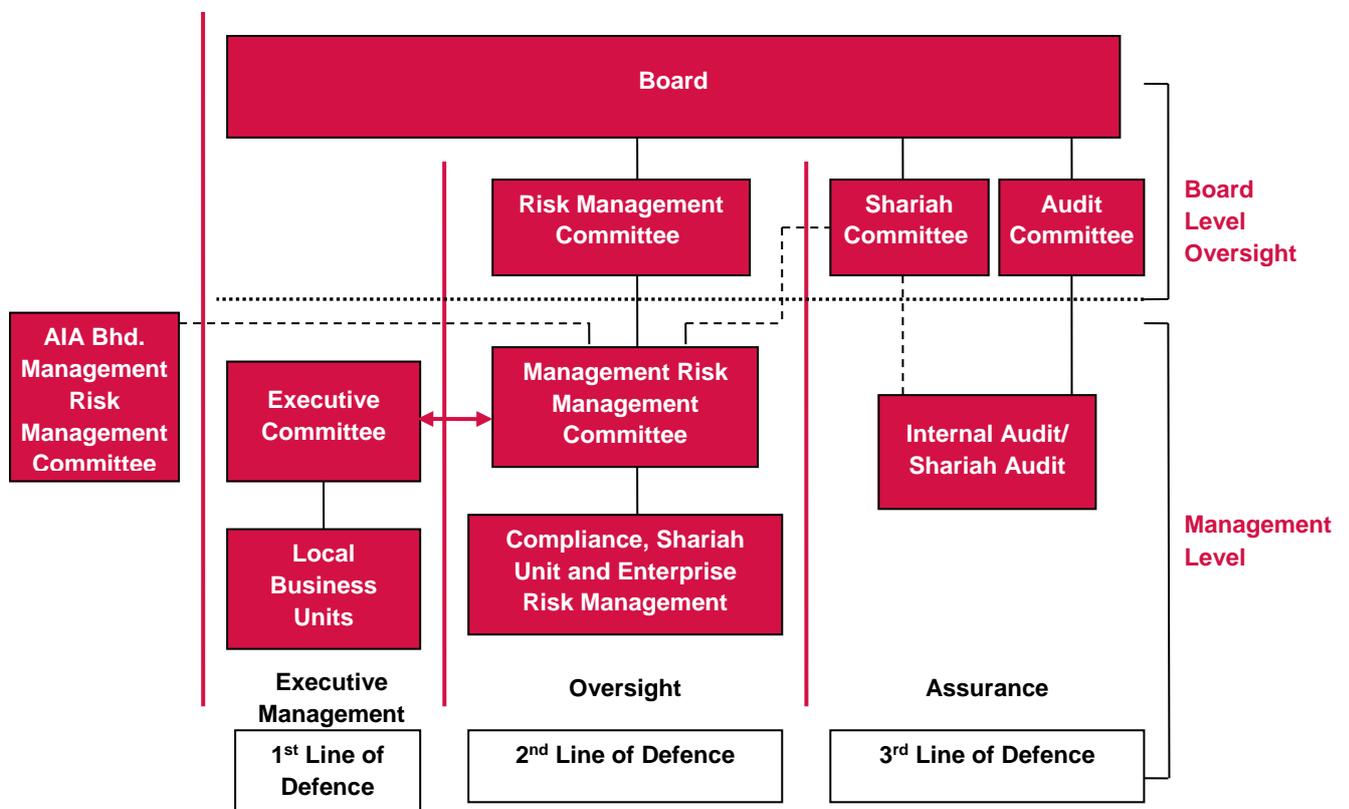
The Company provides an in-house orientation to newly appointed Directors and the Directors may request trainings on specific subjects in facilitating the Directors to discharge their duties effectively. On an annual basis, the Nominating Committee will conduct annual review of trainings attended by the Directors during each financial year.

CORPORATE GOVERNANCE DISCLOSURES (CONTINUED)

INTERNAL CONTROL FRAMEWORK

The Board is responsible for the overall direction and management of the Company and the formulation of the policies to be applied to the Company and the business. Risk Management, Compliance and Internal Audit functions, among others, provide assessment, reporting and assurance on the effectiveness of the Company’s policies and operations as well as its compliance with legal and regulatory obligations.

The Company’s internal control framework structure is segregated along “three lines of defence” as illustrated below:



There are various policies and procedures in place as internal control to govern the operations of the Company. The following AIA Group policies are adopted by the Company:

AIA Code of Conduct: This policy lays the foundation for good business decisions and guides staff and agents in conducting business honourably, ethically and with utmost professionalism. The Code specifies the standards of behaviour to which every AIA employee and stakeholder is expected to adhere. The Code guides us on compliance, ethics and risk issues and allows us to contribute positively to the societies where we operate.

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CORPORATE GOVERNANCE DISCLOSURES (CONTINUED)

INTERNAL CONTROL FRAMEWORK (CONTINUED)

Whistleblower Protection Policy: This policy aims to establish corporate values and culture that support ethical behavior and to assure confidentiality and non-retaliation to whistleblowers. Every employee has the obligation to report unethical behaviour or suspected violations of law or company policy connected with AIA Group business activities.

Anti-Fraud Policy: AIA Group is committed to conducting all of its business with the highest level of ethics and integrity. To uphold this commitment and in particular, a zero-tolerance approach to fraud, the Group requires adherence to this Anti-Fraud Policy. The policy is intended to reinforce management procedures designed to aid in the prevention, detection and investigation of fraud, thereby safeguarding the Group's assets and providing protection from the legal and reputational consequences of fraudulent activities.

Anti-Corruption Policy: AIA Group is committed to conducting all of its business in an honest and ethical manner. Bribery or any improper payment to gain an advantage in any situation is never acceptable and may have serious legal, reputation and regulatory implications for AIA Group. The Policy also makes good business sense.

Additionally, the Company has in place a Risk Management Framework approved by the Board. The Risk Management Framework sets out the risk management governance framework and principles for the Company which includes philosophy towards risk management, risk appetite, risk governance and reporting structure as well as risk management approach.

In relation to internal audit function, the Company leverages on the internal audit function of AIA Bhd. who performs review and provide assurance on the adequacy and effectiveness of controls throughout the various business units the Company and all its outsourced functions. The internal audit reports are tabled periodically to the Audit Committee for their deliberation.

Further to the above, among the Company's key policies and procedures include Product Operational Risk Assessment Guidelines, Compliance Framework, Capital Management Plan and Investment Mandate, all of which were revised and tabled to the Board for approval during the financial year. Other policies and procedures tabled to the Board include the Company's Takaful Operational Model as well as Policy on Introduction of New Product, Product Risk Management and Fair Treatment of Consumers.

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CORPORATE GOVERNANCE DISCLOSURES (CONTINUED)

REMUNERATION

The AIA Group's Remuneration Guidelines, Philosophy and Standards applies to the Company and guide the design, operation and management of remuneration programmes. The elements of the remuneration policy applied are compensation (fixed and variable), benefits, performance and recognition.

There are 4 Key Senior Officers (KSOs) of the Company, which consists of Appointed Actuary, Head of Finance, Head of Governance & Strategy as well as the Associate Director of Compliance. The KSOs and the Chief Executive Officer forms the senior management of the Company.

The Company conducts yearly Overall Salary Increment (SI), Overall Short Term Incentive (STI) Payout, Long Term Incentive (LTI) Cash Scheme Grant and Nominations and Total Compensation Review (TCR) for the Chief Executive Officer and other KSOs. The yearly exercise were recommended by the Chief Executive Officer (excluding that of the Chief Executive Officer) and reviewed and approved by the Chief Executive Officer of AIA Malaysia and the Regional Chief Executive of AIA. The proposal is then tabled to the Remuneration Committee and the Board for approval.

The remuneration programmes should be market competitive, transparent and within prudent risk limits to attract and retain best talents in financial services industry. The compensation comprises of fixed pay and variable pay. Variable pay refers to discretionary pay or pay-at-risk which is cash based and does not consist of shares or non-cash instrument. Market competitiveness ensures remuneration is aligned with the relevance of the market movement. And that the overall target market position of the Company will be at market median.

Remunerations are determined based on individual performance as well as the Company's performance. The Performance Development Dialogue platform used by the Company in assessing the employees' performance include both "What" and "How". "What" refers to results an employee achieved, aligned with strategic priorities which help achieve the Company's business goal. On the other hand, "How" refers to behaviours an employee demonstrated to achieve the results, guided by the AIA Operating Philosophy of "Doing the Right Thing, In the Right Way, With the Right People and the Results Will Come". Both "What" and "How" are equally important and taken into consideration in determining the employees' remuneration for the financial year.

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CORPORATE GOVERNANCE DISCLOSURES (CONTINUED)

REMUNERATION (CONTINUED)

The Directors' remuneration for the financial year is required to be tabled to the Remuneration Committee, Board and Members of the Company for approval. Set out below the breakdown of the total amount of remuneration for the following Directors during the financial year:

Name of Director	Fixed Remuneration (RM)	Variable Remuneration (RM)	Total Remuneration (RM)
Dato' Thomas Mun Lung Lee Dato' Majid bin Mohamad Mohd Daruis bin Zainuddin Dato' Mohammed Najeeb bin Abdullah <i>(Please refer Note 1)</i> Dato' Haji Abdul Aziz bin Dato' Dr. Omar <i>(Please refer Note 2)</i>	366,387	60,750	427,137

Notes:

1. Appointed with effect from 16.05.2016.
2. Resigned with effect from 16.05.2016.

Other directors' interest is as disclosed in the Company's Audited Financial Statements for the financial year ended 30 November 2016.

The senior management (Chief Executive Officer and KSO)'s remuneration for the financial year was tabled to the Remuneration Committee and the Board for approval. Set out below the breakdown of the total amount of remuneration for the Chief Executive Officer and KSOs during the financial year:

Total value of remuneration awards for the financial year	Unrestricted (RM)	Deferred (RM)
Fixed remuneration		
• Cash-based	1,824,540	
• Shares and share-linked instruments		
• Other		
Variable remuneration		
• Cash-based	663,090	786,800
• Shares and share-linked instruments		
• Other		

Set out below the breakdown of other details in relation to the remuneration:

Category of Remuneration	No. of Senior Management	Amount (RM)
Guaranteed bonus		
Sign-on award		
Severance payment		
Deferred remuneration	5	786,800
Outstanding deferred		