
BOARD CHARTER

Last reviewed on 30 March 2018

1. INTRODUCTION

The Board understands that the responsibility for good Corporate Governance rests with them and therefore strives to promote the highest standards of Corporate Governance within the Company and its subsidiaries (“Group”).

Objective

The objectives of this Board Charter are to ensure that all Board members acting on behalf of the Group are aware of their duties and responsibilities as Board members and the various legislation and regulations affecting their conduct and that the principles and practices of good Corporate Governance are applied in all their dealings in respect of and held on behalf of the Group. This Charter, together with the Company’s Constitution and the Terms of Reference of the Board Committees, provide the authority and practices for governance of MBSB.

2. ROLES OF THE BOARD

2.1 DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

2.1.1 The Board is responsible for overseeing the Group’s management and business affairs and makes all major policy decisions of the Group.

2.1.2 The Board assumes the following 6 responsibilities as required under the Malaysian Code on Corporate Governance to facilitate the Board in discharging its fiduciary and leadership function:-

- i. Reviewing and adopting a strategic plan for the Group;
- ii. Overseeing the conduct of the Group’s business to determine whether the business is being properly managed;
- iii. Identifying principal risks, setting of risk appetites and ensuring the implementation of appropriate internal controls and mitigation measures;
- iv. Succession planning, including ensuring all candidates appointed to senior management positions are of sufficient caliber and programmes are in place to provide for the orderly succession of senior management;
- v. Overseeing the development and implementation of shareholder communications policy for the Group; and

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- vi. Reviewing the adequacy and the integrity of the Group's management information and internal control systems.
- 2.1.3 The matters reserved for the Board include, amongst others, the following:-
- i. Reviewing and approving the strategic and business plan and other initiatives which would have a material impact to the Group;
 - ii. Overseeing the Management's implementation of the Group's strategic objectives and its conduct and performance;
 - iii. Identifying principal risks affecting the Group and ensuring the implementation of appropriate governance framework and internal controls framework and to periodically review its appropriateness in light of the material changes to the size, nature and complexity of the Group's operations;
 - iv. Reviewing and approving annual financial statements and quarterly financial results prior to release to Bursa Securities and Securities Commission;
 - v. Reviewing and adopting the strategies on promotion of sustainability through appropriate environmental, social and governance ("ESG") consideration in the Group's businesses;
 - vi. Overseeing and approving the recovery and resolution as well as business continuity plans for the Group to restore its strength and maintain or preserve critical operations and critical services when it comes under stress;
 - vii. Promoting, together with senior management, a sound corporate culture within the Group which reinforces ethical, prudent and professional behaviour;
 - viii. Promoting Shariah Compliance as set out in the Shariah Governance Framework and to ensure its integration with the Group's business and risk strategies;
 - ix. Serving as the ultimate approving authority for all significant financial expenditure;
 - x. Approving related party transactions; and
 - xi. Overseeing the selection, performance, remuneration and succession plans of the President and Chief Executive Officer ("PCEO")/Chief Executive Officer ("CEO") and the C Suites position as defined in the policy for the Fit and Proper Requirements.

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2.2 BOARD COMMITTEES

- 2.2.1 The Board has delegated specific responsibilities to several Board Committee to oversee critical or major functional areas:-
- i. Audit Committee
 - ii. Risk Management Committee
 - iii. Nominating & Remuneration Committee
- 2.2.2 The roles and responsibilities of the Board Committees are set out in the terms of reference of each of the Committees. The Board Committees report to the Board on their deliberations, findings and recommendations.
- 2.2.3 Any decision not within its authority is referred back to the Board with its recommendations and comments for the Board's deliberation and approval.
- 2.2.4 Although the Board has delegated certain duties to the Board Committees, the Board remains responsible for the decisions of the Committees.
- 2.2.5 The terms of reference for each Board Committee will be approved by the Board from time to time upon recommendation by the respective Board Committees.

2.3 COMPLIANCE AND ETHICS

- 2.3.1 The Board observes the following:
- i. The Malaysian Companies Act 2016;
 - ii. The Main Market Listing Requirements;
 - iii. The MBSB Code of Ethics for Directors;
 - iv. The MBSB Policy on Directors' Conflict of Interest;
 - v. The MBSB Policy on Credit Transactions and Exposure with Connected Parties; and
 - vi. The MBSB Policy & Guidelines on Fit and Proper Requirements.
- 2.3.2 The policy and procedures on Fraud and Corruption Control Guidelines and Complaint & Whistle-Blowing Manual have been established to allow avenues of legitimate concerns to be objectively investigated and addressed.
- 2.3.3 The Directors are also required under the Policy on Credit Transactions and Exposure with Connected Parties to disclose their interest in other companies and details of their close relatives on an annual basis. The Director shall abstain from participating directly or indirectly in deliberation and decision making process involving the credit transactions of which he/she has an interest and to be absent from the meeting during such deliberation.

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2.4 STAKEHOLDER COMMUNICATION

2.4.1 The MBSB Corporate Governance Disclosure Policy and Procedures and MBSB Shareholders and Stakeholders Communication Policy, has been established to ensure compliance with the various guidelines issued by Bursa Malaysia Securities Berhad and Securities Commission and to ensure that the Company's message is clearly coordinated and communicated to the respective stakeholders.

2.5 COMPOSITION AND BOARD BALANCE

2.5.1 The Board should consist of qualified individuals with diverse experiences, backgrounds and perspectives. The composition and size of the Board is such that it facilitates the making of informed and critical decisions.

2.5.2 The Nominating & Remuneration Committee ("N&R Committee") reviews on a yearly basis and the same is tabled to the Board, the optimum size of the Board/Board Committee to enable effective oversight and delegation of responsibilities to encourage the active participation of all directors in Board/Board committees.

2.5.3 The N&R Committee also reviews on a yearly basis and the same is tabled to the Board, the succession plans for the Board to promote Board renewal and to address any vacancies.

2.5.4 The N&R Committee undertakes an assessment on a yearly basis and the same is recommended to the Board, the performance of the Board, Board Committee and individual directors.

2.5.5 There should not be more than one Executive Director on the Board of MBSB.

2.5.6 The Board must comprise of a majority of Independent Directors.

2.5.7 The Board in promoting Board diversity take into consideration the candidate's background, skills, experience, age, ethnicity and gender required to maintain the optimal board balance and the Board will make the necessary appointment based on merit and contribution to the overall working of the Board

2.6 INDEPENDENT DIRECTORS

2.6.1 The criteria for independence is set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

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- 2.6.2 The Independence of the Independent Directors shall be evaluated by the N&R Committee on an annual basis to gauge their level of independence and the ability to act in the best interest of the Group and to recommend the same to the Board.
- 2.6.3 The tenure of the independent directors shall not exceed a cumulative period of nine (9) years except under exceptional circumstances or as part of transitional arrangement towards full implementation of the succession plans subject to Bank Negara Malaysia's ("BNM") approval.
- 2.6.4 A Senior Independent Director ("SID") among the independent Board members shall be appointed by the Board. The suitability of a Director to be appointed as SID would be determined based on seniority in terms of years spent on Board and/or industry experience.
- 2.6.5 An Independent Director must immediately disclose to the Board any change in his circumstances that may affect his status as an Independent Director. In such a case, the Board must reconsider his designation as an Independent Director and notify Bursa Malaysia Securities Berhad or any other relevant authority of such changes.

2.7 SENIOR INDEPENDENT DIRECTOR

The responsibilities of the Senior Independent Non-Executive Director, amongst others, include the following:-

1. To be available to Board Members if they have concerns which contact through the normal channels of Chairman or PCEO has failed to resolve or for which such contact is inappropriate;
2. To act as a sounding Board for the Chairman and PCEO on board matters;
3. To chair the N&R Committee (if applicable) to ensure that board composition meets the needs of the Company;
4. To act as a trusted intermediary for Non-Executive Directors where this is required to help them to challenge and contribute effectively; and
5. To be the point of contact for shareholders and other stakeholders.

2.8 APPOINTMENTS

- 2.8.1 The N&R Committee is responsible for identifying and nominating suitable candidates for appointment/reappointment of Directors and also the appointment/renewal of contract of the PCEO/CEO of MBSB, to the Board for approval.

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- 2.8.2 Before recommending to the Board, the N&R Committee undertakes a thorough and comprehensive evaluation of the candidate which includes the “fit and proper” processes. The evaluation and assessment is carried out for all appointments/re-appointments of Directors and appointment/renewal of contract for the PCEO/CEO.
- 2.8.3 The abovesaid process is guided by the process for the appointment of Directors as detailed out in the Terms of Reference for the N&R Committee and the Policy and Guidelines on Fit and Proper Requirements.
- 2.8.4 The N&R Committee, in assessing the candidate/director must ensure that the candidate/director for appointment/reappointment is not disqualified under the Malaysian Companies Act, 2016 and relevant applicable regulatory provisions, to act as Director of the Company.
- 2.8.5 The office of a director shall be vacated if the director:-
- i. resigns from office by notice in writing to the Company;
 - ii. becomes of unsound mind;
 - iii. becomes bankrupt;
 - iv. is absent from more than 75% of the total Board of Directors’ meetings held during a financial year;
 - v. without leave of the Directors, fails personally to attend duly convened meetings of Directors for any period exceeding nine consecutive months;
 - vi. ceases to reside in Malaysia or Singapore; or
 - vii. is convicted by a court of law, whether within Malaysia or elsewhere in relation to the offences set out in Paragraph 15.05(1) of the Main Market Listing Requirements.
- 2.8.6 Any candidate/director directly involved in the engagement and any partner of the external auditor firm must not serve or to be appointed as Director until at least two years after:-
- i. he ceases to be an officer or partner of that firm; or
 - ii. the firm last served as an auditor of the Group.
- 2.8.7 The candidate/director must not be an active politician.
- 2.8.8 Pursuant to Section 230 of the Companies Act, 2016 all directors are provided with a service contract outlining the roles and responsibilities of individual directors.

2.9 RESTRICTION ON DIRECTORSHIP

- 2.9.1 The Directors must not hold more than five (5) directorships in listed corporations, listed collective investment schemes and Issuers of any other listed securities.

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- 2.9.2 The Directors should notify the Chairman before accepting any new directorship. The notification should include an indication of time that will be spent on the new appointment. Such information will be shared with the Board members.
- 2.9.3 Directors are allowed to hold directorships in subsidiaries and sister companies and their subsidiaries / affiliates, subject always to BNM Guidelines on Corporate Governance. The directors will need to ensure that the Group interests are appropriately balanced against the fiduciary and statutory duties that directors owe towards each legal entity they serve.
- 2.9.4 Executive Directors must not hold any membership in Board Committees with the exception of the N&R Committee.

2.10 DIRECTORS' REMUNERATION

- 2.10.1 The N&R Committee will evaluate and assess the remuneration of Directors on a yearly basis and make the appropriate recommendation to the Board for shareholders' approval. The remuneration of Directors should commensurate with the Directors' fiduciary duties, time commitment, the performance of the Group and market conditions.

2.11 DIRECTORS TRAINING

- 2.11.1 In addition to the Mandatory Accredited Programme (MAP) as required by the Bursa Securities, the Board members are also encouraged to attend training programmes conducted by highly competent professionals and which are relevant to the Group's operations and business.
- 2.11.2 The training programme and budget allocation for each director will be guided by the Directors' Orientation and Training Guidelines.
- 2.11.3 The Company Secretary will arrange for the newly appointed directors to be briefed by the relevant Heads of Divisions on the functions and areas of responsibility by the respective divisions. This serves to familiarise the Directors with the operations and organisation structure of the Group.

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2.12 SUPPLY OF INFORMATION

- 2.12.1 A full agenda and comprehensive Board/Board Committee papers are circulated to all Directors well in advance of each Board meeting. In order to ensure that the Board/Board Committee have sufficient time to review and prepare for the Board Meetings, the meeting papers shall be made available to the Board Members at least 5 business days in advance of each Board Meeting (except for confidential documents/price sensitive information which shall only be presented at the Meeting).
- 2.12.2 Full Board minutes of each Board meeting are kept by the Company Secretary and are available for inspection by any Director during office hours.
- 2.12.3 The Board has access to information and whenever necessary and reasonable, may seek independent professional advice in order to facilitate their duties at the Company.

3. CHAIRMAN AND PRESIDENT AND CHIEF EXECUTIVE OFFICER

3.1 CHAIRMAN

- 3.1.1 The positions of the Chairman and the PCEO/CEO are held by different individuals, and the chairman must be a non-executive member of the board and must not have served as PCEO/CEO of the Group in the past five (5) years.
- 3.1.2 The Chairman of the Board should not be the Chairman of the Audit Committee.
- 3.1.3 The key role of a Chairman, among others includes:-
- i. ensuring the smooth functioning of the board, the governance structure and indicating positive culture in the board;
 - ii. ensuring that the guidelines and procedures are in place to govern the board's operation and conduct;
 - iii. ensuring all relevant issues are on the agenda for the board meeting and all directors are able to participate fully in the board's activities;
 - iv. encouraging active participation and healthy debates on strategic and critical issues by all directors, allowing dissenting views to be freely expressed and sufficient time for discussion of issues and ensuring that the board's decision fairly reflect the board consensus;

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- v. setting the board agenda and ensuring that the board receives the necessary, complete and accurate information on a timely manner from the management;
 - vi. leading board meetings and discussions;
 - vii. providing leadership to the board and is responsible for the developmental needs of the board so that the board can perform its responsibilities effectively;
 - viii. managing the interface between the board and the management;
 - ix. ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the board as a whole; and
 - x. leading the board in establishing and monitoring good corporate governance practices in the Group.
- 3.1.4 The Chairman, in consultation with the PCEO/CEO and the Company Secretary, determine the agenda for Board meetings. The agenda should address priority strategic issues, rather than detailed operational ones, and ensure that there is enough time for rich discussion. Agenda issues should be aligned with the overall Group's context, including its starting situation, aspirations and priorities.
- 3.1.5 The Chairman shall not have a casting vote if only a quorum is present (i.e. two (2) directors), or if there are only two (2) directors competent to vote on the question at issue.

3.2 PRESIDENT AND CHIEF EXECUTIVE OFFICER

- 3.2.1 The key role of a PCEO/CEO, among others, includes:-
- i. developing the strategic direction of the Group;
 - ii. ensuring that the Group's strategies and corporate policies are effectively implemented;
 - iii. ensuring that board decisions are implemented and board direction are responded to;
 - iv. providing directions in the implementation of short and long-term business plans;
 - v. providing strong leadership that is, effectively communicating a vision, management philosophy and business strategy to the employees;

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- vi. keeping the board fully informed of all important aspects of the Group's operations and ensuring sufficient information is distributed to board members; and
 - vii. ensuring the day-to-day business affairs of the Group are effectively managed.
- 3.2.2 The sound operation of a Group depends critically on its PCEO/CEO. Thus, he must be able to devote his full attention and time to be able to discharge his duties and responsibilities effectively and diligently.
- 3.2.3 In the absence of PCEO/CEO, the Group is required to inform the Board/the Management/any other relevant parties of the person(s) who will be directly responsible for the overall running of the Group. The acting person(s) should be fully acquainted with the Group's affairs, and should be able to act promptly, with authority, on matters affecting the Group.
- 3.2.4 Being a full-time staff of the Group, the PCEO/CEO has the moral and professional obligations to devote his attention and commitment principally to the day-to-day operations of the Group. In this regard, the PCEO/CEO of the Group must adhere to the following parameters with regard to the holding of other directorships:-
- a) The PCEO/CEO of the Group is only allowed to hold directorships in the holding company, subsidiaries, sister companies and their subsidiaries subject to the following conditions:-
 - i. sister companies and their subsidiaries are limited to core business of the Group only;
 - ii. The number of directorships that can be held by a PCEO/CEO either in the holding company, subsidiaries, sister companies and their subsidiaries should not be more than five posts at any one time,
 - iii. The PCEO/CEO of the Group is not allowed to hold any executive position in another corporation.
 - b) The PCEO/CEO of the Group is allowed to hold directorships in companies/institutions/organisations to represent the interest of the Group, non-profit organisations and the number of such directorship will not be taken into account in computing the maximum limit of five. To ensure the PCEO/CEO's attention to the operations of the Group is not affected, the board is required to determine the appropriate limit for the total number of directorships that can be held by the PCEO/CEO in those organisations.

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- c) The PCEO/CEO of the Group is also not allowed to hold directorships in an associate company and family-owned company. However, exemption to hold one directorship in a family-owned company may be considered if there is a strong justification from the PCEO/CEO for the appointment.
- 3.2.5 The Board should establish criteria to evaluate and assess the performance of the PCEO/CEO of the Group. The criteria established in assessing the performance of the PCEO/CEO may include, among others, the financial and business performance of the Group and the accomplishment of long-term strategy, capacity building and business plan.