

## SECTION 1.0: INTRODUCTION

### 1.1 PURPOSE

This Remuneration Framework for Directors is the guiding document (“Document”) for the Board of Directors (“Board”) and the Nominating & Remuneration Committee (“NRC”) of MBSB to administer the remuneration of its Directors, taking into account the demands, complexities and performance of MBSB as well as skills, experience, time commitment required and responsibilities reposed on the Directors.

This Document seeks to set out an overarching framework for the development of a fair and transparent framework for the remuneration of the Directors of MBSB.

### 1.2 SCOPE AND APPLICATION

This Document is also developed in alignment with the Malaysian Code on Corporate Governance (“MCCG”) and other better practices including Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”) and voting guidelines of major institutional investors. Where paragraphs in this Document make reference to provisions in legislations or other corporate governance promulgations, they are indicated accordingly in italics.

This Document will be reviewed periodically by the NRC and made available on the MBSB’s website.

### 1.3 APPLICABILITY & COMPLIANCE

This framework is applicable to all Board members and/or Directors of MBSB and its non-bank subsidiaries. All Directors to ensure strict compliance to the requirements and contents of this Document at all times. References made to the nomenclature “Directors” shall also include Non-Executive Directors as they fall within the said remit.

Where applicable, words importing one gender include the other gender and words importing the singular include the plural and vice versa.

#### 1.4 REVISION AND AMENDMENT

This Document is not intended to cover all situations that may occur in a changing environment as the contents are not-exhaustive. Changes may arise from time to time and will be under the responsibility of the Owner. Any changes to the policy shall require the ultimate approval from the Board of Directors (BOARD).

#### 1.5 INTERNAL & EXTERNAL REGULATORY GUIDELINES

This Document should be read together with the relevant enumerations encapsulated in the following legislations, together with other internal documents and external regulatory guidelines on similar subject matter, but not limited to the following:

**Internal:**

- i. Board Charter;
- ii. Director's Orientation & Training Guidelines; and
- iii. Fit and Proper Requirements Policy.

**External:**

- i. Companies Act 2016;
- ii. Financial Services Act (FSA) 2013;
- iii. BNM's Policy Document on Corporate Governance;
- iv. Malaysian Code on Corporate Governance (MCCG) (*where applicable*);
- v. Main Market Listing Requirements (MMLR) (*where applicable*);
- vi. Employees Provident Fund's Voting Guidelines;
- vii. Service Tax Act, 2018; and
- viii. Service Tax Regulations 2018.

Where there is a conflict between the contents of this Document and the aforementioned legislations, the relevant enumerations contained in the said legislations shall prevail.

## **1.6 REVIEW OF DOCUMENT**

The Document is required to be reviewed for relevance and applicability no later than two (2) years from the date of creation or date of last review done or as and when the need arises.

Amendments, additions or deletions to this policy however require the Owner i.e. Company Secretarial to seek approval from the Board of Directors (BOARD), before implementation. The approved changes shall be notified to Organization & Methods Department (O&M) for subsequent update to the Document

## SECTION 2.0: REMUNERATION FRAMEWORK FOR DIRECTORS

### 2.1 REMUNERATION PHILOSOPHY

The remuneration practices of MBSB's Directors are anchored on the following overarching objectives:

- (a) Drive behaviour that is consistent with MBSB's sacrosanct values, comprising humility, ethics, passion, professionalism and empathy.
- (b) Promote symmetric outcomes with the risk appetite of MBSB by encouraging prudent risk taking in decision-making whilst considering the interests of MBSB and its customers;
- (c) Deliver a total reward proposition that is affordable yet fair so as to provide adequate motivational incentive towards the value accretion of MBSB;
- (d) Attract and retain high-quality individuals with the optimum mixture of competencies, ability, experience and skills to deliver on strategy; and
- (e) Encourage a culture of collective and individual performance that is in line with the strategic goals of MBSB.

### 2.2 REMUNERATION PRINCIPLES

MBSB is guided by the following four (4) principles in determining its approach for the remuneration framework of Directors.

#### **Principle 1: Simple**

The framework should be simple and transparent for all stakeholders to understand.

#### **Principle 2: Competitive and fair**

Retaining leaders of the necessary calibre requires remuneration arrangements that are competitive in the marketplace. As such, it is imperative for Directors to be remunerated fairly by reflecting the appropriate market rates for the skills and experience acquired. MBSB remains cognisant of the need to ensure that the remuneration accorded is value for money whilst

simultaneously reflecting the status of MBSB as a dynamic and relevant organization that is catering to the nation’s economic development.

**Principle 3: Performance accounted**

Whilst the remuneration of Non-Executive Directors should not be pegged to headline performance indicators of MBSB, the said remuneration packages should give due cognisance to the achievement of sustainable performance by the company as Non-Executive Directors should be held accountable for their resolve to steer the course of MBSB’s strategies for long-term sustainable growth.

**Principle 4: Aligned with the overall remuneration practices of MBSB**

Remuneration structures are aligned to the context of the broader employee remuneration to ensure fair and responsible remuneration practices in line with the notion of “distributive justice”.

**2.3 REMUNERATION STRUCTURE**

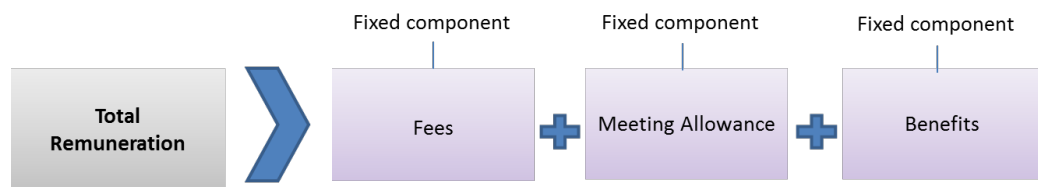
2.3.1 The table below summarizes the main components that shall form the remuneration packages of Non-Executive Directors of MBSB:

Category Fixed/ Variable	Component	Component description
<b>Fixed</b>	<b>Fees</b>	<p>A fixed sum shall be provided to Non-Executive Directors for their ongoing contribution to the Board (Directors’ Fees) and Board Committees.</p> <p>The Chairmen of the Board and the respective Board Committees shall receive a further fee in terms of Directors’ Fees and Board Committee Fees to reflect the additional responsibility in chairing the Board or a Board Committee, including the time spent in preparation and liaising with Management.</p>
<b>Fixed</b>	<b>Meeting allowance</b>	<p>A payment shall be made to Non-Executive Directors calculated on a per-meeting basis with a condition that attendance (physical or virtual) is a prerequisite for remittance as below:</p>

Category Fixed/ Variable	Component	Component description						
		<ul style="list-style-type: none"> <li>• No Meeting Allowance shall be paid for the adjourned meeting held less than four (4) hours.</li> <li>• Half of the meeting allowance shall be paid for adjourned meeting held for four (4) hours or more.</li> <li>• For joint meetings, the Directors who attend in dual capacity will only be paid once.</li> </ul> <p><b>Note:</b> For clarity, in the event the meeting is adjourned and require continuation on the next day or other dates to complete the remaining items in the agenda, the meeting allowance for the adjourned meeting shall be:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;"><u>Meeting Duration</u></th> <th style="text-align: center;"><u>Meeting Allowance</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Less than 4 hours</td> <td style="text-align: center;">Nil</td> </tr> <tr> <td style="text-align: center;">4 hours or more</td> <td style="text-align: center;">50% of the meeting allowance</td> </tr> </tbody> </table>	<u>Meeting Duration</u>	<u>Meeting Allowance</u>	Less than 4 hours	Nil	4 hours or more	50% of the meeting allowance
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Less than 4 hours	Nil							
4 hours or more	50% of the meeting allowance							
<b>Fixed</b>	<b>Benefits</b>	<p>Benefits may be provided to increase the economic security of Non-Executive Directors as an incentive to attract and retain talent.</p> <p>Non-Executive Directors may be provided with benefits-in kind such as medical coverage, travel, communication and other benefits.</p> <p>In addition to the aforementioned benefits, the Board Chairman shall be entitled for a fixed monthly car allowance or a company car, alongside a driver. All reasonable travelling and other expenses incurred in carrying the duties of the Board Chairman shall be reimbursed accordingly.</p>						

2.3.2 Expenses incurred by Non-Executive Directors in discharging their duties relating to the ordinary course of MBSB’s affairs shall be reimbursed accordingly upon approval in accordance with MBSB’s Approving Authority Manual. All reimbursements must be accompanied with the claimable receipts and shall be submitted to the Company Secretarial Department for checking and verification before submission to Finance Division for processing on a timely basis.

2.3.3 A typical remuneration structure for Non-Executive Directors of MBSB is illustrated below:



**2.3.4 Fees Structure**

The Director’s Fee Structure for MBSB are as follows:-

Fees	(RM)	
	Chairman	Member
Directors	155,000	115,000
Audit Committee (“AC”)	30,000	20,000
Risk Management Committee (“RMC”)	30,000	20,000
Nominating & Remuneration Committee (“NRC”)	25,000	15,000
Restructuring Committee (“RC”)	25,000	15,000

### 2.3.5 Meeting Allowance

The Director's Meeting Allowance for MBSB are as follows:-

Meeting	Meeting Allowance
Board Meeting	RM3,000.00
General Meeting	RM3,000.00
Board Committee Meeting / Any other meeting where the NED are invited to attend	RM2,000.00

### 2.3.6 Other Benefits

The Director's of MBSB is entitled to the following:-

Benefits Type	Descriptions of Entitlement	Annual Limit
<b>a) Medical &amp; Hospitalization Benefits</b>	Medical and hospitalization benefits including 1 <sup>st</sup> class hospitalization and special treatment to the directors and his dependents	RM500,000.00
	Clinical benefits to the directors and his dependents	RM10,000.00
	Health Screening	RM1,500
	Dental and Vision	RM800
<b>b) Takaful Coverage</b>	Group Term Life Takaful ("GTF")	RM500,000
	Group Personal Accident Takaful ("GPA")	RM500,000
	Directors & Officer (D&O) coverage	RM50 million <i>Note: 5% of the premium is borne collectively by Directors and Officers.</i>
<b>c) Travel</b>	First class / Business class travels (where applicable) for official travel	Reimburse as charge or to be arranged the Company



Benefits Type	Descriptions of Entitlement	Annual Limit
<b>d) Training<sup>1</sup></b>	Training in Malaysia	RM15,000.00 per director
	Training overseas <sup>2</sup>	RM55,000.00 per director <i>(once every two (2) years)</i>
	Travelling, accommodation and per diem	To be borne by the Company and in accordance with the entitlement accorded to the Chief Executive Officer.

**Note:**

1. *Dental benefit covers all forms of dental treatments as follows:-*
  - i. *Extraction*
  - ii. *Scaling*
  - iii. *Filling*
  - iv. *Curative Treatment e.g. gum treatment and root canal*
  - v. *Crowning*
  - vi. *Bridging*

*However, the Company shall not pay for dentures, braces, tooth implants etc.*

2. *Optical benefit covers all forms of optical and eyes treatment by optician and ophthalmologist including eye checks and purchase of vision aids such as spectacles or contact lenses. However, the Company shall not pay for the cost of solution for contact lenses and the cost of sunglasses.*

### 2.3.7 Chairman's Benefits

The Chairman of MBSB is entitled to the following:-

- (a) medical benefits which includes medical consultation and treatment, excluding the costs of dental, optical and maternal care treatment as per the Company's policy;
- (b) a fully paid health screening package as per the Company's policy;
- (c) meeting allowances which shall be payable for every meeting attended by a

<sup>1</sup> Kindly refer to Directors Orientation & Training Guidelines for reference.

<sup>2</sup> Programme cost only.

- director;
- (d) a company car with a fully paid driver;
  - (e) the petrol to be borne by the Company;
  - (f) Electronic telecommunication devices to enable the Chairman to carry out his duties i.e. iPad, notebook and handphone;
  - (g) the phone charges to be borne by the Company;
  - (h) directors' and officer's liability insurance coverage, of up to an amount as approved by the Board of Directors;
  - (i) group term life insurance coverage, of up to an amount as may be determined by the management; and
  - (j) any expenses incurred for training purposes as may be approved by the Board from time to time.

Note: The current Chairman sits on both MBSB and MBSB Bank. He is only paid once on the benefits.

## SECTION 3.0: REMUNERATION GUIDELINES

3.1 MBSB is guided by the following principles in remunerating its Non-Executive Directors:

- (a) Fees payable to Non-Executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover (*paragraph 7.23 of the MMLR*);
- (b) Independent Non-Executive Directors shall not be remunerated with shares or stock-options;
- (c) Periodic benchmarking of remuneration will be undertaken to ascertain the competitiveness of remuneration packages vis-à-vis other organizations. However, such comparisons will be utilised with caution, in view of the risk of an upward ratchet in the remuneration levels with no corresponding improvement in corporate and individual performance, and to avoid paying more than is necessary. The quantum and structure of Non-Executive Directors' remuneration shall be reviewed on a yearly basis by the NRC and subsequently recommended to the Board for further recommendation to the Board of holding company<sup>3</sup>, Malaysia Building Society Berhad ("MBSB") for approval.

### 3.2 Guidelines For Remunerating Non-Executive Directors

- 3.2.1 MBSB's remuneration framework for Non-Executive Directors is to develop a remuneration structure that commensurate with the Non-Executive Directors' responsibilities at both the Board and Board Committee level and is sufficient to attract, incentivise and retain high-calibre Non-Executive Directors.
- 3.2.2 Non-Executive Directors' remuneration packages shall be determined on the basis of their responsibilities and time commitment.
- 3.2.3 Non-Executive Directors shall be paid via fixed fees, meeting allowances and other benefits (as the case may be). Non-Executive Directors shall not be entitled for any gratuity, ex gratia or agreed upon severance payments.

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<sup>3</sup> Section 230 of Companies Act 2016 requires directors' fee of listed company and its subsidiaries be approved in AGM of the listed company.

- 3.2.4 Notwithstanding anything contained in the contract for service or any other agreement relating to the appointment of Non-Executive Directors, the termination of the said Directors for disqualification pursuant to the Financial Services Act 2013 shall not elicit any claim for compensation for such termination (*Section 61 of the Financial Services Act 2013*).
- 3.2.5 Non-Executive Directors shall not be eligible to participate in any form of Employee Share Option Scheme (*pursuant to Employees Provident Fund's Voting Guidelines*).
- 3.2.6 As for meeting allowance, no distinction shall be made between participation in person and virtual participation by video, teleconference or other electronic modes that permit Non-Executive Directors to participate. Virtual participation during meetings will constitute attendance and as such, meeting allowance will be accorded accordingly.
- 3.2.7 In-camera meetings amongst Independent Directors to discuss special interest matters represent private and informal sessions. Given the ad-hoc nature of in-camera sessions, there shall not be any additional entitlement to a separate fee.
- 3.2.8 Disbursement of remuneration to Nominee Directors shall be guided by the respective policy of the institutional investor or shareholder that nominated the said Directors to represent its interests. For example, in the case of Employees Provident Fund Board ("EPF") nominated Directors, 50% of the fees receivable by the Nominee Directors shall be paid to EPF instead of the individual Nominee Directors whilst meeting allowance and benefits shall be remitted in entirety to the individual Nominee Directors.
- 3.2.9 As a taxable service provider, a Non-Executive Director is liable to be a Service Tax registrant if there are reasonable grounds for believing that the total value of his or her taxable services in that month and the eleven months immediately succeeding that month will exceed RM500,000 (*Section 12 of Service Tax Act 2018 and First Schedule of Service Tax Regulations 2018*). The Service Tax applicable on the remuneration payable to such Non-Executive Directors shall be borne by MBSB at the prevailing rate of 6%, as stipulated under the Service Tax (Rate of Tax) Order 2018 or any other government service tax that maybe applicable from time to time.

## SECTION 4.0: GOVERNANCE OF REMUNERATION

### 4.1 OVERSIGHT OF REMUNERATION

- 4.1.1 The NRC shall assist the Board in implementing its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of Non-Executive Directors (*Practice 6.1 of MCCG*).
- 4.1.2 The NRC shall develop and administer fair and transparent procedures for setting policy on remuneration of Non-Executive Directors so as to ensure that remuneration packages are determined on the bases of the complexity of the business, the MBSB's performance, individual's responsibilities and comparable market statistics (*Guidance to Practice 6.1 and 6.2 of MCCG*).
- 4.1.3 The NRC shall obtain input from the control functions and the Risk Management Committee (RMC) to ensure that risk exposures and risk outcomes are adequately considered in the design and implementation of the remuneration framework (*Standard 19.4 of BNM Policy Document on Corporate Governance*).
- 4.1.4 In considering the remuneration policy and procedures, the NRC may also enlist the expertise of external advisors where necessary.

### 4.2 LIABILITY TAKAFUL

- 4.2.1 Non-Executive Directors are accorded with Directors and Officers Liability Takaful in respect of any liability (civil or criminal) arising in the course of discharging their duties as Directors and Officers of MBSB, provided that such liabilities were occasioned in good faith and not as a result of negligence, default or breach of duty (*Section 288 of Companies Act 2016*).
- 4.2.2 The Directors and Officers Liability Takaful premium shall be borne primarily by MBSB and partially by the Directors and Officers in a 95:5 ratio. The premium paid does not form part of the benefits awarded to Non-Executive Directors or any other constituents of their remuneration packages.

4.2.3 The Directors and Officers Liability Takaful coverage shall be reviewed periodically to ascertain its adequacy against the changes in the MBSB's size, operating and business model, footprint and other attendant complexities that may entail.

### **4.3 APPROVAL OF NON-EXECUTIVE DIRECTORS FEES, MEETING ALLOWANCE AND BENEFITS PAYABLE**

4.3.1 The Director's fees, meeting allowance and any benefits payable to the Non-Executive Directors including any compensation for loss of employment of a Non-Executive Director or former Non-Executive Director of the MBSB shall be approved at the General Meeting (Section 230(1) of Companies Act 2016 and paragraph 7.24 of the MMLR).

4.3.2 Shareholders' approval of Directors' fees, meeting allowance and benefits payable may be sought in a prospective or retrospective manner. However, in any case, the payment of Non-Executive Directors' fees, meeting allowance and benefits payable can only be made upon obtaining MBSB shareholders' approval.

4.3.3 The payment of Directors' fees shall only be payable monthly in arrears after each month of completed service of the Non-Executive Directors during the financial year. The payment of Directors' fees may alternatively be made on a less frequent basis, if requested by the Directors or the nominator of such Directors. The meeting allowance shall also be payable monthly for the meeting attended in the preceding month whilst benefit payable can be rendered upon crystallisation of its corresponding occasion.

The payment frequency of Directors' fees and whether the Directors' fees be paid in arrears or in advance or current shall be decided by the Board upon shareholders' approval at the general meeting of MBSB on a prospective basis.

4.3.4 Directors of MBSB who are shareholders of MBSB shall abstain from voting at the General Meeting of MBSB to approve their fees, meeting allowance and benefits payable (*Guidance to Practice 6.2 of MCCG*).

4.3.5 A general mandate of shareholders shall not be sought for the approval of Directors' fees, meeting allowance and benefits payable (*Item 6 of Employees Provident Fund's Voting Guidelines*). The resolution contained in the notice seeking shareholders' approval for Directors' fees, meeting allowance and benefits payable would include a quantitative breakdown of remuneration components (i.e. fees, meeting allowance and benefits) and the corresponding period for which approval is sought.

#### **4.4 DISCLOSURE OF REMUNERATION**

4.4.1 Non-Executive Directors' remuneration shall be disclosed in the Annual Report on a named and individual basis and by the exact amount. The remuneration breakdown shall amongst others include fees, meeting allowance and benefits, as the case may be (*paragraph 11, Appendix 9C of the MMLR, Appendix 4 of BNM Policy Document on Corporate Governance and Practice 7.1 of MCCG*). The disclosure shall also cover Non-Executive Directors who were appointed or retired during the year.

#### **4.5 PERIODIC REVIEW**

4.5.1 This Framework shall be endorsed by the Board, upon recommendation by the NRC. The Document shall be reviewed periodically or as and when it is necessary.

4.5.2 The NRC, with the support of the Company Secretaries, shall ensure that the provisions of this Remuneration Framework for Directors continue to comply with the legal requirements and corporate governance requirements and, if necessary, shall suggest amendments to this Framework for consideration by the Board.

\*\*\* End of Document\*\*\*