

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 1171  
**COMPANY NAME** : Malaysia Building Society Berhad  
**FINANCIAL YEAR** : December 31, 2017

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is responsible for overseeing the conduct of MBSB and its subsidiaries' ("Group") business and the Management's implementation of the Group's strategic objectives as well as its conduct and performance.</p> <p>The roles and responsibilities of the Board of Directors are set out in the Board Charter. The Board is supported by various Board Committees and Management Committees ("the Committees") and the roles and responsibilities of the respective Committees are clearly outlined in Terms of Reference ("TOR") and the Approving Authority Manual ("AA Manual") which requires regular review and approval by the Board from time to time. Any decisions which are not within the Committees authority would be escalated to the Board with the Committees' recommendation.</p> <p>The Board Committees established by the Board are as follows:-</p> <ol style="list-style-type: none"><li>1. Executive Committee ("EXCO")</li></ol> <p>The EXCO was established on 29 April 2005 specifically to assist the Board to evaluate and approve loan/financing applications within their approving authority limits. Loans/financing above the approving authority limit of the EXCO or loans/financing with connected parties as defined in the policy on Credit Transactions and Exposures with Connected Parties will be escalated to the Board for further deliberation and approval.</p> <p>The oversight and review of restructuring proposals for the recovery of non-performing loans/financing (NPLs/NPFs), monitoring the progress of the recovery of NPLs/NPFs and formulation of recovery strategies, is also carried out by the EXCO.</p>

## 2. Audit Committee (“AC”)

The principal function of the AC is to assist the Board in fulfilling its fiduciary responsibilities particularly in the areas of accounting and management controls and financial reporting and to ensure financial statements comply with applicable financial reporting standards; to reinforce the independence and objectivity of the IAD; to provide the focal point for communication between external auditors, internal auditors, risk managers, Directors and the Management on matters in connection with accounting, reporting, risks and controls and providing a forum for discussion independent of the Management; and to undertake additional duties as may be deemed appropriate and necessary to assist the Board.

## 3. Risk Management Committee (“RMC”)

The Primary objectives of RMC are to assist the Board with the risk oversight within the Group which includes reviewing the risk management policies, risk exposure and limits as well as ensuring that all risks are well managed within the Group’s risk appetite by providing adequate infrastructure and resources in place to support the risk management activities.

## 4. Nominating & Remuneration Committee (“NRC”)

The primary responsibilities of the NRC are to assist the Board of Directors to maintain a formal and transparent procedure for the appointment of directors, Board assessment, setting policy on directors’ remuneration and to determine an appropriate remuneration packages for all directors.

The NRC is also responsible to review, appoint, remove and determine the remuneration package for the Group President and Chief Executive Officer (“Group PCEO”), the “C” Suites, Company Secretary and also members of the Shariah Advisory Committee. In addition, the NRC also reviews the remuneration framework for the MBSB Group.

## 5. Option Committee

The Option Committee was established on 27 May 2010. The principal function of this Option Committee is to administer the Company’s Employees’ Share Option Scheme (ESOS) in accordance with the ESOS Scheme’s by-laws.

The TOR of the EXCO, AC, RMC, NRC, Credit and Rehabilitation Assessment Committee (“CARAC”), Initial Alert Report Committee (“IAR”), the Asset Liability Committee (“ALCO”) and the Board Charter had been reviewed extensively in 2017. A gap analysis to compare the TOR of MBSB with Bank Negara Malaysia’s (“BNM”) guidelines and

Malaysian Code of Corporate Governance (“MCCG”) was conducted to formalise and adopt the best practices to ensure that the TOR is in line with BNM’s requirement and the MCCG.

Although the Board had entrusted its’ Committees with specific responsibilities to oversee the Group’s affairs in accordance with their respective Terms of Reference, the Board remains responsible and keep abreast with the key issues and decisions made by the respective Committees through the reports escalated to the Board as well as the Minutes of meetings which capture the detailed deliberation and subsequently tabled to the Board for notation.

The matters reserved for the Board include, amongst others, the following:-

- i. Reviewing and approving strategic and business plan and other initiatives which would have 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 Malaysia 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 MBSB 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 Group PCEO, the “C” Suites, Company Secretary and also members of the Shariah Advisory Committee.

The Board’s and Management’s team aspiration was to emplace MBSB on a banking platform. MBSB had on 7 February 2018 completed the

	<p>acquisition of the entire equity interest in MBSB Bank Berhad (formerly known as Asian Finance Bank Berhad) (“MBSB Bank”).</p> <p>The Board plays an active role in developing, evaluating and monitoring the Group’s strategic direction by providing valuable advice to the Management based on the collective competency and knowledge of its members.</p> <p>The annual business plan was tabled to the Board in February 2017 for deliberation and adoption. The key business initiatives, challenges, key issues and the implications were identified and the moving action plans and strategies were discussed in the meeting. The Board also reviews and approves the budget for the ensuing year and Key Performance Indicators (“KPIs”) for the respective business units.</p> <p>The Board is also responsible to ensure that the Group is responsive to changes in the business and economic environment when pursuing and achieving the planned goal and objectives. The Business Plan and budget approved would be reviewed after 6 months and revised if necessary.</p> <p>The Board together with the Management had conducted review on the position of the Group and reviewed the Business Plan in May 2017. The Board, taking into consideration the eventual move to the banking platform had deliberated on the new focus area, business strategy and IT strategies required to support the new merged entity.</p> <p>The Board has established a sustainability reporting framework for the Group to promote sustainability through appropriate environmental, social and governance (“ESG”) consideration in the Group’s businesses. A Sustainable Steering Committee reporting to the Management Committee was established to develop the sustainability reporting framework for the Group. The Group’s publishes its Sustainability Report which outlines in detail the efforts and initiatives undertaken by MBSB for the benefit of its stakeholders. The Sustainability Report of the Group is published in the Annual Report 2017.</p> <p>The Group PCEO is entrusted by the Board for developing and ensuring the Group’s strategies and Corporate Policies are effectively implemented. The Group PCEO is responsible to keep the Board fully informed of all important aspects of the Group’s operations and ensuring that sufficient information is distributed to the Board.</p> <p>The Group PCEO is supported by a group of experienced senior management and staff. The performance of the Management and respective Division and Department are closely monitored through the quarterly performance review meeting and regular Business Operation Review Meetings. Various Management Committees have been established to oversee the day to day business affairs of the Group and to ensure that the Board’s decisions are implemented effectively.</p>
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	<p>The roles and responsibilities of the Management Committees are clearly defined in the Terms of Reference of the respective Management Committees.</p> <p>To ensure effective oversight and monitoring of the Group’s business, the Group Risk Management (“GRM”) Division and Compliance Division are required to submit the various reports to the RMC and subsequently the same reports would be escalated to the Board for deliberation/notation.</p> <p>Internal Audit Division (“IAD”) also plays a vital role in overseeing the conduct of the Group business. IAD performs systematic and regular reviews on key processes to assess the efficiency and adequacy of the internal processes. The IAD reports on the periodic review are submitted to the AC for review/deliberations.</p> <p>The detailed functions of the GRM Division, Compliance Division and IAD are detailed out in the Audit Committee Report and the Statement on Risk Management and Internal Control in the Annual Report 2017.</p> <p>The Board is also kept informed of the significant operational issues and Group’s performance during the Budget Meeting.</p> <p><u>Notes:</u> With effect from 6 February 2018, there was a change in the composition of the Board of Directors. The change was due to the acquisition of the MBSB Bank which took place on 7 February 2018.</p>
<p><b>Explanation for departure</b> :</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><b>Measure</b> :</p>	
<p><b>Timeframe</b> :</p>	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The roles &amp; responsibilities of the Chairman of the Board have been clearly specified in Section 3.1 of the Board Charter, which is available on MBSB's website at <a href="http://www.mbsb.com.my/Board_Charter">http://www.mbsb.com.my/Board Charter</a>.</p> <p>The Chairman ensures smooth functioning of the Board, the governance structure and indicating positive culture in the Board. The Chairman also ensures that the guidelines and procedures are in place to govern the Board's operation and conduct.</p> <p>The Chairman, in consultation with the Group PCEO and the Company Secretary, sets out the agenda for the matters to be considered by the Board. Agenda issues should be aligned with the overall Group's context, including its starting situation, aspirations and priorities.</p> <p>The Chairman leads the meeting pace and discussions to ensure the Board as a whole to work to its maximum effectiveness.</p> <p>The Chairman actively engages Board members and encouraging their contribution to Board deliberations. The Chairman also facilitates open and constructive communications amongst Board members and ensures full and balanced discussion of every issue on the agenda.</p> <p>The Chairman ensures that the Board has the opportunity to maintain adequate understanding of the Group's financial position, strategic performance, operations and the opportunities and challenges facing the Group.</p> <p>The good leadership of the Chairman is acknowledged by the rating of 4.4 out of 5 via the Self and Peer Assessment of the Board members in the annual Board Effectiveness Evaluation.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

## 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The distinct and separate roles and responsibilities of the Chairman and Group PCEO are provided in the Board Charter. The roles and responsibilities of the Group PCEO have been clearly specified in Section 3.2 of the Board Charter, which is available on MBSB's website at <a href="http://www.mbsb.com.my/Board_Charter">http://www.mbsb.com.my/Board Charter</a>.</p> <p>The positions of Chairman and Group PCEO are held by two different individuals. The Chairman, Tan Sri Abdul Halim bin Ali leads and manages the Board by focusing on strategy, management oversight, board leadership, risk management and compliance whereas the Group PCEO, Datuk Seri Ahmad Zaini Othman focuses on the business, operations and organizational issues and implementing Board's decision.</p> <p>There is a clear division of responsibility between the Chairman and Group PCEO to ensure there a proper balance of power and authority and promotes check and balance.</p> <p>The Chairman together with the rest of the Board, is responsible for setting the policy framework within which the Management is to work. The Chairman also leads the collective effort of the Board in monitoring the performance of Management in meeting the corporate goals and objectives. He also guides the Board on all issues presented before them at meetings or at such other forums where the consensus of the Board is required.</p> <p>The Group PCEO is primarily responsible for overseeing the day to day management to ensure the smooth and effective running of the Company and the Group. He is entrusted with making sure that all decisions, directions, policies and/or instructions approved by the Board are carried out by Management in a timely and efficient manner. He carries the primary responsibility in ensuring management competency including the emplacement of an effective succession plan to sustain continuity.</p> <p>The Group PCEO is responsible to keep the Board fully informed of all important aspects of the Group's operations and ensuring that sufficient information is distributed to the Board.</p>

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

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Ms. Koh Ai Hoon, the Company Secretary and Ms. Tong Lee Mee, the Joint Company Secretary are qualified to act as Company Secretary under Section 235 of the Companies Act, 2016 and they are Associate members of Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA"). The Company Secretary also possesses legal qualification.</p> <p>The Company Secretaries demonstrates ongoing support in advising and assisting the Board on matters relating to the affairs of the Company, including issues pertaining to compliance, corporate governance and best practices, boardroom effectiveness and Directors' duties and responsibilities including disclosure of their interest in securities, disclosure of conflict of interest in transactions, prohibition on dealing in securities and restrictions on disclosure of price sensitive information.</p> <p>The Company Secretaries advise the Board on compliance and best practices with the relevant changes to the laws, rules and regulations, which include the enforcement of Companies Act 2016 effective 31 January 2017 and amendments to the Main Market Listing Requirements ("MMLR") issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia").</p> <p>Following the release of the new MCGG in April 2017, the Company Secretary has presented the new MCGG to the Board in June 2017 to create awareness and appreciation of the spirit of MCGG. A gap analysis between the internal policies and procedures and MCGG has been conducted and the Company Secretary had obtained the concurrence of the Board to enhance the existing Board Charter and other internal policies to ensure adherence in the Corporate Governance standards.</p> <p>The responsibilities of the Company Secretaries include ensuring that the Directors have access to knowledge and training they need. The Company Secretaries assist the NRC in assessing and evaluate the training needs of the Board members on annual basis to ensure the Board members are equipped with the necessary knowledge and updated with the evolving market, regulatory changes and</p>

	<p>development.</p> <p>The Company Secretaries are also involve in organising general meetings and ensure all due processes and proceedings are in place and properly managed. The Company Secretaries will assist the Chairman and the Board to conduct the meeting and ensure the minutes are properly recorded, particularly the questions raised by the shareholders.</p> <p>The Company Secretaries ensure that deliberations at Board and Board Committees meetings are well documented and communicated to the relevant Management for appropriate action. The Board and Board Committees are also updated by the Company Secretaries on the follow-up of its decisions.</p> <p>In order to ensure that information flow smoothly between the Management and the Board, the Company Secretary is also appointed as the Secretary of several Management Committees including Management Committee (“MANCO”), Credit And Rehabilitation Assessment Committee (“CARAC”), Asset &amp; Liability Committee (“ALCO”) and Information Technology Steering Committee.</p> <p>The Company Secretaries had in March 2017 and September 2017 facilitated the orientation/induction programmes for 4 directors who were appointed on 11 March 2017 and 26 September 2017 respectively. The Company Secretary and the relevant Management team members gave briefings, to familiarise the new Directors with the business and operations of MBSB and its subsidiaries.</p> <p>All Directors have access to the advice and services of the Company Secretaries.</p> <p>The Company Secretaries constantly keep themselves updated with the changes to regulatory requirements through attendance at relevant conferences and training programmes. The Company Secretaries have fulfilled the Mandatory Continuing Professional Development requirements imposed by MAICSA.</p> <p>The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging its functions.</p>
<p><b>Explanation for departure</b> :</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><b>Measure</b> :</p>	

<b>Timeframe</b>	:		
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### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The agenda and the meeting papers relevant to the business of the meeting are circulated to all Directors on a timely basis i.e. at least five (5) business days prior to the meeting date to allow Directors to have ample time to review matters to be deliberated at the meeting and to facilitate informed decision making.</p> <p>The Board is committed with the environmental initiatives and agreed to adopt paperless environment for all Board and Board Committee meetings and the same applies to Management Committees as well. The digital copies of the meeting papers are provided to the Board, Board Committees and Management Committees instead of hard copies. The digital copies of the papers are uploaded to a secured system to allow easy access of documents in a timely and more efficient manner.</p> <p>To facilitate Director's time planning, the annual meeting calendar is prepared and circulated in advance of each new year.</p> <p>Deliberation and decision of the Board and Board Committees are well documented in the minutes, including matters where Directors which are required to abstain for voting and deliberation</p> <p>Decisions by the Board are communicated to the Management within 1 business day after the meeting for appropriate actions.</p> <p>The Company Secretaries will follow up the status of actions and update the Board/ Board Committees at the subsequent meetings until the matter is resolved.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Directors are guided by the Board Charter which clearly identifies the Board's role, duties and responsibilities. The Board Charter also outlines the processes and procedures to ensure the effectiveness and efficiency of the Board and its Committees.</p> <p>The Board Charter is a dynamic document and will be updated from time to time to reflect changes to the Company's policies, procedures and processes as well as amended rules and regulations of the relevant authorities.</p> <p>The Board Charter was reviewed in June 2017 to reflect on the changes to MCGG and in November 2017 to incorporate relevant Corporate Governance required by BNM.</p> <p>The complete Board Charter is available on MBSB's website at <a href="http://www.mbsb.com.my/Board_Charter">http://www.mbsb.com.my/Board_Charter</a>.</p> <p>The Board Charter clearly identifies the respective roles and responsibilities of the Board, individual directors, Senior Independent Director, Chairman and Group CEO. Matters reserved for the Board have been clearly specified in Paragraph 2.1.3 of the Board Charter.</p> <p>The roles and responsibilities for the Board Committees and Management Committees are set out in the TOR of each of the Committee.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board has established the Directors' Code of Ethics. The Directors observe the Code of Ethics in performance of their duties and they fully subscribe to highly ethical standards and take into account the interest of all stakeholders. The Code of Ethics for Directors is available on MBSB's website at <a href="http://www.mbsb.com.my/Code_of_Ethics_Directors">http://www.mbsb.com.my/Code_of_Ethics_Directors</a>.</p> <p>The Code of Ethics for Directors was reviewed in June 2017 to ensure that the Code of Ethics is in line with the practices in the MCCG.</p> <p>In addition to the above, MBSB has established a Code of Conduct and Ethics which is applicable to Directors, Officers and Employees of the Company. The Code of Conduct and Ethics have set out the minimum standards of conduct expected of directors, officers and employees of MBSB, which covers six main principles:-</p> <ul style="list-style-type: none"><li>(i) to avoid conflict of interest;</li><li>(ii) to avoid misuse of position;</li><li>(iii) to prevent misuse of information gained through the MBSB's operations, either for personal gain or any purpose other than that intended by MBSB;</li><li>(iv) to ensure completeness and accuracy of relevant records;</li><li>(v) to ensure confidentiality of communication and transactions between MBSB and its Customers; and</li><li>(vi) to ensure fair and equitable treatment of all customers and others who rely on or who are associated with MBSB.</li></ul> <p>To ensure adherence to the guidelines, the Management of MBSB had taken steps to establish effective monitoring process i.e. all staff are required to sign a declaration on their observance of the guidelines and to assign responsibility to the head of various divisions/ departments to ensure compliance with these guidelines on day-to-day basis and to handle general enquiries from staff on matters relating to the code of conduct. The breaches will be reported and will be recorded and kept under the custody of People Operations.</p>

The Directors are also at all times are required act honestly and use reasonable care and diligence in discharging their duties and avoiding any conflict of interest. A policy to provide a systematic mechanism for disclosing potential and actual conflict of interest has been established. The Directors interested in certain transactions are required to abstain from any reporting, discussion or vote on issue that give rise to the conflict. The interested Director is required to be absent from the meeting during such deliberations and the Company Secretary shall record each Director's conflict of interest disclosed at the meeting in the minutes of meeting.

The Board has established a Fraud and Corruption Control Policies and Procedures to manage the risk of fraud and corruption. The Fraud and Corruption Control Policies and Procedures should be read together with the Complaint and Whistle Blowing Policy. All employees are entrusted with the responsibility to stay alert for preventing and detecting defalcations, misappropriations and other irregularities. The policy sets out the specific roles of employees in prevention and detection of fraud and fraud discovery reporting as well as the procedures and processes the Company will take in respect of employees involved in fraudulent acts.

The Fraud and Corruption Control Policies and Procedures are published on the Company's intra-news and the employees had been notified and the said policy is accessible by all employees at any time.

Corporate Disclosure Policy was established in 2016 to ensure fair and orderly trading of securities. The officers and personnel privy to confidential information are strictly prohibited from dealing directly or indirectly in the Company's securities unless the information had been publicly disclosed at least 1 full market day from the date of the announcement.

Officer and personnel privy to the confidential material information are required to sign a Non-Disclosure Agreement to ensure that they keep the confidential information secret and avoid any misappropriation or misuse of such confidential information.

The Group has since established a guideline on handling confidential and sensitive information / documents in February 2018.

The Board has established the Anti-Money Laundering and Counter Financing of Terrorism Framework which is part of the MBSB's Compliance policy. MBSB is committed to fully cooperate with the relevant local and international competent authorities and law enforcement agencies in combating Anti-Money Laundering and Counter Financing of Terrorism. Appropriate internal controls and procedures for money laundering prevention are in place. Compliance Division carries out regular checks and training to ensure that the employees are fully aware and committed in discharging their

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

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>MBSB has in place the Complaint and Whistle Blowing policy to provide an avenue for the employees to raise concerns without fear of reprisal and to promote highest possible standards of ethical and level business conduct. The said policy clearly spells out the process flow to guide the employees to raise their concerns and the assurance that the whistle blower will not be at the risk of reprisal as a result of raising the concerns. The policy also provides a channel that is secured, convenient and protects the confidentiality of the employees who make the report.</p> <p>The whistle blowing reports shall be forwarded in the following manner:-</p> <ol style="list-style-type: none"><li>1. A report against the employees (excluding the Group PCEO) shall be addressed to the Group PCEO for verification. Group PCEO will discuss with Chairman of AC on the next course of action to be taken.</li><li>2. A report against the Group PCEO and Directors (excluding Chairman) shall be addressed to the Chairman.</li><li>3. A report against the Chairman shall be addressed to Chairman of AC.</li></ol> <p>The party who receiving the report from whistle-blower will write to the whistle blower acknowledging receipt of the information and advise how the matter will be dealt with.</p> <p>MBSB also has in place a Fraud and Corruption Control Policies and Procedures in managing the risk of fraud and corruption which should be read together with the Complaint and Whistle Blowing Policy.</p>
<b>Explanation for departure</b>	:	

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

### 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.

<b>Application</b>	: Applied																								
<b>Explanation on application of the practice</b>	: As at 31 December 2017, the composition of the Board was as follows:- <table border="1"><thead><tr><th>Name of the Director</th><th>Designation</th></tr></thead><tbody><tr><td>Tan Sri Abdul Halim bin Ali</td><td>Chairman, Non-Independent Non-Executive Director</td></tr><tr><td>Datuk Shahril Ridza Bin Ridzuan</td><td>Non-Independent Non-Executive Director</td></tr><tr><td>Datuk Syed Zaid bin Syed Jaffar Albar</td><td>Non-Independent Non-Executive Director</td></tr><tr><td>Dato' Jasmy bin Ismail</td><td>Independent Non-Executive Director</td></tr><tr><td>Encik Aw Hong Boo</td><td>Independent Non-Executive Director</td></tr><tr><td>Encik Lim Tian Huat</td><td>Independent Non-Executive Director</td></tr><tr><td>Ir. Moslim Bin Othman</td><td>Independent Non-Executive Director</td></tr><tr><td>Encik Szaliza Bin Zainuddin</td><td>Non-Independent Non-Executive Director</td></tr><tr><td>Datuk Johar bin Che Mat</td><td>Independent Non-Executive Director</td></tr><tr><td>Puan Lynette Yeow Su-Yin</td><td>Independent Non-Executive Director</td></tr><tr><td>Tunku Alina Binti Raja Muhd Alias</td><td>Independent Non-Executive Director</td></tr></tbody></table> <p>The Board comprised of eleven (11) Directors of whom seven (7) are Independent Non-Executive Directors and four (4) are Non-Independent Non-Executive Directors.</p> <p>The Independent Directors constitute 63% of the Board, exceeding the requirement of MMLR of Bursa Malaysia of one third (33.3%) and MCG requirement of at least half (50.0%). A majority of Independent Directors in the Board can bring expertise and objectivity which will assure that the Company is effectively managed and in the best interest of stakeholders.</p>	Name of the Director	Designation	Tan Sri Abdul Halim bin Ali	Chairman, Non-Independent Non-Executive Director	Datuk Shahril Ridza Bin Ridzuan	Non-Independent Non-Executive Director	Datuk Syed Zaid bin Syed Jaffar Albar	Non-Independent Non-Executive Director	Dato' Jasmy bin Ismail	Independent Non-Executive Director	Encik Aw Hong Boo	Independent Non-Executive Director	Encik Lim Tian Huat	Independent Non-Executive Director	Ir. Moslim Bin Othman	Independent Non-Executive Director	Encik Szaliza Bin Zainuddin	Non-Independent Non-Executive Director	Datuk Johar bin Che Mat	Independent Non-Executive Director	Puan Lynette Yeow Su-Yin	Independent Non-Executive Director	Tunku Alina Binti Raja Muhd Alias	Independent Non-Executive Director
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Tunku Alina Binti Raja Muhd Alias	Independent Non-Executive Director																								

The Independent Non-Executive Directors are independent of Management and free from any business or other relationship with the Company and the Group which could materially affect the exercise of their independent judgment. The number of Independent Directors not only fulfils the requirement of Bursa Malaysia for one-third of Board membership to be independent but also contributes towards greater impartiality and objectivity in the Board's decision making process.

All new Independent Directors appointed in 2017 gave a letter of confirmation as an Independent Director as defined under Paragraph 1.01 of the MMLR to Bursa Malaysia.

Each Independent Director is required to submit an annual declaration on their independence. The Board through the NRC will assess the Independent Directors annually. The following are considered when assessing the independence:-

- i. Fulfilment of all criteria under definition of Independent Director as stated in the MMLR of Bursa Malaysia;
- ii. Ability to function as a check and balance and bring an element of objectivity to the Board of Directors;
- iii. Ability to constantly challenge the Management in an effective and constructive manner;
- iv. Actively participate and provide independent advice in all Board/Board Committees discussion; and
- v. Ability to act in the best interests of the Company and the Group.

The Board is satisfied with the results of the assessment on the Independent Directors and was of the view that all Independent Directors are independent of management and free of any interest, position, association or other relationship that might materially influence the Independent Director's capacity to bring an independent judgment and to act in the best interests of the Group and its stakeholders.

Notes:

On 6 February 2018, MBSB announced the resignation of the following Directors:-

1. Datuk Syed Zaid bin Syed Jaffar Albar
2. Datuk Jasmy bin Ismail
3. Mr Aw Hong Boo
4. Datuk Johar bin Che Mat
5. Encik Szaliza bin Zainuddin
6. Tunku Alina Binti Raja Muhd Alias

The resignation of the above directors was part of the restructuring of the Board composition due to the merger exercise.

	<p>The remaining directors of MBSB after the abovesaid resignation were as follows:-</p> <ol style="list-style-type: none"> <li>1. Tan Sri Abdul Halim bin Ali (Non-Independent Non-Executive Director)</li> <li>2. Datuk Shahril Ridza bin Ridzuan (Non-Independent Non-Executive Director)</li> <li>3. Encik Lim Tian Huat (Independent Non-Executive Director)</li> <li>4. Ir Moslim bin Othman (Independent Non-Executive Director)</li> <li>5. Puan Lynette Yeow Su-Yin (Independent Non-Executive Director)</li> </ol> <p>The following directors were appointed as directors of MBSB Bank:-</p> <ol style="list-style-type: none"> <li>1. Tan Sri Abdul Halim bin Ali (Chairman / Non-Independent Non-Executive Director)</li> <li>2. Encik Szaliza Bin Zainuddin (Non-Independent Non-Executive Director)</li> <li>3. Aw Hong Boo (Independent Non-Executive Director)</li> <li>4. Datuk Johar bin Che Mat (Independent Non-Executive Director)</li> <li>5. Puan Lynette Yeow Su-Yin (Independent Non-Executive Director)</li> <li>6. Tunku Alina Binti Raja Muhd Alias (Independent Non-Executive Director)</li> <li>7. Datuk Azrulnizam bin Abdul Aziz (Independent Non-Executive Director)</li> </ol>
<p><b>Explanation for departure</b> :</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><b>Measure</b> :</p>	
<p><b>Timeframe</b> :</p>	

## 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.

<b>Application</b>	:	Applied - Annual shareholders' approval for independent directors serving beyond 9 years
<b>Explanation on application of the practice</b>	:	<p>The NRC has assessed the independence of Encik Aw Hong Boo, who served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, and recommended him to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next AGM, based on the following justifications:-</p> <ol style="list-style-type: none"><li>i. He has fulfilled the criteria under definition of Independent Director as stated in the MMLR of Bursa Malaysia and therefore would be able to function as a check and balance and bring an element of objectivity to the Board of Directors;</li><li>ii. He has vast experience in accounting and finance fields and was able to provide constructive and independent judgement for the benefits of the business;</li><li>iii. He constantly challenges the Management in an effective and constructive manner; and</li><li>iv. He actively participated in board discussions and provided an independent voice on the Board.</li></ol> <p>By a recorded vote of 99.998% in favour of the resolution, the shareholders at the 47th AGM have passed the resolution to allow Encik Aw Hong Boo to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next AGM.</p> <p><u>Notes:</u></p> <ol style="list-style-type: none"><li>1. On 6 February 2018, Encik Aw Hong Boo resigned from MBSB. Encik Aw Hong Boo was appointed director of MBSB Bank on 7 February 2018.</li><li>2. The NRC is chaired by Ir Moslim bin Othman with effect from 6 February 2018.</li></ol>
<b>Explanation for departure</b>	:	

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

**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.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

## 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.

<b>Application</b>	Applied
<b>Explanation on application of the practice</b>	<p>The Board recognises the benefits of having a diverse Board to ensure that the Board is able to perform effectively by providing the necessary range of perspectives, experience and expertise. The Board is committed to Board diversity and at the same time will ensure that all appointments to the Board will be made based on merits while taking into account the Company's needs and circumstances, present size of the Board, suitability for the role, skills, experience, knowledge, experience and diversity.</p> <p>The Board and the NRC take into account the current diversity in the skills, experience, age, race/ethnicity and gender of the existing Board as well as the mix of skills in seeking potential candidates.</p> <p>The Board has adopted the Boardroom Diversity Policy which covers diversity in terms of professional experience, skills, knowledge, education and background, age, ethnicity, culture and gender. The diversity of skill, experience and knowledge of its members in various disciplines and profession allows the Board to address and/or to resolve the various issues in an effective and efficient manner. The brief description of the background and experience of Board member is disclosed in the Directors' Profile section in the Annual Report 2017.</p> <p>The Board through, NRC reviews the composition of the Board and the Board Committees on yearly basis or as and when required and the same is tabled to the Board, the optimum size and composition of the Board and Board Committees to enable effective oversight and delegation of responsibilities to encourage the active participation of all directors in Board/Board committees.</p> <p>NRC has conducted an annual review on the Board's mix of skills and experience, diversity and other qualities in 2017 and concluded that there was a need to appoint woman directors and directors who possess credit/banking experience in preparing MBSB moving to banking platform. The NRC also agreed that additional directors need to be appointed as part of the succession planning of the Board. During the year, NRC has recommended the appointment of additional four directors namely:-</p> <ol style="list-style-type: none"><li>1. Datuk Johar bin Che Mat (Independent Non-Executive)</li><li>2. Puan Lynette Yeow Su-Yin (Independent Non-Executive)</li><li>3. Encik Szaliza Bin Zainuddin (Non-Independent Non-Executive)</li><li>4. Tunku Alina binti Raja Muhd Alias (Independent Non-Executive)</li></ol>

Prior to the recommendation to the Board for approval, NRC has carried out fit and proper assessment on the candidates and conduct a background check on the candidates (with the consent of the candidate) to verify all information of the candidates.

The NRC has also proposed changes to the composition of EXCO and AC following the appointment of new directors in March 2017.

The Board has adopted a Fit and Proper Policy which outlined the following criteria for assessment of the suitability of the candidates for Directorship, re-election of Directors and appointment/renewal of contract for the Group PCEO, the Key Senior Management which defined as key responsible persons for the Group and the Company Secretary:-

- (i) Probity, personal integrity and reputation - person must have the personal qualities such as honesty, integrity, diligence, independence of mind and fairness.
- (ii) Competence and capability - person must have the necessary skills, experience, ability and commitment to carry out the role.
- (iii) Financial integrity - person must manage his debts or financial affairs prudently.

NRC has during the year, conducted a Fit and Proper Review & Assessment on the Group PCEO, "C" Suites and the Company Secretary for the period of 2017-2018 in March 2017 and was satisfied that Group PCEO, "C" Suites and the Company Secretary have fulfil the abovesaid requirement under the Fit and Proper Policy. The NRC has also reviewed and satisfied with the performance of Shariah Advisory Committee ("SAC").

During the year, the NRC has also assessed and recommended to the Board to approve the appointment of the Chief Information Officer and the Chief Internal Auditors.

NRC has conducted extensive review and thorough deliberation from the period from September 2017 to December 2017 to discuss and recommend on the composition of the Board and Board Committees for MBSB and the new merged entity post-merger. NRC also has reviewed and recommended the candidates for appointment as Shariah Committee Members for the new merged entity in December 2017.

In the area of diversity, the Board has in place a Diversity Policy. The Board recognises the challenges in achieving the right balance of diversity on the Board to form a highly effective Board in today's competitive business environment.

The diversity of the Board as at 31 December 2017 is as follows:-

	Race/ Ethnicity			Age						Gender	
	Malay	Chinese	Indian	41-45	46-50	51-55	61-65	66-70	71-75	Male	Female
Number of Directors	8	3	0	1	2	2	4	1	1	9	2

	<p>A formal and transparent procedure has been established by the Board for the appointment of new directors. The process of appointment is detailed out is as follows:-</p> <pre> graph LR     A[Identification of Skills or Qualifications] --&gt; B[Selection of Candidates]     B --&gt; C[Fit and Proper Assessment on Candidates]     C --&gt; D[Nominating Committee deliberation]     E[Interaction with Candidates] --&gt; F[Recommendation for Board's approval]     F --&gt; D </pre>
<p><b>Explanation for departure</b> :</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><b>Measure</b> :</p>	
<p><b>Timeframe</b> :</p>	

## 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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>MBSB has not set a specific gender diversity target</p> <p>While it is important to promote gender diversity, the Board is of the view that the normal selection criteria based on an effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board should remain a priority. However, during the financial year 2017, the Board through the NRC, has made a conscious effort to identify suitable women candidates to be appointed to the Board of MBSB.</p> <p>As at 31 December 2017, the Board has 2 woman directors i.e. Puan Lynette Yeow Su-Yin and Tunku Alina binti Raja Muhd Alias which constitute about 18% of the Board. The Board is of the view that the Board is still able to obtain diverse perspective and insights from Puan both Lynette Yeow Su-Yin and Tunku Alina binti Raja Muhd Alias.</p> <p>The NRC has incorporated gender diversity objectives as one of the criteria in board recruitment, board performance evaluation and succession planning processes as part of the effort to increase the number of woman directors in the Board.</p> <p>Various steps have been taken by the NRC to ensure that suitable woman candidates are shortlisted such as from MINDA, as well as from other independent sources. MBSB has in September 2017 registered as a recruiter with MINDA directorate in order to have access to MINDA's database. MBSB has registered with Leadwoman to assist NRC in identifying prospective candidates based on Board's specific criteria.</p> <p>The Board will also ensure that a suitable working environment that is free from harassment and discrimination is implemented in order to attract and retain women participation on the Board.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b>	:	The NRC has been actively searching for woman candidates to increase the woman directors in the Board.	
<b>Timeframe</b>	:	Within 2 years	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board and NRC has during the year, obtained the curriculum vitae of the potential director candidates through various external sources and independent search firms. The shortlisted candidates would be recommended to the NRC for evaluation. The NRC would also carry out fit and proper assessment on the candidates. An interaction session with the identified candidates was also carried out by the members of the NRC prior to making the recommendation to the Board for approval.</p> <p>The candidates are expected to commit sufficient time to carry out his or her role as a Director and also where applicable as a member of the Board Committees. As stated in the Board Charter, the Directors must not hold more than five (5) directorships in listed companies, listed collective investment schemes and issuers of any other listed securities.</p> <p>The NRC continues to review the profile of the potential candidates from various sources furnished by the Board members, independent sources and major shareholders. The NRC has obtained and assessed five (5) candidates from independent sources and three (3) have been appointed as Independent Non-Executive Directors and two (2) of them are woman directors.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Chairman of NRC as at 31 December 2017 was Dato' Jasmy Ismail who was also the Senior Independent Director.</p> <p>The specific responsibilities of the Senior Independent Director have been clearly specified in Section 2.7 of the Board Charter, which is available on MBSB's website at <a href="http://www.mbsb.com.my/Board_Charter">http://www.mbsb.com.my/Board_Charter</a>.</p> <p><u>Notes:</u> With effect from 6 February 2018, the NRC is chaired by Ir. Moslim bin Othman, an Independent Director.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b> :	Departure
<b>Explanation on application of the practice</b> :	
<b>Explanation for departure</b> :	<p>The Board has not engaged any independent experts for board evaluation in 2017. The Board anticipated that a major restructuring of the Board composition will be carried out after completion of the proposed acquisition of MBSB Bank in February 2018. The Board is of the view that a comprehensive evaluation on the new Board by independent experts is more appropriate after the completion of the merger.</p> <p>The Board through the NRC undertakes a formal and comprehensive annual assessment on its own performance, individual Directors and its Committees.</p> <p>The NRC reviews annually the effectiveness of the Board and the Board Committees as well as the performance of individual Directors. The Individual Directors assessment forms are distributed to all the Directors and are compiled and the results are presented to the NRC during the Board evaluation process. The results of the assessment are also presented to the Board which will include the identification of key areas for improvement and for Board improvement plan.</p> <p>The assessments on the individual Directors are based on both quantitative and qualitative parameters which comprise of the directors contribution to interaction, the quality of their input, understanding of the directors roles as well as the Chairman's role.</p> <p>The assessments of the Board and Board Committees are carried out by the NRC. The assessment comprises the evaluation on the Board Structure, Board Operations, the roles and responsibilities of the Board, Chairman's roles and responsibilities as well as the compositions, roles and responsibilities of the respective Board Committees.</p> <p>Upon the completion of the Individual Directors and Board Effectiveness Assessments and identification of the Board improvement plan, the results are</p>

presented to the NRC during the Board evaluation process. The results of the assessment are also presented to the Board which will include the identification of key areas for improvement, training needs and Board improvement plan.

The Board is satisfied with the level of commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of MBSB. None of the Directors hold more than 5 directorships in listed issuers and the Directors attendance in the Meeting during the financial year 2017 was commendable.

The details of the Directors' attendance for the Board/Board Committee Meetings are given as below:-

Name of Director	Attendance at Meetings					Option Committee
	Board	AC	RMC	N&R	EXCO	
Tan Sri Abdul bin Halim bin Ali	21/21				23/23	No Option Committee Meeting was held during the financial year 2017
Datuk Shahril Ridza bin Ridzuan	21/21	2/2			23/23	
Encik Lim Tian Huat	18/21	10/10	10/10	11/11		
Ir. Moslim bin Othman	21/21				23/23	
Puan Lynette Yeow Su-Yin	16/17				17/18	
Encik Aw Hong Boo	20/21	10/10	10/10	11/11		
Dato' Jasmy bin Ismail	20/21	10/10	10/10	10/10		
Datuk Syed Zaid bin Syed Jaffar Albar	17/21			10/11	7/9	
Datuk Johar bin Che Mat	17/17				18/18	
Encik Sazaliza bin Zainuddin	16/17	7/7				
Tunku Alina Binti Raja Muhd Alias	6/6		2/2			

The NRC is also responsible in accessing and recommending the retiring director to the Board for re-election at the forthcoming AGM. The provision on rotation and retirement of Directors are provided in Article 86 and 87 of the Company's Constitution as follows:-

Article No.	Description
86	At each ordinary meeting one-third of the Directors for the time being, or if their number is not a multiple of three the number nearest to but not greater than one-third shall retire from office. Provided that all Directors shall retire from office once at least in each three (3) years. A Director retiring at a meeting shall retain office until the close or adjournment of the meeting.

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An election of Directors shall take place each year and a retiring Director shall be eligible for re-election.

The NRC has assessed the performance of Datuk Shahril Ridza bin Ridzuan who is subject to re-election at the forthcoming AGM. The NRC is satisfied with the performance and the contribution by Datuk Shahril Ridza bin Ridzuan to the Board and had recommended the Board for decision on the proposed re-election of the Director concerned for shareholders' approval at the forthcoming AGM.

The Board through NRC has also evaluated and identified the training needs of each Director and approve the training Budget in January 2017. The Board has established a Directors Orientation and Training Guidelines to encourage the Board members to attend continuous training to enable the directors to discharge their duties effectively.

All new Directors appointed in 2017 has attended the Orientation Programme organised by the Management of MBSB and Mandatory Accreditation Program as required under the MMLR of Bursa Malaysia.

The NRC has during the financial year 2017, considered the areas/topics of training relating to business operations as part of the Directors' continuing education programmes. In this respect, MBSB had organised an in-house development programmes on Anti-Money Laundering and Counter Financing of Terrorism and Shariah Governance for the Board.

Apart from the in-house development programmes, the Directors have also attended various programmes/ conferences/ seminars/ dialogues focuses on Corporate Governance, Directors Responsibilities, Islamic Financing, Accounting, Investment, Business Sustainability and Risk Management.

The list of programmes/ conferences/ seminars/ dialogues attended by the Board are as follows:-

<b>Tan Sri Abdul Halim bin Ali</b>	
1.	AML/CFT Training for Board of Directors & Senior Management <i>Malaysia Building Society Berhad</i>
2.	Shariah Advisory Committee, Board and Management Committee Session 2017 - New Thinking of Shariah Governance : "Facilitation of Shariah Assurance and Beyond" <i>Malaysia Building Society Berhad</i>
3.	Seminar Ekonomi Melayu 2017 "Mengembalikan Maruah dan Memperkasa Ekonomi Bangsa" <i>Dewan Perniagaan Melayu Malaysia</i>
4.	Are We Heading for Another Global Recession or Do We Care <i>Bursatra Sdn. Bhd.</i>
5.	Companies Act 2016 <i>IJM Corporation Berhad</i>
6.	Talk on Cybersecurity – Cyber in the Boardroom "The first place to address cyber security risk." <i>IJM Corporation Berhad</i>
7.	Release of The Malaysian Code on Corporate Governance

		<i>Securities Commission Malaysia</i>
8.		Bengkel Pemantapan Governan Entiti Perniagaan UTM <i>UTM</i>
9.		IJM Senior Management Forum “Adopt Innovation, Think Entrepreneurship, Revolution Business” <i>IJM Corporation Berhad</i>
10.		Persidangan Kepimpinan dan Governan Universiti Kali Ke-3 “Redesigning Education Towards Financially Sustainable Universities” <i>Universiti Malaya, Kementerian Pendidikan Tinggi dan Akademik Pendidikan Tinggi</i>
11.		The Budget Talk – IJM Budget 2018 <i>IJM Corporation Berhad</i>
12.		Seminar Pemantapan Tadbir Urus: Lembaga Pengarah Universiti Awam Siri 1/2017 <i>Kementerian Pendidikan Tinggi</i>
13.		Higher Education Forum 2017: Redesigning Education for Industry 4.0 <i>Kementerian Pendidikan Tinggi</i>
<b>Datuk Shahril Ridza bin Ridzuan</b>		
1.		Guest speaker for BSN Senior Management hi-tea session Bank Simpanan Nasional Berhad
2.		AML/CFT Training for Board of Directors & Senior Management <i>Malaysia Building Society Berhad</i>
3.		Dialogue session between SC and EPF <i>Employees Providence Fund – Research Division</i>
4.		Discussion & Pitching Session With UM <i>University Malaya</i>
5.		Thought Leadership Session 2017 <i>Employees Providence Fund – Jabatan Pengurusan Strategy</i>
6.		Legal conference on Companies Act
7.		Special onstage interview “How do Institutional Investors Continually Beat the Market” <i>RedMoney</i>
8.		EPF Management Conference <i>Employees Providence Fund</i>
9.		Strategic Leadership Alignment Course <i>Employees Providence Fund</i>
10.		Accenture's Offsite Meeting Topic : The magic of thinking big and the drive towards achieving a common leadership goal <i>Accenture Malaysia</i>
11.		EPF/PNB Risk Management Sharing Session Topic : Risk management practices in <i>Employees Provident Fund</i>
12.		[Guest Speaker] UEM Group Lecture Series 2017 <i>UEM Group Berhad</i>
13.		[Panel Speaker] ICGN Annual Conference Topic : Plenary 1: Redefining capitalism for a sustainable global economy <i>International; Corporate Governance Network</i>
14.		CEO Tech Talk - "Embracing Industry 4.0 - will universities make the difference for Malaysia" <i>University Malaya</i>
15.		Board Strategy Committee Workshop <i>Employees Providence Fund</i>
16.		Invest Malaysia : Panel session “Plans to Raise Returns for Shareholders” <i>Bursa Malaysia Berhad &amp; CIMB</i>

17.	EPF International Social Security Conference (ISSC) 2017 <i>Employees Providence Fund</i>
18.	Invitation: Signing Ceremony/Dialogue Session of ILO and EPF <i>Employees Providence Fund</i>
19.	34 <sup>th</sup> Asean Social Security Association (ASSA) Board Meeting <i>ASSA Secretariat</i>
20.	Board Strategy Session <i>Employees Providence Fund</i>
21.	Pemukiman CEO/Head of GLC, GLIC, MKD dan Badan-Badan Berkanun <i>Ketua Pengarah Keselamatan Negara, Jabatan Perdana Menteri</i>
22.	SingularityU Italy Summit <i>SingularityU Summit.com</i>
23.	Board Retreat MRCB <i>Malaysian Resources Corporation Berhad</i>
24.	World Pension Summit <i>World Pension Summit P&amp;I Conference</i>
25.	APIC-Malaysia Islamic Finance (Topic : Malaysia Capital Markets, Growth of Islamic Finance and Green Capital amidst Global Political and Economic Volatility <i>Asia Pacific Investors Cooperation</i>
26.	EPF Investment Seminar <i>Employees Providence Fund</i>
27.	Director Onboarding Programme - <i>Corporate Governance Expectations</i> <i>MINDA Malaysian Director Academy</i>
28.	World Bank – EPF Case Study Interview <i>World Bank</i>
29.	HODs Strategic Leadership Alignment Session <i>Employees Providence Fund , Strategic Planning Department,</i>
30.	Knowledge Sharing: Trends in Digital <i>Ernst &amp; Young</i>
31.	Risk Event Seminar <i>Employees Providence Fund , Risk Management Department</i>
<b>Encik Lim Tian Huat</b>	
1.	AML/CFT Training for Board of Directors & Senior Management <i>Malaysia Building Society Berhad</i>
2.	Bursa Risk Management Programme "I Am Ready to Manage Risks" <i>Malaysian Directors Academy</i>
3.	MIA Conference 2017 <i>Malaysian Institute of Accountants</i>
4.	Insolvency Conference 2017 <i>Malaysian Institute of Accountants</i>
5.	Shariah Advisory Committee, Board and Management Committee Session 2017 - New Thinking of Shariah Governance : "Facilitation of Shariah Assurance and Beyond" <i>Malaysia Building Society Berhad</i>
6.	MFRS9 <i>Malaysian Institute of Accountants</i>
<b>Ir. Moslim bin Othman</b>	
1.	The 21st Malaysian Banking Summit <i>Asian Strategy &amp; Leadership Institute</i>
2.	AML/CFT Training for Board of Directors & Senior Management

	<i>Malaysia Building Society Berhad</i>
3.	Sustainability Forum for Directors/CEOs: The Velocity of Global Change & Sustainability - The New Business Model <i>Bursa Malaysia Berhad</i>
4.	Shariah Advisory Committee, Board and Management Committee Session 2017 - New Thinking of Shariah Governance : “Facilitation of Shariah Assurance and Beyond” <i>Malaysia Building Society Berhad</i>
5.	CG Breakfast Series for Directors : Leading Change @ The Brain <i>Bursa Malaysia Berhad</i>
<b>Puan Lynette Yeow Su-Yin</b>	
1.	Ministerial Engagement with Minister YB Dato' Sri Rohani Abdul Karim <i>Malaysian Directors Academy</i>
2.	Company Law 2016 : Total Revamp With Huge Tax Planning Opportunities <i>Synergy TAS</i>
3.	Mandatory Accreditation Programme (MAP) <i>The Iclif Leadership and Governance Centre</i>
4.	Bankruptcy Amendment Act 2017 <i>Legal Logic Asia</i>
5.	Shariah Advisory Committee, Board and Management Committee Session 2017 - New Thinking of Shariah Governance : “Facilitation of Shariah Assurance and Beyond” <i>Malaysia Building Society Berhad</i>
6.	CG Breakfast Series for Directors : Leading Change @ The Brain <i>Bursa Malaysia Berhad</i>
<b>Encik Aw Hong Boo</b>	
1.	Board Training AML/CFT MBSB <i>Malaysia Building Society Berhad</i>
2.	Shariah Advisory Committee, Board And Management Committee Session 2017 – New Thinking of Shariah Governance : Facilitation of Shariah Assurance and Beyond <i>Malaysia Building Society Berhad</i>
3.	Malaysian Code on Corporate Governance : Dealing with Issues and Expectation on Audit Committee, Risk Management and Stakeholder Management <i>Securities Industry Development Corporation (SIDC)</i>
4.	MIA Conference 2017 <i>Malaysian Institute of Accountants</i>
<b>Dato' Jasmy Bin Ismail</b>	
1.	Board Training AML/CFT MBSB <i>Malaysia Building Society Berhad</i>
2.	Shariah Advisory Committee, Board And Management Committee Session 2017 – New Thinking of Shariah Governance : Facilitation of Shariah Assurance and Beyond <i>Malaysia Building Society Berhad</i>
3.	Malaysian Code on Corporate Governance : Dealing with Issues and Expectation on Audit Committee, Risk Management and Stakeholder Management <i>Securities Industry Development Corporation (SIDC)</i>

<b>Datuk Syed Zaid Bin Syed Jaffar Albar</b>	
1.	Board Training AML/CFT MBSB <i>Malaysia Building Society Berhad (MBSB)</i>
2.	Directors' Continuous Learning Programme. The Companies Act 2016 Challenges For Directors and Officers <i>K.L. Management &amp; Secretarial Services</i>
3.	4 <sup>th</sup> Industrial Revolution : Impact and Opportunities for Manufacturing and Financial Services <i>Bain &amp; Company</i>
4.	Shariah Advisory Committee, Board And Management Committee Session 2017 – New Thinking of Shariah Governance: Facilitation of Shariah Assurance and Beyond <i>Malaysia Building Society Berhad (MBSB)</i>
5.	Malaysian Code on Corporate Governance : Dealing with Issues and Expectation on Audit Committee, Risk Management and Stakeholder Management <i>Securities Industry Development Corporation (SIDC)</i>
6.	Half-Day Enterprise Risk Management Risk Awareness Session for Yinson Holdings Berhad <i>Yinson Holdings Berhad / Axcelasia</i>

<b>Datuk Johar Bin Che Mat</b>	
1.	Shariah Advisory Committee, Board And Management Committee Session 2017 – New Thinking of Shariah Governance : Facilitation of Shariah Assurance and Beyond <i>Malaysia Building Society Berhad</i>

<b>Encik Szaliza Bin Zainuddin</b>	
1.	Mandatory Accreditation Programme for Directors of Public Listed Companies <i>The Iclif Leadership and Governance Centre</i>
2.	Shariah Advisory Committee, Board And Management Committee Session 2017 – New Thinking of Shariah Governance : Facilitation of Shariah Assurance and Beyond <i>Malaysia Building Society Berhad (MBSB)</i>
3.	Kursus Fundamental Of Strategy Planning <i>Employees Providence Fund</i>
4.	Thought Leadership Session 2017 <i>Employees Providence Fund</i>
5.	MFRS 9 training – Classification & Measurement and Impairment <i>Employees Providence Fund</i>
6.	EPF Management Seminar 2017 <i>Employees Providence Fund</i>
7.	Strategy Alignment Course <i>Employees Providence Fund</i>
8.	Finance Seminar 2017 <i>Employees Providence Fund</i>
9.	Global Institute for Leadership (GILD) Asia 2017 <i>Global Institute for Leadership</i>
10.	EPF International Social Security 2017 <i>Employees Providence Fund &amp; BNY Mellon</i>
11.	EPF Investment Seminar

		<i>Employees Providence Fund</i>	
	12.	EPF Risk Seminar <i>Employees Providence Fund</i>	
		<b>Tunku Alina Binti Raja Muhd Alias</b>	
	1.	Mandatory Accreditation Programme for Directors of Public Listed Companies <i>The Iclif Leadership and Governance Centre</i>	
	2.	CG Breakfast Series : Integrated An Innovation Mindset with Effective Governance <i>Bursa Malaysia Berhad</i>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	The Board will consider the option to appoint an independent expert for Board evaluation within the next 2 years.	
<b>Timeframe</b>	:	Within 2 years	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has established a formal Directors Remuneration Framework. It is designed in a way to support the strategies and long-term vision of the Company as well as provides adequate motivational incentive for directors to pursue long-term growth and success of the Company.</p> <p>The NRC is responsible to ensure that the Director's remuneration is competitive and align with the industry benchmark. The level of remuneration for the Directors shall be determined and recommended by the NRC to the Board after giving due consideration all relevant factors including the Directors fiduciary duties, time commitments expected of the Directors, Company's performance, market conditions as well as the compensation level for comparable positions among other similar Malaysian public listed companies and similar sized financial institutions.</p> <p>The remuneration and benefits payable to Directors are determined by shareholders' resolution in accordance with the Companies Act 2016 and Company's Constitution.</p> <p>The structure of the Directors' Remuneration is reviewed by the NRC on an annual basis prior to making its recommendations to the Board for approval.</p> <p>The NRC may obtain advice from independent professional or other advice on the remuneration packages for the Board members, Shariah Advisory Committee members or employees in similar industry on an annual basis as provided in the TOR.</p> <p>The remuneration packages of the Group PCEO, the "C" Suites and the Company Secretary will be reviewed by the NRC and the same will be recommended by the Board for decision. The remuneration of the Group PCEO, the "C" Suites and the Company Secretary are based on their achievement of strategic initiatives established and approved by</p>

	<p>the Board along with the Business Plan.</p> <p>The NRC also reviews the remuneration package for the SAC.</p> <p>The Directors Remuneration Framework is available on MBSB's website at <a href="http://www.mbsb.com.my/Remuneration_Framework_Directors">http://www.mbsb.com.my/Remuneration_Framework_Directors</a></p>	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>As at 31 December 2017, The NRC comprises of three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.</p> <p>The TOR of the NRC outlines the roles and responsibilities in relation to the nominating and remuneration matters. During the financial year 2017, NRC has reviewed the TOR of NRC and had recommended to the Board to approve the revision in the TOR to reflect the necessary changes in the internal process and regulatory requirements as well as in compliance with the relevant regulatory requirements.</p> <p>The TOR of NRC which deals with the authority and duties of Committee are made available on MBSB's website at <a href="http://www.mbsb.com.my/TOR_NRC">http://www.mbsb.com.my/TOR_NRC</a>.</p> <p>The NRC has deliberated on the Directors' fees for financial year ended 31 December 2017 and the benefits payable to the Directors and has recommended to the Board for consideration. The Board has agreed to seek shareholders' approval at the forthcoming 48th Annual General Meeting on the Directors' remuneration in two (2) separate resolutions as follows:-</p> <ul style="list-style-type: none"><li>• Ordinary Resolution 2 - on payment of Directors' fees in respect of the financial year ended 31 December 2017; and</li><li>• Ordinary Resolution 3 - on payment of Directors' benefits from 25 June 2018 to the next AGM in 2019.</li></ul> <p><u>Directors' fees</u></p> <p>The proposed Directors' fees for financial year ended 31 December 2017 as compared to the preceding year are as follows:-</p>

Fees	Directors' Fees for FY2016 (RM)		Proposed Directors' Fees for FY2017 (RM)	
	Chairman	Member	Chairman	Member
<b>Directors</b>	140,000	100,000	140,000	100,000
<b>Audit Committee</b>	25,000	15,000	<b>30,000</b>	<b>20,000</b>
<b>Executive Committee</b>	30,000	20,000	30,000	20,000
<b>Risk Management Committee</b>	25,000	15,000	<b>30,000</b>	<b>20,000</b>
<b>Nominating &amp; Remuneration Committee</b>	15,000	10,000	<b>25,000</b>	<b>15,000</b>
<b>Option Committee</b>	-	-	-	-

NRC has proposed to increase the fees for the Committees Chairman and Members to reflect level of responsibilities by the Board Committees. With the introduction of the CA 2016, MCCG and the amendments to the MMLR of Bursa Malaysia, the duties and responsibilities of the Board members have become more onerous and the expectation of the Board and Board Committees have increased. The AC, RMC and NRC are also now required, in addition to compliance with the existing regulatory requirements, to also ensure that the Group is in compliance with the BNM guidelines. The NRC has assessed the responsibilities of the Committees and was of the view that it is reasonable to increase the fees for the Committee members.

Benefits payable to the Non-Executive Directors (“NEDs”)

At the 47th AGM of MBSB held on 12 May 2017, the estimated benefits payable to the NEDs of MBSB from 1 January 2017 until the 48th AGM on 25 June 2018 (18 months) was RM2,706,000. The utilisation of this approved amount as at 31 December 2017 is RM1,213,000. Based on the schedule of meetings in the first six months of 2018, an amount of RM700,000 is expected to be utilised for payment of meeting allowance and other benefits to the NEDs. Hence, the expected total utilised amount would be approximately 70.7% of the approved amount

The details of the benefits payable to NEDs are as follows:-

Board Meeting Allowance	RM3,000.00 per meeting
General Meeting Allowance	RM3,000.00 per meeting

	Board Committee Meeting Allowance	RM2,000.00 per meeting
	Any other meeting allowances (where the Directors are invited to attend)	RM2,000.00 per meeting
	Chairman's Car allowance	RM10,000.00 per month
	Other benefits	medical coverage, travel, communication and other claimable benefits
<p><u>Group PCEO</u></p> <p>The Group PCEO's remuneration package is structured so as to link to corporate and individual performance which comprises fixed and variable components, determined based on the Key Performance Indicators, as approved by the Board.</p> <p>The Group PCEO's performance bonus and employees' performance bonus in respect of financial year 2016 performance were reviewed by the NRC, after which they were approved by the Board.</p>		
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b> :	Applied																																																						
<b>Explanation on application of the practice</b> :	<p>In line with best corporate governance practice, the disclosure of the Directors' remuneration on a named basis has been made in the Annual Audited Financial Statements over the years.</p> <p>The remuneration for each of the NEDs for the financial year 2017 is set out in the tables below:-</p> <p><b><u>Group/Company</u></b></p> <table border="1"> <thead> <tr> <th><b>Non-Executive Directors</b></th> <th><b>Directors' Fees (RM'000)</b></th> <th><b>Allowance (RM'000)</b></th> <th><b>Total (RM'000)</b></th> </tr> </thead> <tbody> <tr> <td>YBhg Tan Sri Abdul Halim bin Ali</td> <td>170</td> <td>232</td> <td>402</td> </tr> <tr> <td>Datuk Shahril Ridza Ridzuan</td> <td>125*</td> <td>114</td> <td>239</td> </tr> <tr> <td>Datuk Syed Zaid bin Syed Jaffar Albar</td> <td>125</td> <td>92</td> <td>217</td> </tr> <tr> <td>Dato' Jasmy bin Ismail</td> <td>165</td> <td>139</td> <td>304</td> </tr> <tr> <td>Encik Aw Hong Boo</td> <td>165</td> <td>125</td> <td>290</td> </tr> <tr> <td>Encik Lim Tian Huat</td> <td>165</td> <td>135</td> <td>300</td> </tr> <tr> <td>Ir. Moslim bin Othman</td> <td>120</td> <td>112</td> <td>232</td> </tr> <tr> <td>Encik Sazaliza Zainuddin</td> <td>100*</td> <td>65</td> <td>165</td> </tr> <tr> <td>Datuk Johar bin Che Mat</td> <td>95</td> <td>90</td> <td>185</td> </tr> <tr> <td>Puan Lynette Yeow Su-Yin</td> <td>95</td> <td>87</td> <td>182</td> </tr> <tr> <td>Tunku Alina Binti Raja Muhd Alias</td> <td>38</td> <td>22</td> <td>60</td> </tr> <tr> <td><b>Total</b></td> <td><b>1,363</b></td> <td><b>1,213</b></td> <td><b>2,576</b></td> </tr> </tbody> </table> <p>*50% of the directors' fees is paid to the organisation to whom the director represents</p> <p>The detailed disclosure of remuneration breakdown for all Directors is set out in Note 31 of the Audited Financial Statements on pages 229 to 230 of the Annual Report 2017.</p>			<b>Non-Executive Directors</b>	<b>Directors' Fees (RM'000)</b>	<b>Allowance (RM'000)</b>	<b>Total (RM'000)</b>	YBhg Tan Sri Abdul Halim bin Ali	170	232	402	Datuk Shahril Ridza Ridzuan	125*	114	239	Datuk Syed Zaid bin Syed Jaffar Albar	125	92	217	Dato' Jasmy bin Ismail	165	139	304	Encik Aw Hong Boo	165	125	290	Encik Lim Tian Huat	165	135	300	Ir. Moslim bin Othman	120	112	232	Encik Sazaliza Zainuddin	100*	65	165	Datuk Johar bin Che Mat	95	90	185	Puan Lynette Yeow Su-Yin	95	87	182	Tunku Alina Binti Raja Muhd Alias	38	22	60	<b>Total</b>	<b>1,363</b>	<b>1,213</b>	<b>2,576</b>
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<b>Measure</b> :		
<b>Timeframe</b> :		

### 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.

<b>Application</b>	:	Departure												
<b>Explanation on application of the practice</b>	:													
<b>Explanation for departure</b>	:	<p>The Board is of the opinion that remuneration of employees (including senior management) are strictly confidential and disclosure of remuneration would encourage internal comparison and affect the employees' morale. In addition, disclosure of senior management's remuneration may give rise to the possibility of poaching by other competitors, given the highly competitive conditions in the banking industry.</p> <p>As an alternative to the recommended practice, the Board has opted to disclose the aggregate remuneration for senior management as follows:-</p> <table border="1"> <thead> <tr> <th>Total value of remuneration awards for the financial year 2017</th> <th>RM</th> </tr> </thead> <tbody> <tr> <td><b>Fixed Remuneration</b></td> <td></td> </tr> <tr> <td>- Cash-Based</td> <td>3,316,800 (5 headcounts)</td> </tr> <tr> <td><b>Variable remuneration</b></td> <td></td> </tr> <tr> <td>- Cash-Based</td> <td>3,953,341 (5 headcounts)</td> </tr> <tr> <td>Definition</td> <td>Senior Management of the Group are defined as Group PCEO, Chief Financial Officer, Chief Risk Officer, Chief Compliance Officer and Chief Internal Auditor</td> </tr> </tbody> </table>	Total value of remuneration awards for the financial year 2017	RM	<b>Fixed Remuneration</b>		- Cash-Based	3,316,800 (5 headcounts)	<b>Variable remuneration</b>		- Cash-Based	3,953,341 (5 headcounts)	Definition	Senior Management of the Group are defined as Group PCEO, Chief Financial Officer, Chief Risk Officer, Chief Compliance Officer and Chief Internal Auditor
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*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b>	:	The Board will closely monitor the developments in the market in respect of such disclosure for future consideration.	
<b>Timeframe</b>	:	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.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The AC was chaired by Encik Aw Hong Boo who has extensive experience in accounting and finance. Encik Aw is a member of Malaysian Institute of Accountants (MIA) and Malaysian Institute of Certified Public Accountant (MICPA) and a Fellow of Institute of Chartered Accountants in England &amp; Wales (ICAEW).</p> <p>Encik Aw Hong Boo is not the Chairman of the Board.</p> <p><u>Notes:</u> With effect from 6 February 2018, the Chairman of the AC is Encik Lim Tian Huat.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>None of the AC members was a former key audit partner in the past 2 years.</p> <p>The Board has adopted a stricter policy in the Board Charter which applies to appointment of new director as well. The Board Charter states that “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 2 years after he ceases to be and officer and/or partner of that firm and the firm last served as an auditor of the Group”.</p> <p>The requirement to observe cooling off period of 2 years is also stated in the External Auditor Policy and Procedures.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The procedures to assess the suitability, objectivity and independence of the external auditor have been established in line with BNM's External Auditor Policy and MCCG.</p> <p>The AC is responsible to review and monitor the suitability and independence of external auditor annually. The External Auditor Policy is to provide guidance to the Group on the processes and procedures to review the independence of the External Auditors. The review encompasses an assessment of the qualifications and performance of the auditors, the quality and the auditor's communication with the AC and the Group, the auditor's independence, objectivity and professional scepticism.</p> <p>The external auditor appointed by the Group shall meet the qualification criteria as set out in the External Auditor Policy and Procedures particularly the audit engagement team involved in making key decisions on significant matters. The AC shall also ensure that the provision of non-audit services by an external auditor does not impair, either in fact or appearance, the auditor's objectivity, judgment or independence.</p> <p>The AC was satisfied with the suitability of Messrs Ernst &amp; Young ("EY") based on the quality of service and sufficiency of resources they provided to the Group. The AC was also satisfied with its review that the non-audit services provided by EY for financial year ended 31 December 2017 did not in any way impair their objectivity and independence as external auditors of the Group.</p> <p>The AC had carried out the annual assessment on the external auditors and had recommended to the Board for consideration for further recommendation to the Shareholders for approval at the 48th AGM on the appointment of EY as external auditor of the Group for the financial year ending 31 December 2018.</p> <p>The Board is assured that the external auditor, Messrs Ernst &amp; Young will continue to provide the independent assurance to shareholders on the Company's and the Group's financial statements. The Board maintains a formal and transparent relationship with the auditors to</p>

	<p>meet their professional requirements.</p> <p>The roles of the AC in relation to the internal and external auditor are described in the Audit Committee Report section in the Annual Report 2017.</p>	
<b>Explanation for departure</b> :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**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.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

## 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.

<b>Application</b>	: Applied												
<b>Explanation on application of the practice</b>	: The composition of the AC was changed on 6 February 2018, the details of which as follows:- <table border="1"><thead><tr><th>For the period from 1 January 2017 to 6 February 2018</th><th>With effect from 6 February 2018</th></tr></thead><tbody><tr><td>1. Encik Aw Hong Boo (Chairman)</td><td>1. Encik Lim Tian Huat (Chairman)</td></tr><tr><td>2. Datuk Shahril Ridza bin Ridzuan (resigned on 22 March 2017)</td><td>2. Ir Moslim bin Othman</td></tr><tr><td>3. Encik Szaliza bin Zainuddin (appointed on 22 March 2017)</td><td>3. Puan Lynette Yeow Su-Yin</td></tr><tr><td>4. Encik Lim Tian Huat</td><td></td></tr><tr><td>5. Dato' Jasmy bin Ismail</td><td></td></tr></tbody></table> <p>All AC members; Encik Lim Tian Huat, Puan Lynette Yeow Su-Yin and Ir. Moslim bin Othman are financially literate, possess adequate knowledge and experience to understand and deliberate matters under the purview of the AC including the financial reporting process.</p> <p>The Chairman of the AC, Encik Lim Tian Huat, is a Council Member of Insolvency Practitioners Association of Malaysia, a Fellow of Association of Chartered Certified Accountants, and also a Member of MIA and MICPA.</p> <p>The AC members have attended several conferences and trainings during the financial year 2017 to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. The particulars of the conferences and trainings are disclosed in the explanation on Practice 5.1.</p>	For the period from 1 January 2017 to 6 February 2018	With effect from 6 February 2018	1. Encik Aw Hong Boo (Chairman)	1. Encik Lim Tian Huat (Chairman)	2. Datuk Shahril Ridza bin Ridzuan (resigned on 22 March 2017)	2. Ir Moslim bin Othman	3. Encik Szaliza bin Zainuddin (appointed on 22 March 2017)	3. Puan Lynette Yeow Su-Yin	4. Encik Lim Tian Huat		5. Dato' Jasmy bin Ismail	
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4. Encik Lim Tian Huat													
5. Dato' Jasmy bin Ismail													

	<p>The NRC has assessed the performance of the AC and its members through an annual Board Committee effectiveness evaluation. The NRC and the Board is satisfied with the overall effectiveness and performance of the AC and the AC members have carried out their duties in accordance with the TOR. All the AC members possess the necessary knowledge, experience and skills which contributed to the overall effectiveness of the AC.</p> <p>A summary of the work of the AC in discharging its functions and duties for the financial year 31 December 2017 is described in the Audit Committee Report section in the Annual Report 2017.</p>	
<p><b>Explanation for departure</b> :</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><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is ultimately responsible for risk oversight within the Group through the RMC. The RMC is responsible for periodically reviewing the Risk Management policies, risk exposures and limits whilst ensuring infrastructure and resources are in place. Management Committees such as MANCO, CARAC, ALCO, IAR and IT Steering Committee assist the RMC in managing credit risk, operational risk, market risk, liquidity risk, Shariah risk, IT risk and other material risks.</p> <p>RMC has established the Group's Risk Management Framework and Risk Appetite Framework which act as the main reference documents in matters relating to the Group's risk management activities and serve as a guide to Group Risk Management Division in monitoring risk management practices. The risk appetite framework also assists the Management and the Board in managing risk within the Group, where the business activities are mainly risk-taking in nature.</p> <p>The respective heads of business units are responsible for monitoring the compliance of their business activities to the approved risk appetite in the framework and the Group Risk Management Division is responsible for monitoring the risk limits set by the Board and reporting any limit breaches or exceptions to ALCO, RMC and the Board. The reports include the type of breaches, rationale (cause or reason leading to the breaches) and action plans taken to rectify the situation. The Board also has the overall responsibility of maintaining a sound system of internal controls to safeguard shareholders' investments and the Company's assets. The Group continues to maintain and regularly review its internal control procedures to ensure proper oversight of the management of all risks.</p> <p>The Board is of the view that the risk management and internal control framework in place during 2017 is sound and sufficient to ensure that all risks are well managed within the Group's risk appetite by providing adequate infrastructure and resources to support the risk management activities.</p> <p>The risk management and internal control framework is disclosed in the Statement on Risk Management and Internal Control Section in the Company's Annual Report 2017.</p>

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

**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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The details of features of its risk management and internal control framework, and adequacy and effectiveness of the key risk management internal control processes are disclosed in the Statement on Risk Management and Internal Control Section in the Company’s Annual Report 2017.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### 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.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The RMC comprises wholly of Independent Directors. The composition of RMC as at 31 December 2017 was as follows:-</p> <ol style="list-style-type: none"><li>1. Encik Lim Tian Huat (Chairman)</li><li>2. Encik Aw Hong Boo</li><li>3. Dato' Jasmy bin Ismail</li><li>4. Tunku Alina Binti Raja Muhd Alias</li></ol> <p><u>Notes:</u> With effect from 6 February 2018, the composition of RMC is as follows:-</p> <ol style="list-style-type: none"><li>1. Encik Lim Tian Huat (Chairman)</li><li>2. Ir Moslim bin Othman</li><li>3. Puan Lynette Yeow Su-Yin</li></ol>

## 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.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board has the overall responsibility of maintaining a sound system of internal controls to safeguard shareholders' investment and the Company's assets.</p> <p>The Board has established an in-house internal audit function for MBSB who reports directly to the AC and administratively to the Group PCEO.</p> <p>The AC through the IAD reviews the effectiveness of the system of internal controls, risk management and governance of the Group based on risk-based audit plan. The review covers the financial, operational and compliance controls. In addition, IAD also provides consultancy services in relation to the review of policies and procedures.</p> <p>IAD operates under an Audit Charter mandated by the AC that gives unrestricted access to review all activities of the Company. The Audit Charter was required to be reviewed in every 2 years or as and when is necessary. The Audit Charter was last reviewed in January 2018.</p> <p>IAD is independent of activities and processes to ensure that it is able to perform its duties in an objective manner.</p> <p>The appointment, remuneration, performance, appraisal, transfer and dismissal of Chief Internal Auditor must be decided by the AC.</p> <p>IAD activities were carried out based on the Audit Plan 2017 as approved by the AC.</p> <p>The audit reports were reviewed by the AC and the respective management members have responsibilities to ensure that the corrective actions on the reported weaknesses were taken within the timeframe. IAD will carry out follow up audits and the same will be reported to the AC accordingly.</p> <p>The AC has reviewed its Terms of Reference (TOR) on 25 January 2018 and had recommended the changes to the Board on 30 January 2018.</p> <p>IAD personnel constantly keep themselves abreast with development in the relevant industry and regulations through attendance at</p>

	Conference and trainings. The certifications obtained by IAD personnel is summarised below: -																									
	<table border="1"> <thead> <tr> <th data-bbox="544 304 1206 338">Certification</th> <th data-bbox="1206 304 1369 338">No of Staff</th> </tr> </thead> <tbody> <tr> <td data-bbox="544 338 1206 371">Associate Certificate in Islamic Finance (AQIF)</td> <td data-bbox="1206 338 1369 371">4</td> </tr> <tr> <td data-bbox="544 371 1206 405">Fundamental Certificate in Islamic Banking (FCIB)</td> <td data-bbox="1206 371 1369 405">4</td> </tr> <tr> <td data-bbox="544 405 1206 439">Shariah Audit Certificate</td> <td data-bbox="1206 405 1369 439">7</td> </tr> <tr> <td data-bbox="544 439 1206 517">Certification in Internal Auditing for Financial Institutions (CIAFIN)</td> <td data-bbox="1206 439 1369 517">4</td> </tr> <tr> <td data-bbox="544 517 1206 551">Professional Certificate in Islamic Finance (INCIEF)</td> <td data-bbox="1206 517 1369 551">1</td> </tr> <tr> <td data-bbox="544 551 1206 584">Certified Lead Auditor (ISO27001)</td> <td data-bbox="1206 551 1369 584">1</td> </tr> <tr> <td data-bbox="544 584 1206 618">Certified Credit Professional (Business)</td> <td data-bbox="1206 584 1369 618">1</td> </tr> <tr> <td data-bbox="544 618 1206 651">Certified Credit Professional Islamic (Business)</td> <td data-bbox="1206 618 1369 651">1</td> </tr> <tr> <td data-bbox="544 651 1206 730">Certificate of SAP Material Management (Procurement)</td> <td data-bbox="1206 651 1369 730">1</td> </tr> <tr> <td data-bbox="544 730 1206 808">Certificate Professional in Requirements Engineering (CPRE)</td> <td data-bbox="1206 730 1369 808">1</td> </tr> <tr> <td data-bbox="544 808 1206 842">HUAWEI Certified Datacom Associate (HCDA)</td> <td data-bbox="1206 808 1369 842">1</td> </tr> </tbody> </table>		Certification	No of Staff	Associate Certificate in Islamic Finance (AQIF)	4	Fundamental Certificate in Islamic Banking (FCIB)	4	Shariah Audit Certificate	7	Certification in Internal Auditing for Financial Institutions (CIAFIN)	4	Professional Certificate in Islamic Finance (INCIEF)	1	Certified Lead Auditor (ISO27001)	1	Certified Credit Professional (Business)	1	Certified Credit Professional Islamic (Business)	1	Certificate of SAP Material Management (Procurement)	1	Certificate Professional in Requirements Engineering (CPRE)	1	HUAWEI Certified Datacom Associate (HCDA)	1
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<b>Explanation for departure</b> :																										
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>																										
<b>Measure</b> :																										
<b>Timeframe</b> :																										

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The IAD is independent from the business undertakes activities as stated in the AC Report.</p> <p>The profile of the Chief Internal Auditor, Cik Aniza binti Zakaria disclosed in the Company’s Annual Report detailing qualification, skills and experience and declaration.</p> <p>A brief statement on the Internal Audit Function of its key activities is disclosed in Audit Committee Report on pages 99 to 101 in the Company’s Annual Report 2017.</p> <p>The IAD prepares and presents to the AC the reports highlighting the observations, recommendations and management action plans to improve the system of internal controls. The AC, on behalf of the Board, regularly review and deliberates on internal control issues identified in reports prepared by the internal auditors and the related actions taken by Senior Management.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board recognises the importance of communication and proper dissemination of information to its shareholders, investors and all other stakeholders including the general public. The Directors will ensure that the Group keeps the shareholders informed via announcements and timely release of quarterly financial reports, press releases, annual reports and circulars to shareholders.</p> <p>It is the practice of MBSB to notify the investing public of the expected release date of quarterly financial results via BursaLink prior to the release of the quarterly financial results. The quarterly financial results are announced via Bursa LINK after the Board's approval and analyst/media briefings are conducted on the same day after the release of the quarterly financial results. This is important in ensuring equal and fair access to information is provided to the investing public, so that they are able to make informed decisions.</p> <p>As part of the Group's initiatives, the PCEO together with the Chief Financial Officer and Chief Corporate Officer conduct discussions, dialogues and briefings with fund managers, financial analyst and media, as and when necessary and/or after the Group's quarterly financial results are released to Bursa Malaysia. This is to promote better understanding of the Group's financial performance, operations and other matters affecting shareholders' interest.</p> <p>MBSB's website provides updated information on the corporate and business aspect of the Group. Press releases, announcements to Bursa Malaysia, analysts briefings and quarterly results of the group are also made available on the website and this helps to promote accessibility of information to the company's shareholders and all other market participants. All details of the Corporate events carried out by the Company are also available on MBSB's website.</p> <p>A Corporate Disclosure Policy has set out the policies and procedures for disclosure of all material information to be released to the public.</p> <p>Clear roles and responsibilities of the Directors, Management and employees are provided in the Corporate Disclosure Policy and the</p>

	<p>designated spokesperson responsible to communicate with all audience of the material information/announcement to internal and external stakeholders had been identified.</p> <p>The Board, Management and employees of the Group are required to observe this Corporate Disclosure policy. The Group is mindful and will ensure timely disclosure of material information in accordance with the Bursa Malaysia's and other applicable legislation.</p> <p>Stakeholders are encouraged to drop an email at <a href="mailto:enquiry@mbsb.com.my">enquiry@mbsb.com.my</a> if they have any inquiries.</p>	
<p><b>Explanation for departure</b> :</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><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</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 11.2

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

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	MBSB has appointed a consultant to carry out a gap analysis to assist the Management to prepare the integrated reporting.	
		The information disclosed in the Sustainability Report is sufficient for the time being to ensure that the stakeholders understand the business of the company, its policies on governance, the environment and social responsibility	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	MBSB is in the process of planning and laying out the foundation for integrated reporting.	
<b>Timeframe</b>	:	Within 2 years	

**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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Notice of AGM is despatched to the shareholders on 30 April 2018. The AGM will be held on 25 June 2018. The requirement for at least 28 days' notice is fulfilled in adherence to the MCCG.</p> <p>In addition, MBSB also distributes an Administrative Guide together with the notice of the AGM, which provides information to the shareholders regarding the details of the AGM, their entitlement to attend the AGM and their right to appoint a proxy.</p> <p>The notes in the Notice provide detailed explanations on each resolution proposed to enable shareholders to make informed decisions in exercising their voting rights.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The AGM of MBSB is the primary forum for dialogue and interaction with its shareholders.</p> <p>All shareholders have direct access to the Board members at this AGM. All the Directors were present at the last AGM which was held on 12 May 2017 to respond to the shareholders' queries.</p> <p>In addition, the senior management, external auditors and other advisors are present at the AGM to provide answers and clarifications to shareholders.</p> <p>During the 47th AGM, the Group PCEO presented the Group's financial performance to the shareholders before proceed with the business of the meeting. The Group PCEO also shared the responses to questions submitted in advance of the AGM by the Minority Shareholder Watchdog Group.</p> <p>During the meeting, the Chairman invited the shareholders to raise questions pertaining to MBSB's financial statements, proposed resolutions and other items during the Questions and Answers session before putting a resolution to vote.</p> <p>The queries from the shareholders/appointed proxies were being responded meaningfully and sufficiently by the directors, Group PCEO and External Auditors at the last AGM. Officers of MBSB were present to handle other face to-face enquiries from shareholders.</p> <p>There was no question directed to the Chair of the AC, NRC and RMC by the shareholders in the last AGM.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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### 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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	The number of vendors who has the expertise and infrastructure to provide the technology for voting in absentia and remote participation by shareholders is limited in the market. The Board also could not determine the reliability and effectiveness of system due to lack of user feedbacks from other public listed companies.
		The Constitution of MBSB allows the shareholders to appoint any person as their proxy to attend, participate, speak and vote at the meeting and there is no restriction as to the qualification of the proxy. In addition, the shareholder is allowed to appoint Chairman of the Meeting as proxy to exercise the shareholder’s vote in the meeting if the shareholder or his proxy is unable to attend the said meeting.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	The Company will continue to explore a suitable and reliable vendor/ system to facilitate voting in absentia and remote participation by shareholders.
<b>Timeframe</b>	:	Within 3 years

**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.*

Malaysia Building Society Berhad is not a Financial Holding Company as at 31 December 2017.

Malaysia Building Society Berhad became a Financial Holding Company on 7 February 2018 after the completion of the acquisition of the entire shares in MBSB Bank Berhad (formerly known as Asian Finance Bank Berhad).

The disclosures on corporate governance practices pursuant Corporate Governance Guidelines issued by Bank Negara Malaysia will be disclosed in the CG Report (Financial year: 31 December 2018)

