

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 1171  
**COMPANY NAME** : Malaysia Building Society Berhad  
**FINANCIAL YEAR** : December 31, 2020

## 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 PURSUANT 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 of Directors (the "Board") sets the tone from the top and is ultimately responsible for overseeing the conduct of Malaysia Building Society Berhad ("MBSB") and its subsidiaries' (together, the "Group") business and the Management's implementation of the Group's strategic objectives as well as its conduct and performance.</p> <p>The Board is guided by its Board Charter, which identifies the Board's role, duties and responsibilities. The Board Charter of MBSB is available on its website at: <a href="https://www.mbsb.com.my/Board_Charter.pdf">https://www.mbsb.com.my/Board_Charter.pdf</a></p> <p>Further, the Board of MBSB's major subsidiary, i.e. MBSB Bank Berhad ("MBSB Bank"), had also established its Board Charter, which identified the roles and responsibilities of the Board of Directors of MBSB Bank ("the Bank Board").</p> <p>The Board Charter of MBSB Bank is available on its website at: <a href="https://www.mbsbbank.com/storage/misc/MBSB_Bank_Board_Charter.pdf">https://www.mbsbbank.com/storage/misc/MBSB_Bank_Board_Charter.pdf</a></p> <p>The Board Charter of MBSB and MBSB Bank also outlines the processes and procedures to ensure the effectiveness and efficiency of the respective Boards and their Committees. The Board of MBSB and MBSB Bank (together, the "Boards") are supported by various Board Committees and Management-led Committees (together, 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 require regular review and approval by the respective Boards from time to time. Any decisions which are not within the Committees' authority would be escalated to the respective Boards with the Committees' recommendation.</p> <p>The Boards have entrusted their Committees with specific responsibilities to oversee the Group's affairs in accordance with the respective Committees' TOR.</p>

The Board Committees established to support the Boards in executing their duties are as follows:

**MBSB Board Committees**

**1. 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 Internal Audit Division (“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.

**2. Risk Management Committee (“RMC”)**

The primary objectives of RMC are to assist the Board with the risk oversight within the Group and ensuring that there is a sound framework for internal controls and enterprise risk management (“ERM”). This includes reviewing the risk management policies, risk exposure and limits, and 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.

**3. Nominating and Remuneration Committee (“NRC”)**

The primary responsibilities of the NRC are to assist the Board in maintaining a formal and transparent procedure for the appointment of Directors, Board assessment, policy setting on Directors' remuneration, and determining appropriate remuneration packages for all Directors.

The NRC is also responsible for reviewing, appointing, removing and determining the remuneration package for the Group President and Chief Executive Officer (“Group PCEO”), key senior management with the “C” Suites position and Company Secretary. Also, the NRC reviews the remuneration framework for the Group.

With effect from 7 February 2018, all matters concerning the Shariah members will be discussed and decided at MBSB Banks’s Nominating and Remuneration Committee (“BNRC”).

The activities of NRC in 2020 include the following:

- Reviewed and recommended the proposed Directors’ Fees and Remuneration.
- Reviewed and recommended succession planning for key management and board of directors.
- Reviewed and recommended Directors and Officers Takaful Coverage

- Reviewed and recommended the appointment of Chairman and Independent Non-Executive Director.
- Reviewed and recommended the Performance and Reward for the Year 2019.
- Reviewed and recommended the Group PCEO 2019 Performance Assessments, 2020 Fit and Proper Assessments and 2019 Rewards.
- Reviewed and recommended the C-Suites and Senior Management's 2019 Performance Assessments, 2020 Fit and Proper Assessments 2019 Rewards.
- Reviewed and recommended the Directors Retirement by rotation 2020
- Reviewed and recommended the appointment of an external consultant to facilitate the Annual Board Assessment.
- Reviewed and noted the Board Assessment Results facilitated by external consultant
- Reviewed and recommended the Directors Annual Training Plan 2020.
- Reviewed and recommended the re-appointment of Directors

#### **4. Option Committee**

This Option Committee's principal function is to administer the Company's Employees' Share Option Scheme ("ESOS") in accordance with the ESOS Scheme's by-laws.

The ESOS has expired on 11 August 2020. As a result, the Option Committee was no longer required and dissolved with effect from 23 September 2020.

#### **5. Restructuring Committee**

In 2021, the Board has established a Board-led Committee to specifically look at putting in place a more efficient structure for MBSB Group.

#### **MBSB Bank Board Committees**

- 1. Board Audit Committee ("BAC")** – Same function as the AC.
- 2. Board Risk Management & Compliance Committee ("BRMCC")** – Same function as the RMC.
- 3. Board Nominating and Remuneration Committee ("BNRC")** – Same function as the NRC. The BNRC also reviews the remuneration package of the Shariah Advisory Committee.
- 4. Board Investment and Credit Committee ("BICC")** – The BICC is responsible for the consideration and affirmation/veto of credit and investment proposals subject to the limits and policies approved by the Board.
- 5. Board IT Oversight Committee ("BITC")** – The BITC is responsible for providing oversight function on Technology Risk. The establishment of BITC is in line with the requirements of Risk Management in Technology ("RMiT") Guidelines issued by BNM. The BITC comprises of 3 Independent Non-Executive Directors and chaired by a director with IT background.

**Board responsibility**

Although the Boards have entrusted their Committees with specific responsibilities to oversee the Group's affairs per the respective Committees' TOR, the Boards remain responsible and keep abreast with the key issues and decisions made by the respective Committees through the reports escalated to the Boards as well as the minutes of meetings that capture the detailed deliberations, which were subsequently tabled to the Boards for notation.

The matters reserved for the Boards include, amongst others, the following:

- Reviewing and approving strategic and business plan and other initiatives which would have a material impact to the Group;
- Overseeing the Management's implementation of the Group's strategic objectives and its conduct and performance;
- Identifying principal risks affecting the Group and ensuring the implementation of appropriate governance framework and internal controls framework and periodically review its appropriateness in light of the material changes to the size, nature and complexity of the Group's operations;
- Reviewing and approving annual financial statements and quarterly financial results prior to release to Bursa Malaysia Securities Berhad ("Bursa Malaysia") and the relevant regulators;
- Reviewing and adopting the strategies on the promotion of sustainability through appropriate environmental, social and governance ("ESG") consideration in the Group's businesses;
- 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;
- Promoting, together with senior management, a sound corporate culture within the Group which reinforces integrity, anti-corruption and bribery, ethical, prudent and professional behaviour;
- 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;
- Serving as the ultimate approving authority for all significant financial expenditure;
- Approving related party transactions; and
- Overseeing the selection, performance, remuneration and succession plans of the Group PCEO/CEO, key senior management with the "C" Suites position and Company Secretary.

The Boards play an active role in developing, evaluating and monitoring the Group's strategic direction by providing valuable advice to the Management based on their collective competency and knowledge of its members.

In the early first quarter of 2020, the Boards deliberated the short and long-term budget of the Group. At the meeting, the Business Plan and Budget Projection for 2020 were presented. The performance scorecard 2020 for the Group PCEO was also presented to the Boards on the same day. The detailed implementation plans for various business initiatives, operations

and human resources planning requirements were also presented to the Boards.

The Boards are also responsible for ensuring that the Group is responsive to changes in the business and economic environment when pursuing and achieving the planned goal and objectives. The Boards monitor MBSB Bank's performance from time to time through the presentation of the various reports submitted by the Finance, Risk Management, Compliance and Internal Audit Division. The Board also monitored the scorecard achievement and progress of Business Plan initiatives.

The Boards extensively discussed the impact of the COVID-19 pandemic on the Group, the financial sector and the broader economy. The Boards had reviewed and revised the Business Plan 2020 as part of the previous Business Plan and original KPIs were no longer feasible in light of the pandemic situation. The revised business strategy and KPI focused more on cost management, managing non-performing financing, expected credit loss and modification loss and ensuring resilience of capital and liquidity commitment.

The Boards had in June and July 2020 revised the Business Plan 2020, KPI as well as strategies in managing the collections and the initiatives in providing assistance to the customers who are affected by COVID-19 pandemic.

The Boards provide oversight on the management of sustainability matters at MBSB and MBSB Bank and ensure ESG considerations are incorporated in the business plans. In 2020, the Group performed a comprehensive materiality assessment to identify matters or issues that reflect the Group's significant economic, environmental and social impacts and the interests or concerns of stakeholders. The assessment is conducted based on internal and external sources of information, including via stakeholders engagement survey. The outcome from the assessment was prioritised and presented in the Materiality Matrix, which was validated and endorsed by the Boards during the year. The materiality assessment process and Materiality Matrix are disclosed in MBSB Integrated Annual Report 2020.

The Group publishes its annual Sustainability Report, which outlines the efforts and initiatives undertaken by the Group and the value created for its stakeholders. The Sustainability Report of the Group is published and circulated together with Integrated Annual Report 2020.

Among the topics and strategies reviewed, deliberated and approved by the Board during financial year 2020 are as follows:-

Areas	Key topics/ strategies
Strategy	<ul style="list-style-type: none"> <li>• Revision of budget, business plan initiatives and KPI for year 2020 for MBSB Group</li> <li>• Assessment on Covid-19 impact to the Group and the strategies to mitigate the impact</li> <li>• Assessment on the impact of moratorium on financing</li> <li>• MBSB Bank's Digital and Technology Strategy</li> </ul>

		<ul style="list-style-type: none"> <li>• Group Capital Strategy</li> <li>• MBSB Group restructuring and disposal of non-core assets</li> <li>• Budget and Business Plan for 2021 for MBSB Group</li> <li>• Environmental, Social and Governance (ESG) Strategy</li> </ul>
	Risk, Compliance, Oversight	<ul style="list-style-type: none"> <li>• Composite Risk Rating findings</li> <li>• Compliance Division Annual Plan for 2020</li> <li>• Transfer Pricing Policy</li> <li>• Integrity and Anti-Bribery, Corruption &amp; Abuse of Power Policy</li> <li>• Establishment of Integrity and Governance Unit (IGU)</li> <li>• Procedures during MCO and post-MCO</li> <li>• Quarterly Risk Management Report</li> <li>• Quarterly Regulatory Compliance Report on Anti-Money Laundering/ Counter Financing of Terrorism (AML/CFT)</li> <li>• Quarterly Internal Audit Report</li> <li>• Revision of Board Charter</li> </ul>
	Governance	<ul style="list-style-type: none"> <li>• Succession Planning for Key Management Personnel</li> <li>• Succession Planning for Board</li> <li>• Board remuneration, composition and gender diversity</li> <li>• Performance assessment and rewards for Key Management Personnel in 2019.</li> <li>• Appointment of independent consultant for Board assessment</li> <li>• Board Effectiveness Assessment and Fit and Proper Assessment</li> <li>• MBSB Corporate Governance Report 2019</li> </ul>
	<p><b><u>PCEO Responsibility</u></b></p> <p>The Boards entrust the Group PCEO for developing and ensuring the MBSB Group's strategies and Corporate Policies are effectively implemented. The Group PCEO is responsible for keeping the Boards fully informed of all important aspects of the Group's operations and ensuring that sufficient information is distributed to the Boards.</p> <p>The Group PCEO is supported by a group of experienced senior management and staff. The performance of the Management and respective Divisions and Departments are closely monitored through the monthly performance review meetings. Various Management Committees have been established to oversee the day to day business affairs of the Group and ensure that the Board's decisions are implemented effectively. The Management Committees' roles and responsibilities are clearly defined in the TOR of the respective Management Committees.</p> <p>The Boards are also kept informed of the significant operational issues and the Group's performance during the Board meetings.</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 1.2

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>Tan Sri Abdul Halim Bin Ali ("Tan Sri Halim") helms the Boards as the Chairman. 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>In consultation with the Group PCEO and the Company Secretary, the Chairman sets out the agenda for the matters to be considered by the Board. The meeting agenda should be aligned with the overall Group's context, including its starting position, aspirations and priorities. The Chairman leads the meeting pace and discussions to ensure the Board, as a whole, 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 an adequate understanding of the Group's financial position, strategic performance, operations and the opportunities and challenges facing the Group.</p> <p>The Chairman's excellent leadership is acknowledged by the high rating received via the Self and Peer Assessment of the Board members in the annual Board Effectiveness Evaluation.</p> <p>In February 2021, Tan Sri Abdul Halim bin Ali had decided to step down as Chairman of MBSB and MBSB Bank after more than 19 years of service in MBSB and 3 years in MBSB Bank.</p> <p>On 1 March 2021, MBSB and MBSB Bank had appointed Tan Sri Azlan bin Mohd Zainol ("Tan Sri Azlan") as Chairman/ Non-Independent Non-Executive Director. Tan Sri Azlan has more than 30 years of experience in the financial sector. Tan Sri Azlan also represents the Employees Provident Fund Board.</p> <p>The roles and responsibilities of the Chairman are clearly specified in Section 3.1 of the Board Charter, which is available on MBSB's website.</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>There is a clear division of responsibility between the Chairman and Group PCEO to ensure a proper balance of power and authority and promotes check and balance. The distinct and separate roles and responsibilities of the Chairman and Group PCEO are distinguished in the Board Charter. The roles and responsibilities of the Group PCEO are provided in Section 3.2 of the Board Charter, which is available on MBSB's website.</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 board leadership, whereas the Group PCEO, Datuk Seri Ahmad Zaini Othman, focuses on the business, operations and organisational issues and implementing Board's decision.</p> <p>The Chairman and the rest of the Board members are responsible for setting the policy framework within which the Management is to work. The Chairman leads the Board's collective effort in monitoring the performance of Management in meeting the corporate goals and objectives. The Chairman 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 MBSB Group and MBSB Bank. The Boards entrust the Group PCEO in making sure that all decisions, directions, policies and/or instructions approved by the Boards are carried out by Management in a timely and efficient manner. The Group PCEO carries the primary responsibility in ensuring management competency, including the emplacement of an effective succession plan to sustain continuity. The Group PCEO is responsible for keeping the Board fully informed of all important aspects of the Group's operations and ensuring that sufficient information is distributed to the Boards.</p>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<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. They are Associate members of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") and holding a valid Practicing Certificate of Secretary issued by the Companies Commission of Malaysia. The Company Secretaries also possess legal qualification, which allows them to execute their responsibilities effectively.</p> <p>The Company Secretaries constantly keep themselves updated with regulatory requirements changes through attendance at relevant conferences and training programmes. The Company Secretaries have fulfilled the Mandatory Continuing Professional Development requirements imposed by MAICSA and Companies Commission of Malaysia.</p> <p>The appointment and changes in the Company Secretaries are subject to the Board's approval.</p> <p><b><u>Company Secretaries Responsibility</u></b></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. The Company Secretaries are also responsible for facilitating new Directors' induction and assisting in the Director's training and development</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, Bursa Malaysia's Main Market Listing Requirements ("MMLR"), The Malaysian Code on Corporate Governance ("MCCG") and the BNM Corporate Governance Guidelines.</p>

The responsibilities of the Company Secretaries include ensuring that the Directors have access to the knowledge and training they need. The Company Secretaries assist the NRC in assessing and evaluating the board members' training needs on an annual basis to ensure the Board members are equipped with the necessary knowledge and updated with the evolving market, regulatory changes and development affecting MBSB.

The Company Secretaries are also involved in organising general meetings and ensuring 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.

The Company Secretaries ensure that deliberations at Board and Board Committees meetings are well documented and communicated to the relevant Management members for appropriate action. The Company Secretaries also update the Board and Board Committees on the follow-up of its decisions.

To ensure that information flow smoothly between the Management and the Board, the Company Secretary is also appointed as the Secretary of several Management-led Committees, as follows:

**MBSB:**

- Management Committee (“MANCO”)
- Credit and Rehabilitation Assessment Committee (“CARAC”)
- Asset Liability Committee (“ALCO”)

**MBSB Bank:**

- Management Committee (“MANCO”);
- Management Investment and Credit Committee (“MICC”);
- Asset Liability Committee (“ALCO”)
- Capital Management Committee (“CMC”) – a subset of ALCO

**2020 activities**

During the year, the Company Secretaries had facilitated the orientation/induction programmes for the new directors of MBSB and MBSB Bank who were appointed on 2 March 2020 and 5 May 2020, respectively. The Company Secretary and the relevant Management team members gave briefings to familiarise the new Directors with the business and operations of the Group.

The Company Secretaries had arranged for the Directors of MBSB and MBSB Bank to attend the Financial Institutions Directors Education Programme (“FIDE”) and International Shari’ah Research Academy for Islamic Finance (“ISRA”) training as required by BNM.

The Company Secretaries had also arranged for the newly appointed Director at MBSB to attend the Mandatory Accreditation Programme

	<p>("MAP") in April 2020, which was within four (4) months from the date of appointment.</p> <p>All Board members have full access to the advice and services of the Company Secretaries. The Board is satisfied with the Company Secretaries' performance and support to the Board in discharging its functions.</p> <p>During the year, the Boards were updated with the amendments to the MMLR in relation to the Anti-Corruption Measures and correspondence from Bursa Malaysia and also Securities Commission's guidelines on the conduct of Directors of Listed Issuers and its subsidiaries.</p> <p>In 2020, the Company Secretaries also assisted the Board and NRC in the planning succession planning of the Board, reappointment of directors, Board remuneration and also the succession planning for the key management in MBSB Group.</p> <p>The Company Secretaries had also facilitated the Board Effectiveness Assessment conducted by the external consultant in 2020.</p>
<p><b>Explanation for departure</b></p>	<p>:</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>:</p>
<p><b>Timeframe</b></p>	<p>:</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 1.5

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>To facilitate the Directors' time planning, the annual meeting calendar is prepared and circulated in advance of each new year. The Board Charter of MBSB and MBSB Bank require the agenda and the meeting papers relevant to the business of the meeting to be circulated to all Directors on a timely basis to allow Directors to have ample time to review matters to be deliberated at the meeting and to facilitate informed decision-making. For proposals not fulfilling the agreed timeline for submission of papers, the Directors have the discretion to decide whether to deliberate on these papers, based on the importance and urgency of the proposals.</p> <p>The Boards are conscious of the environmental impact and have agreed to go paperless for all Board and Board Committee meetings, and the same applies to the meetings for the Management Committees as well. To this end, digital copies of the meeting papers are circulated to the Board, Board Committees and Management Committees instead of hard copies. The digital copies of the meeting papers are uploaded to a secured system to allow easy access to documents in a timely and more efficient manner.</p> <p>Deliberation and decision of the Boards and Board Committees are well documented in the minutes, including matters where Directors are required to abstain from voting and deliberation. The Board's decisions are communicated to the Management within one (1) business day after the meeting for appropriate actions.</p> <p>The Company Secretaries will follow up on the status of actions and update the Boards and Board Committees at the subsequent meetings until the matter is eventually resolved.</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 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 Boards are guided by the Board Charter, which clearly identifies the Board's role, duties and responsibilities, as well as the processes and procedures to ensure the effectiveness and efficiency of the Board and its Committees.</p> <p>The Board Charter of MBSB clearly identifies the respective roles and responsibilities of the Board, individual directors, Senior Independent Director, Chairman and Group PCEO. Matters reserved for the Board have been clearly specified in Paragraph 2.1.3 of the Board Charter.</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, and amended rules and regulations of the relevant authorities. In 2020, the Board of MBSB Bank had reviewed and enhanced its Board Charter to incorporate the following:-</p> <ol style="list-style-type: none"><li>a. Board's responsibilities on Shariah Governance in line with BNM's Policy Document on Corporate Governance;</li><li>b. Board's responsibilities on oversight roles on the activities of Integrity Governance Unit ("IGU") issued by the Malaysian Anti-Corruption Commission ("MACC"); and</li><li>c. Inclusion of Board Information Technology Oversight Committee ("BITC") as a Board Committee.</li></ol> <p>The roles and responsibilities for the Board Committees and Management Committees are set out in the TOR of each of the Committee. The TOR for the NRC and AC is available on MBSB's website at: <a href="https://www.mbsb.com.my/corporate_governance.html">https://www.mbsb.com.my/corporate_governance.html</a>.</p> <p>The Approving Authority ("AA") Manual for MBSB Bank was reviewed from time to time to reflect the necessary changes in the internal process and regulatory requirement to ensure operational efficiency and readiness.</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>All Directors are always required to act honestly and use reasonable care and diligence in discharging their duties and avoiding any conflict of interest. The Boards have established the Code of Ethics for Directors in line with the practices in the MCCG. The Directors observe the Code of Ethics in the performance of their duties and are fully subscribed to highly ethical standards considering the interest of all stakeholders. The Code of Ethics for Directors of MBSB is available on MBSB's website at <a href="https://www.mbsb.com.my/Code_of_Ethics_Directors.pdf">https://www.mbsb.com.my/Code_of_Ethics_Directors.pdf</a>.</p> <p>The Code of Ethics for Directors has been enhanced in 2020 to incorporate the recommendations from the Securities Commission's Guidelines on Conduct of Directors of Listed Corporations and their Subsidiaries and Financial Services Professional Board.</p> <p>The Boards have also established a Directors' Conflict of Interest Policy to provide a systematic mechanism for disclosing potential and actual conflict of interest. A Director who is interested in certain transactions is required to abstain from any reporting, discussion or vote on issue that gives rise to the conflict. The interested Director is required to be absent from the meeting during such deliberations. The Company Secretary shall record each Director's conflict of interest disclosed in the minutes of the said meeting.</p> <p>The Directors' Conflict of Interest Policy was reviewed and enhanced in December 2020 to ensure uniformity of the policies and guidelines applied across the MBSB Group. Clauses were enhanced in line with the recommendations from the Securities Commission's Guidelines on Conduct of Directors of Listed Corporations and BNM Corporate Governance Guide.</p> <p>The Group has also established the Code of Ethics and Conduct for employees, the Complaint Handling and Management Policies and Procedures, as well as the Whistleblowing Policies and Procedures, to set the standards of behaviour expected of its employees and to</p>

encourage employees to report on suspected fraud, misconduct behaviour and/or violations of the Code of Conduct and Ethics as well as any other directives or policies issued by the Group from time to time. This is to support the Group's values in upholding the highest standard of personal and professional integrity, ensure employees can raise concerns without fear of reprisals, and provide a transparent and confidential process for dealing with genuine concerns on safeguarding interests of the Group.

To ensure adherence to the guidelines, the Management of MBSB and MBSB Bank have taken steps to establish an effective monitoring process. All staff are required to observe the principles and uphold the corresponding conduct to achieve a high standard of professionalism and ethics in the conduct of the Bank's business and professional activities. The Code is divided into two (2) areas:

1. Code of Ethics - outlines MBSB Bank's set of principles that guides decision making.
2. Code of Conduct - outlines specific behaviours and conduct required or prohibited within the Bank as a condition of on-going employment and the expected conduct in employees' interaction with various key stakeholders.

Adherence to the Code is a condition of employment with MBSB Bank. Each employee shall execute a declaration signifying their agreement to comply with the terms and requirements of the Code by signing the "Employee Declaration of Compliance".

The Code of Conduct and Ethics for employees is to be reviewed annually or as and when required. The Code of Conduct and Ethics was last reviewed in 2020 with no change required.

MBSB has established an Integrity Governance Unit ("IGU") for MBSB Group. The main purpose of IGU is to ensure honest work culture amongst the employees, including members of Senior Management and the Board and to combat bribery, corruption and abuse of power. The Head of IGU reports directly to the Board on matters regarding integrity issues and activities carried out in relation to adequate procedures within the Group. The IGU Officer reports to Chief Compliance Officer for day-to-day administration.

The Group does not tolerate any form of bribery, corruption and abuse of power. The Fraud and Corruption Control Policies and Procedures was implemented to manage the risk of fraud and corruption within the Group. The Fraud and Corruption Control Policies and Procedures should be read together with the Complaint Handling and Management Policies and Procedures as well as the Whistleblowing Policies and Procedures.

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 the prevention and detection of fraud and fraud discovery reporting and the procedures and processes MBSB Bank will take in respect of employees involved in fraudulent acts. The Fraud and Corruption Control Policies and Procedures are accessible to all employees via the intranet, and the employees had been notified on how to access it.

In 2020, MBSB Group adopted a new Integrity and Anti-Bribery, Corruption & Abuse of Power Policy for the Group, which complies with the 'Guideline for the Management of Integrity & Governance Unit' issued by the Malaysian Anti-Corruption Commission (MACC) and 'Guidelines on Adequate Procedures' issued by the Prime Minister's Department. It also defines the scope and roles of IGU and other relevant functions within the Group in carrying out their duties to prevent, detect and correct all instances of bribery, corruption and abuse of power as part of implementing adequate measures to enhance and uphold a high integrity culture.

In 2020, MBSB Bank had commenced the process to obtain the Integrity Pledge from all business partners and suppliers, newly appointed or those who renewed their services with the Bank.

The Group has also established the Anti-Money Laundering and Counter Financing of Terrorism ("AML/CFT") Policies & Procedures, which is part of the Group's Compliance policy. The Group 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. The Compliance Division carries out regular checks and training to ensure that the employees are fully aware and committed to discharging their obligations. The framework was last reviewed in June 2020 to incorporate and revise clauses based on the updated Bank Negara Malaysia Guideline - Anti Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions (AML/CFT and TFS for FIs).

The Group has established the Related Party Transactions Policies that outlines the roles and responsibilities expected of the Management and the Board of Directors as well as other relevant divisions or departments within the Group. It provides guidance on transactions that involve related parties and ensuring that such transactions are conducted at an arm's length basis and in accordance with good governance, as well as with appropriate disclosures.

Corporate Disclosure Policy was established 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 one (1) full market day from the announcement date.

	The Group has since established a guideline on handling confidential and sensitive information or documents. Officers and personnel privy to the confidential material information must sign a Non-Disclosure Agreement to ensure that they keep the confidential information secret and avoid any misappropriation or misuse of such confidential information.	
<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>As highlighted in Practice 3.1, the Group has in place the Complaint Handling and Management Policies and Procedures as well as the Whistleblowing Policies and Procedures to provide an avenue for the employees and members of the public or any external party 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 whistleblower will not be at the risk of reprisal due to raising the concerns. The policy also provides a secure, convenient channel and protects the confidentiality of the employees who make the report. The Whistleblowing Policy is periodically communicated to employees to increase awareness.</p> <p>The Whistleblowing Policy and Procedures is reviewed every two (2) years or as and when required. The Whistleblowing Policy and Procedures was last reviewed in November 2019 and will be reviewed in 2021.</p> <p>According to the Whistle Blowing Policies and Procedures, the whistle blowing reports shall be forwarded in the following manner:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;">Complaint against</th> <th style="width: 40%;">Report to</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> <li>• Chairman of MBSB</li> <li>• Members of the Board of MBSB (other than Chairman of the AC)</li> <li>• PCEO</li> <li>• Employee</li> </ul> </td> <td style="vertical-align: top;">Chairman of MBSB AC</td> </tr> <tr> <td> <ul style="list-style-type: none"> <li>• Chairman of MBSB AC</li> </ul> </td> <td style="vertical-align: top;">Chairman of MBSB</td> </tr> </tbody> </table> <p>Whistle blowing by members of the public or any external party (including those received via the Customer Experience Management Department) will be channelled to the Chairman of MBSB or Chairman of the AC. The investigation and deliberation process would be completed within one (1) month from the day the report is received.</p>	Complaint against	Report to	<ul style="list-style-type: none"> <li>• Chairman of MBSB</li> <li>• Members of the Board of MBSB (other than Chairman of the AC)</li> <li>• PCEO</li> <li>• Employee</li> </ul>	Chairman of MBSB AC	<ul style="list-style-type: none"> <li>• Chairman of MBSB AC</li> </ul>	Chairman of MBSB
Complaint against	Report to							
<ul style="list-style-type: none"> <li>• Chairman of MBSB</li> <li>• Members of the Board of MBSB (other than Chairman of the AC)</li> <li>• PCEO</li> <li>• Employee</li> </ul>	Chairman of MBSB AC							
<ul style="list-style-type: none"> <li>• Chairman of MBSB AC</li> </ul>	Chairman of MBSB							

	The AC Chairman may inform the whistleblower of the result of the investigation at his discretion.	
	Similar policies have been established at the MBSB Bank level.	
<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>	:	<p>Having a majority of Independent Directors on the Board can bring expertise and objectivity, which would assure that the Group is effectively managed and in the best interest of stakeholders. As at 31 December 2020, the Board of MBSB and MBSB Bank was made up of 66.67% and 70.00% Independent Directors, respectively. The Board composition was as follows:</p> <table border="1"><thead><tr><th rowspan="2">Designation</th><th colspan="2">MBSB</th><th colspan="2">MBSB Bank</th></tr><tr><th>Number of Directors</th><th>Percentage (%)</th><th>Number of Directors</th><th>Percentage (%)</th></tr></thead><tbody><tr><td>Non-Independent Executive Director</td><td>1</td><td>16.67</td><td>1</td><td>10.00</td></tr><tr><td>Non-Independent Non-Executive Director</td><td>1</td><td>16.67</td><td>2</td><td>20.00</td></tr><tr><td>Independent Non-Executive Director</td><td>4</td><td>66.67</td><td>7</td><td>70.00</td></tr><tr><td>Total</td><td>6</td><td>100.00</td><td>10</td><td>100.00</td></tr></tbody></table> <p>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 fulfils the requirement of Bursa Malaysia for one-third of Board members to be independent and contributes towards greater impartiality and objectivity in the Board's decision-making process.</p> <p>Each Independent Director is required to submit an annual declaration of their independence. The Board, through the NRC, will assess the Independent Directors annually. The following are considered when assessing independence:</p> <ul style="list-style-type: none"><li>• Fulfilment of all criteria under definition of Independent Director as stated in Bursa Malaysia's MMLR;</li></ul>	Designation	MBSB		MBSB Bank		Number of Directors	Percentage (%)	Number of Directors	Percentage (%)	Non-Independent Executive Director	1	16.67	1	10.00	Non-Independent Non-Executive Director	1	16.67	2	20.00	Independent Non-Executive Director	4	66.67	7	70.00	Total	6	100.00	10	100.00
Designation	MBSB			MBSB Bank																											
	Number of Directors	Percentage (%)	Number of Directors	Percentage (%)																											
Non-Independent Executive Director	1	16.67	1	10.00																											
Non-Independent Non-Executive Director	1	16.67	2	20.00																											
Independent Non-Executive Director	4	66.67	7	70.00																											
Total	6	100.00	10	100.00																											

- Ability to function as a check and balance and bring an element of objectivity to the Board;
- Ability to constantly challenge the Management effectively and constructively;
- Actively participate and provide independent advice in all Board/Board Committees discussion; and
- Ability to act in the best interests of the Company and the Group.

The Board of MBSB is satisfied with the results of the FY2020 independence assessment of the Directors. The outcome indicated that the Independent Directors are independent of management and free of any interest, position, association, or other relationship that might materially influence their capacity to act objectively in the Group and its stakeholders' best interests.

A similar process is also carried out at the Bank to determine directors independence.

**MBSB**

As at 31 December 2020, the Board of MBSB is made up of the following Directors:

#	Name of Director	Designation
1	Tan Sri Abdul Halim bin Ali	Chairman, Non-Independent Non-Executive Director
2	Encik Lim Tian Huat	Senior Independent Non-Executive Director
3	Ir. Moslim bin Othman	Independent Non-Executive Director
4	Puan Lynette Yeow Su-Yin	Independent Non-Executive Director
5	Puan Zaidatul Mazwin binti Idrus*	Non-Independent Executive Director
6	Encik Mohamad Abdul Halim bin Ahmad <i>(appointed on 2 March 2020)</i>	Independent Non-Executive Director

**\* Note:**

Puan Zaidatul Mazwin binti Idrus does not hold any executive position in MBSB and does not have any management responsibilities in MBSB. Her designation as Non-Independent Executive Director of MBSB is pursuant to the definition of “Executive Director” in BNM’s Guidelines on Corporate Governance, which defines “Executive Director” as a director of a financial institution who has management responsibilities in the financial institution or any of its affiliates. EPF is an affiliate of MBSB, and Puan Zaidatul Mazwin binti Idrus has management responsibilities in EPF.

The Board of MBSB comprises six (6) Directors of whom four (4) are Independent Non-Executive Directors; one (1) Non-Independent Non-Executive Director; and one (1) Non-Independent Executive Director.

The Independent Directors at MBSB constitute 66.67% of the Board, exceeding Bursa Malaysia's MMLR of one third (33.3%) and MCGG requirement of at least half (50.0%).

As at 28 April 2021, the composition of the Board of MBSB are as follows:-

1. Tan Sri Azlan bin Zainol (Chairman, Non-Independent Non-Executive Director) (Appointed on 1 March 2021)
2. Encik Lim Tian Huat (Non-Independent Non-Executive Director) (Redesignated on 7 February 2021)
3. Puan Lynette Yeow Su-Yin (Senior Independent Non-Executive Director) (Redesignated on 7 February 2021)
4. Ir. Moslim bin Othman (Independent Non-Executive Director)
5. Encik Mohamad Abdul Halim bin Ahmad (Independent Non-Executive Director)

Note:-

1. Tan Sri Abdul Halim bin Ali (Resigned on 6 February 2021)
2. Puan Zaidatul Mazwin binti Idrus (Resigned on 6 February 2021)

#### **MBSB Bank**

As at 31 December 2020, the Board of MBSB Bank is made up of the following Directors:

#	Name of Director	Designation
1	Tan Sri Abdul Halim bin Ali	Chairman, Non-Independent Non-Executive Director
2	Encik Szalizi Bin Zainuddin*	Non-Independent Executive Director
3	Encik Aw Hong Boo	Senior Independent Non-Executive Director
4	Datuk Johar bin Che Mat	Independent Non-Executive Director
5	Puan Lynette Yeow Su-Yin	Independent Non-Executive Director
6	Tunku Alina Binti Raja Muhd Alias	Non-Independent Non-Executive Director
7	Datuk Azrulnizam bin Abdul Aziz	Independent Non-Executive Director
8	Dr. Loh Leong Hua	Independent Non-Executive Director
9	Encik Kamarulzaman Ahmad	Independent Non-Executive Director

	<table border="1"> <tr> <td data-bbox="571 181 635 309">10</td> <td data-bbox="635 181 981 309">Encik Arul Sothy Mylvaganam (<i>appointed on 5 May 2020</i>)</td> <td data-bbox="981 181 1412 309">Independent Non-Executive Director</td> </tr> </table>	10	Encik Arul Sothy Mylvaganam ( <i>appointed on 5 May 2020</i> )	Independent Non-Executive Director
10	Encik Arul Sothy Mylvaganam ( <i>appointed on 5 May 2020</i> )	Independent Non-Executive Director		
	<p><b>* Note:</b> Encik Szaliza Bin Zainuddin does not hold any executive position in MBSB Bank and does not have any management responsibilities in MBSB Bank. His designation as Non-Independent Executive Director of MBSB Bank is pursuant to the definition of “Executive Director” in BNM’s Guidelines on Corporate Governance, which defines “Executive Director” as a director of a financial institution who has management responsibilities in the financial institution or any of its affiliates. EPF is an affiliate of MBSB Bank, and Encik Szaliza Bin Zainuddin has management responsibilities in EPF.</p> <p>The Board of MBSB Bank comprises ten (10) Directors of whom seven (7) are Independent Non-Executive Directors; two (2) Non-Independent Non-Executive Director; and one (1) Non-Independent Executive Director.</p> <p>The Independent Directors at MBSB Bank constitute 70% of the Board, exceeding the BNM’s CG Guidelines, MCCG recommendation and Bursa Malaysia’s MMLR.</p> <p>As at 28 April 2021, the composition of the Board of MBSB Bank are as follows:-</p> <ol style="list-style-type: none"> <li>1. Tan Sri Azlan bin Zainol (Chairman, Non-Independent Non-Executive Director) (Appointed on 1 March 2021)</li> <li>2. Encik Aw Hong Boo (Senior Independent Non-Executive Director)</li> <li>3. Datuk Johar bin Che Mat (Independent Non-Executive Director)</li> <li>4. Puan Lynette Yeow Su-Yin (Independent Non-Executive Director)</li> <li>5. Tunku Alina Binti Raja Muhd Alias (Independent Non-Executive Director)</li> <li>6. Datuk Azrulnizam bin Abdul Aziz (Independent Non-Executive Director)</li> <li>7. Encik Kamarulzaman Ahmad (Independent Non-Executive Director)</li> <li>8. Encik Arul Sothy Mylvaganam (Independent Non-Executive Director)</li> </ol> <p>Notes:-</p> <ol style="list-style-type: none"> <li>1. Tan Sri Abdul Halim bin Ali (Resigned on 6 February 2021)</li> <li>2. Encik Szaliza Bin Zainuddin (Resigned on 6 February 2021)</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>				

<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 4.2

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>During the year in review, Encik Lim Tian Huat's tenure as Independent Director has reached nine (9) years on 2 April 2020.</p> <p>The NRC has assessed the independence of Encik Lim Tian Huat in March 2020 and recommended him to continue to act as a Senior 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>He has fulfilled the criteria under definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad 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>He has vast experience in accounting, finance and insolvency fields and was able to provide constructive and independent judgment for the benefits of the business;</li><li>He constantly challenges the Management effectively and constructively; and</li><li>He actively participated in board discussions and provided an independent voice on the Board.</li></ol> <p>The Board had considered NRC's recommendation and recommended to the shareholders to approve the resolution to retain Encik Lim Tian Huat as Senior Independent Non-Executive Director of MBSB in the AGM on 30 June 2020 and the resolution was duly passed.</p>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<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.

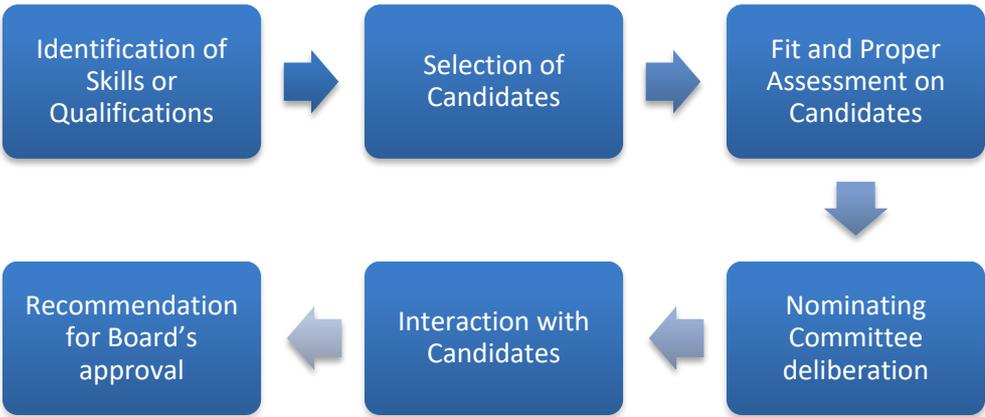
<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

**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.

<p><b>Application</b> :</p>	<p>Applied</p>
<p><b>Explanation on application of the practice</b></p>	<p>The Boards recognise and embrace the benefits of having a diverse Board to ensure that the Board can perform effectively by providing the necessary range of perspectives, experience and expertise. The Boards are committed to Board diversity and, at the same time, will ensure that all appointments to the respective Boards are made based on merits while considering the needs and circumstances, the present size of the Board, suitability for the role, skills, experience, knowledge, experience and diversity.</p> <p><b>Board appointment</b> The Board has established a formal and transparent procedure for the appointment of new directors. The process of appointment is detailed out is as follows:</p>  <pre> graph TD     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]     D --&gt; E[Interaction with Candidates]     E --&gt; F[Recommendation for Board's approval]     </pre> <p>A Board Skill Matrix was used to understand the capabilities and personal attributes of the existing Board members and use as a reference when considering the new appointment of directors. The NRC and BNRC have carried out the Fit and Proper Assessment on the candidates prior to recommending them to the Board for approval.</p> <p>The Fit and Proper Policy outlined the criteria for the assessment of the suitability of the candidates for Directorship, the re-election of Directors and appointment/renewal of contracts for the Group PCEO, the C-Suite and the Company Secretary:</p> <ul style="list-style-type: none"> <li>• Probity, personal integrity and reputation - the person must have the personal qualities such as honesty, integrity, diligence, independence of mind and fairness.</li> <li>• Competence and capability - the person must have the necessary skills, experience, ability and commitment to carry out the role.</li> </ul>

- Financial integrity - the person must manage his debts or financial affairs prudently.

In March 2020, the NRC and BNRC had conducted a Fit and Proper Review and Assessment on the Group PCEO, “C” Suites and the Company Secretary of the Group. The “C” Suites include the Deputy Chief Executive Officer, the Chief Financial Officer, the Chief Compliance Officer, the Chief Internal Auditor, the Chief Risk Officer, the Chief People Officer, the Chief Operating Officer, the Chief Technology Officer, the Chief Corporate Officer and Chief Strategic Officer. They were satisfied that all of them fulfilled the abovesaid requirements under the Fit and Proper Policy.

### **Board Composition**

#### a) Board Size

Through their respective NRC and BNRC, the Boards review the Board and Board committees' composition every year or as and when required. In FY2020, the Board composition of MBSB and MBSB Bank has been reviewed in conjunction with the Board Effectiveness Evaluation to assess the optimum size and the required diversity. The Boards agreed that the current Board sizes are optimum to enable effective oversight and delegation of responsibilities and active participation.

#### b) Board Diversity

The Boards have 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 Board members in various disciplines and professions allows the Boards to address and/or resolve the various issues effectively and efficiently. A brief description of MBSB and MBSB Bank’s Board members' background and experience is disclosed in the Directors Profile section of the Integrated Annual Report 2020.

### **Changes to the Board Composition in FY2020**

Following the board composition review in 2019, which highlighted the need to appoint director who possesses IT, Accounting or Auditing experience, MBSB has appointed Encik Mohamad Abdul Halim bin Ahmad as an Independent Non-Executive Director on 2 March 2020. Encik Halim is an Associate Member of the Institute of Chartered Accountants England & Wales (“ICAEW”) and also a member of the Malaysian Institute of Accountants (“MIA”).

At the Bank level, the Board appointed Encik Arul Sothy Mylvaganam on 5 May 2020 as an Independent Non-Executive Director of MBSB Bank. Encik Arul is a Fellow of the Association of Chartered Certified Accountants, UK (“ACCA”) and a Fellow of Certified Public Accountants, Australia.

The Boards had assessed the Board composition of MBSB and MBSB Bank during the Board Effectiveness Evaluation in 2020. The Boards views the current Board composition favourably and believe that there is a good balance in experience and expertise. However, the Boards are of the view that there will be a need to appoint a director with banking experiences to enhance Board diversity and for succession

	<p>planning. Both NRC and BNRC have been assigned to look for a suitable candidates with the necessary skills.</p> <p>The NRC and BNRC had in 2020 also reviewed the succession planning for the Chairman of the Boards. On 1 March 2021, MBSB and MBSB Bank has appointed Tan Sri Azlan bin Mohd Zainol (“Tan Sri Azlan”) as Chairman/ Non-Independent Non-Executive Director in place of Tan Sri Halim bin Ali who had stepped down on 6 February 2021. Tan Sri Azlan has more than 30 years of experience in the financial sector. Tan Sri Azlan also represents the Employees Provident Fund Board.</p> <p>The NRC and BNRC have also during the year proposed changes to the Board and Board Committees composition in tandem with the appointment of the new directors at MBSB and MBSB Bank.</p> <p>The performance of Shariah Advisory Committee (“SAC”) for year 2019 was also reviewed by BNRC of the Bank in April 2020.</p>
<p><b>Explanation</b> :</p> <p><b>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>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Boards noted the importance to promote gender diversity. The standard selection criteria based on a compelling blend of competencies, skills, extensive experience and knowledge to strengthen the Board should remain a priority. On that end, MBSB and MBSB Bank are guided by the Boardroom Diversity Policy in which the selection of Board candidates is based on merits and contributions that the selected candidate will bring to the Board. The NRC is responsible for ensuring that gender diversity objectives are adopted in the board recruitment and succession planning process.</p> <p>For MBSB, as at 31 December 2020, two (2) out of six (6) directors are women Directors, namely Puan Lynette Yeow Su-Yin and Puan Zaidatul Mazwin binti Idrus, which constitute 33.33% of 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

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 Boards of MBSB and MBSB Bank have in the past obtained the curriculum vitae of the potential director candidates through various sources, including recommendations from existing board members, industry talent pool, independent search firms and independent directors' network.</p> <p>The shortlisted candidates would be recommended to the NRC and BNRC for evaluation. The NRC and BNRC would also carry out the Fit and Proper Assessment of the candidates. An interaction session with the identified candidates would be carried out by the members of the NRC and BNRC prior to making the recommendation to the Boards for approval.</p> <p>The candidates are expected to commit sufficient time to carry out their role as a Director and, where applicable, as a board committee member. 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>
<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 4.7**

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 NRC is chaired by Ir. Moslim Bin Othman. He is an Independent Non-Executive Director of MBSB.</p> <p>At the MBSB Bank level, the BNRC is chaired by Datuk Johar bin Che Mat, an Independent Non-Executive 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> :	Applied
<b>Explanation on application of the practice</b>	<p>On an annual basis, the NRC and BNRC review the effectiveness of the Board and the Board Committees as well as the performance of individual Directors.</p> <p>In 2020, with NRC/ BNRC's recommendation, the Boards had appointed FIDE FORUM, an independent external party to conduct Board Effectiveness Evaluation on MBSB and MBSB Bank. The Board Effectiveness Evaluation was conducted jointly by FIDE FORUM and PricewaterhouseCoopers.</p> <p>The Board Effectiveness Evaluation approach was as follows:-</p> <ol style="list-style-type: none"><li>1. Customised questionnaire to assess the Board's, Board Committees' and individual Directors' performance and leadership qualities</li><li>2. Structured one-to-one Conversations with all Directors to obtain views on key strengths and areas for improvement</li><li>3. One-to-one Conversations with selected members from the Management Team to obtain views on Board-Management interaction</li><li>4. Key evaluation parameters have taken into account matters specific to Islamic Finance and includes critical areas for FI Board's oversight such as Crisis Management and Business Continuity, Digitalisation/Technology and Non-Financial Reporting.</li><li>5. Comprehensive (includes Leadership Competencies &amp; Traits, Shared Values and Purpose at the Board level)</li><li>6. The Questionnaire and Conversation Points with Directors were developed to meet the broad objectives of corporate governance codes and guidelines.</li></ol> <p>The evaluation covers the following key areas:-</p> <p><b><u>Board and Board Committee effectiveness</u></b></p> <ol style="list-style-type: none"><li>a. Overall Board Effectiveness</li><li>b. Board Responsibilities</li><li>c. Board Composition</li><li>d. Board Remuneration</li><li>e. Board Committees</li><li>f. Board Culture</li><li>g. Chairman</li><li>h. President &amp; Chief Executive Officer</li><li>i. Board Administration and Process</li></ol>

j. Board Education

**Directors' Self and Peer Effectiveness**

- a. Board Dynamics and Participation
- b. Leadership, Integrity and Objectivity
- c. Knowledge and Expertise

Upon the completion of the questionnaire and interviews with the directors and key management personnel, FIDE FORUM had presented the findings to the NRC/BNRC and subsequently to the Boards.

FIDE FORUM has also proposed a Board Enhancement Programme to address some of the observations and weaknesses highlighted in the Board Effectiveness Evaluation Report. The Board Enhancement Programme was tabled to NRC/BNRC for discussion and refinement and subsequently adopted by the respective Boards. The Board Enhancement Programme would be monitored by the NRC/BNRC and updated to the respective Boards on a periodic basis to ensure that the actions are addressed effectively.

The key areas for enhancement highlighted on the Board Enhancement Programme are as follows:-

**MBSB**

- 1. Continued focus on enhancing talent and capability in the organisation
- 2. Sharpening focus on strategic matters and challenges
- 3. Oversight of Bank on strategy and operations
- 4. Enhancing Board Management interactions
- 5. Enhancing Board composition
- 6. Management KPIs
- 7. Establish more channels for Stakeholder engagement
- 8. Enhance onboarding process
- 9. Board training and education

**MBSB Bank**

- 1. Consideration of ESG, including VBI and Shariah principles into strategy
- 2. Succession planning for Senior Management and talent management
- 3. Sharpening focus on strategic matters and challenges
- 4. Enhancing Board Management interactions
- 5. Enhancing Board composition
- 6. Enhancing oversight of KPIs
- 7. Establish more channels for Stakeholder engagement
- 8. Enhance onboarding process
- 9. Board training and education

The fit and proper assessments were also conducted annually to ensure that the Directors fulfil the fit and proper criteria at all times.

The Boards are satisfied with the level of commitment given by the Directors during the year 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 2020 was commendable.

In 2020, there were 26 and 28 Board meetings convened at MBSB's and MBSB Bank's Board respectively. All the Directors have complied with the minimum Board meeting attendance of 75% under BNM's CG Guidelines and as adopted by the Group.

The details of the Directors' attendance for the Board and/or Board Committee Meetings are presented below:

**MBSB:**

·	Name of Director	Attendance at Meetings				Option Committee
		Board	AC	RMC	NRC	
1	Tan Sri Abdul Halim bin Ali	26/26 (100%)				No Option Committee Meeting was held during the financial year 2020
2	Encik Lim Tian Huat	26/26 (100%)	11/11 (100%)	9/9 (100%)	12/12 (100%)	
3	Ir. Moslim bin Othman	26/26 (100%)	2/2 (100%)	9/9 (100%)	12/12 (100%)	
4	Puan Lynette Yeow Su-Yin	26/26 (100%)	11/11 (100%)	2/2 (100%)	12/12 (100%)	
5	Puan Zaidatul Mazwin Idrus	25/26 (96%)				
6	Encik Mohamad Abdul Halim bin Ahmad	23/23 (100%)	9/9 (100%)	7/7 (100%)		

**MBSB Bank:**

#	Name of Director	Attendance at Meetings					
		Board	BAC	BRMCC	BNRC	BICC	BITC
1	Tan Sri Abdul Halim bin Ali	28/28 (100%)					
2	Encik Aw Hong Boo	28/28 (100%)	17/17 (100%)	4/4 (100%)	18/18 (100%)		
3	Encik Szaliza bin Zainuddin	28/28 (100%)				20/20 (100%)	
4	Datuk Johar bin Che Mat	28/28 (100%)			18/18 (100%)	20/20 (100%)	
5	Puan Lynette Yeow Su-Yin	28/28 (100%)			18/18 (100%)	20/20 (100%)	
6	Tunku Alina Binti Raja Muhd Alias	27/28 (96%)	17/17 (100%)	17/17 (100%)			

7	Datuk Azrulnizam bin Abdul Aziz	28/28 (100%)				20/20 (100%)	11/11 (100%)
8	Dr. Loh Leong Hua	28/28 (100%)	17/17 (100%)	17/17 (100%)			11/11 (100%)
9	Encik Kamarulzaman bin Ahmad	27/28 (96%)		17/17 (100%)			11/11 (100%)
	Encik Arul Sothy Mylvaganam	20/20 (100%)	11/11 (100%)	13/13 (100%)			

The NRC and BNRC are also responsible in accessing and recommending the retiring director for re-election at the forthcoming AGM for both MBSB and the Bank.

The provision on retirement of Directors are provided in the Constitution of MBSB as follows:

Clause No.	Description
90	The Board shall have power from time to time and at any time to appoint any person to be a director, either to fill a casual vacancy or as an addition to the Board, provided that the total number of directors shall not exceed the prescribed maximum. A director so appointed shall hold office only until the next annual general meeting, and shall be then be eligible for re-election.
100	At each AGM, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to one third, shall retire from office at the conclusion of the meeting PROVIDED ALWAYS 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.
101	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 Ir. Moslim bin Othman who are subject to re-election at the forthcoming AGM. The NRC is satisfied with the performance and the contribution by Ir. Moslim bin Othman to the Board and had recommended the Board for decision on the proposed re-election of the Directors concerned for shareholders' approval at the forthcoming AGM.

The newly appointed director i.e. Tan Sri Azlan bin Mohd Zainol , Encik Szalaza bin Zainuddin and Dr. Loh Leong Hua are subject to re-election at the forthcoming AGM in accordance with Clause 90 of the Company's Constitution.

The Boards through NRC and BNRC have also evaluated and identified the training needs of each Director and approve the training needs for 2020. The Boards have 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.

The Directors have attended various programmes, conferences, seminars, dialogues focusing on Corporate Governance, Directors Responsibilities, Islamic Financing, Accounting, Investment, Business Sustainability and Risk Management.

The Company Secretaries had also arranged for the Directors of MBSB and Bank to attend the FIDE Programme and Islamic Finance for Board of Directors Training Programme ("IF4BOD") organised by International Shari'ah Research Academy ("ISRA") as required by BNM.

The list of programmes, conferences, seminars or dialogues attended by each Director of MBSB and MBSB Bank are as follows:

<b>Tan Sri Abdul Halim bin Ali</b>		<b>Organiser</b>
1.	Corporate Liability and AMLA Training (2nd session) (4 June 2020)	MBSB Bank Berhad
2.	4th Distinguished Board Leadership Series: Risks: A Fresh Look from the Board's Perspective (8 July 2020)	FIDE FORUM
3.	Managing Political Risk (25 August 2020)	FIDE FORUM
4.	Cybersecurity Awareness Programme for Board of Directors (12 October 2020)	MBSB Bank Berhad
5.	Expectations of the new BNM Shariah Governance Policy 2019 & Shariah Training: Cash Wakaf (12 October 2020)	MBSB Bank Berhad
6.	5th Distinguished Board Leadership Webinar Climate Action: The Board's Leadership in Greening the Financial Sector (2 November 2020)	FIDE FORUM
7.	Integrated Reporting Workshop (3 December 2020)	MBSB Bank Berhad

<b>Encik Lim Tian Huat</b>		<b>Organiser</b>
1.	Corporate Liability and AMLA Training (1st session) (28 May 2020)	MBSB Bank Berhad
2.	Business Restructuring & Rescue Option Under Companies Act 2019 (3 June 2020)	WebinarJam
3.	Expectations of the new BNM Shariah Governance Policy 2019 & Shariah Training: Cash Wakaf (12 October 2020)	MBSB Bank Berhad
4.	MIA Webinar Series: SMP Forum 2020 (17 - 18 November 2020)	Malaysian Institute of Accountants (MIA)
5.	MIA Webinar Series: IBOR Reform and COVID-19 Impact on MFRS 9 (1 December 2020)	MIA

6.	MIA Webinar Series: COVID-19: Impact on Financial Instruments (24 December 2020)	MIA
6.	Integrated Reporting Workshop (3 December 2020)	MBSB Bank Berhad
<b>Ir. Moslim bin Othman</b>		<b>Organiser</b>
1.	Corporate Liability and AMLA Training (1st session) (28 May 2020)	MBSB Bank Berhad
2.	Cybersecurity Awareness Programme for Board of Directors (12 October 2020)	MBSB Bank Berhad
3.	Expectations of the new BNM Shariah Governance Policy 2019 & Shariah Training: Cash Wakaf (12 October 2020)	MBSB Bank Berhad
4.	Integrated Reporting Workshop (3 December 2020)	MBSB Bank Berhad
<b>Puan Lynette Yeow Su-Yin</b>		<b>Organiser</b>
1.	Corporate Liability and AMLA Training (1st session) (28 May 2020)	MBSB Bank Berhad
2.	4th Distinguished Board Leadership Series: Risks: A Fresh Look from the Board's Perspective (8 July 2020)	FIDE FORUM
3.	FIDE FORUM: Annual Dialogue with the Governor of Bank Negara Malaysia (3 September 2020)	FIDE FORUM
4.	SCxSC Fintech Conference 2020 (5-7 October 2020)	Securities Commission
5.	Cybersecurity Awareness Programme for Board of Directors (12 October 2020)	MBSB Bank Berhad
6.	Expectations of the new BNM Shariah Governance Policy 2019 & Shariah Training: Cash Wakaf (12 October 2020)	MBSB Bank Berhad
7.	5th Distinguished Board Leadership Webinar Climate Action: The Board's Leadership in Greening the Financial Sector (2 November 2020)	FIDE FORUM
8.	Integrated Reporting Workshop (3 December 2020)	MBSB Bank Berhad
<b>Puan Zaidatul Mazwin binti Idrus</b>		<b>Organiser</b>
1.	Islamic Finance for Board of Directors Programme on 8 & 9 January 2020	International Shari'ah Research Academy (SRA)

	2.	Corporate Liability and AMLA Training (1st session) (28 May 2020)	MBSB Bank Berhad
	3.	FIDE Programme (Module A) (29 June 2020 - 2 July 2020) & (6 July 2020 - 9 July 2020)	International Centre for Leadership in Finance (ICLIF)
	4.	FIDE Programme (Module B) (13 July 2020 - 15 July 2020) , (16 July 2020 - 17 July 2020) & (20 July 2020 -21 July 2020)	ICLIF
	5.	Cybersecurity Awareness Programme for Board of Directors (12 October 2020)	MBSB Bank Berhad
	6.	Expectations of the new BNM Shariah Governance Policy 2019 & Shariah Training: Cash Wakaf (12 October 2020)	MBSB Bank Berhad
	7.	FIDE Simulation Exercise cum Networking Lunch (9 December 2020)	FIDE FORUM
	<b>Encik Mohamad Abdul Halim bin Ahmad</b>		<b>Organiser</b>
	1.	The Financial Institutions Directors' Education Programme (FIDE) Core Programme Module A: 6-9 July 2020 Module B: (13-16 July 2020) (16 July 2020 - 17 July 2020) & (20 July 2020 -21 July 2020)	ICLIF
	2.	The Mandatory Accreditation Programme (MAP) (7-9 April 2020)	ICLIF
	3.	Corporate Liability and AMLA Training (1st session) (28 May 2020)	MBSB Bank Berhad
	4.	FIDE Programme (Module A) (29 June 2020 - 2 July 2020) & (6 July 2020 - 9 July 2020)	ICLIF
	5.	FIDE Programme (Module B) (13 July 2020 - 15 July 2020) , (16 July 2020 - 17 July 2020) & (20 July 2020 -21 July 2020)	ICLIF
	6.	Islamic Finance for Board of Directors Programme (6-7 October 2020)	ISRA
	7.	Cybersecurity Awareness Programme for Board of Directors (12 October 2020)	MBSB Bank Berhad
	8.	Expectations of the new BNM Shariah Governance Policy 2019 & Shariah Training: Cash Wakaf (12 October 2020)	MBSB Bank Berhad
	9.	Integrated Reporting Workshop (3 December 2020)	MBSB Bank Berhad
	10.	FIDE Simulation Exercise cum Networking Lunch (9 December 2020)	FIDE FORUM

	11.	Anti-Money Laundering / Counter Financing of Terrorism (AML/CFT) (e-Learning)	MBSB Bank Berhad
	12.	Introduction to Islamic Finance and Fundamentals of Shariah Principles (e-Learning)	MBSB Bank Berhad
	13.	Information & Cyber Security (e-Learning)	MBSB Bank Berhad
	14.	Operational Risk & Business Continuity Management (e-Learning)	MBSB Bank Berhad
	<b>Encik Aw Hong Boo</b>		<b>Organiser</b>
	1.	Corporate Liability and AMLA Training (1st session) (28 May 2020)	MBSB Bank Berhad
	2.	5th Distinguished Board Leadership Webinar Climate Action: The Board's Leadership in Greening the Financial Sector (2 November 2020)	FIDE FORUM
	3.	Cybersecurity Awareness Programme for Board of Directors (12 October 2020)	MBSB Bank Berhad
	4.	Expectations of the new BNM Shariah Governance Policy 2019 & Shariah Training: Cash Wakaf (12 October 2020)	MBSB Bank Berhad
	5.	Integrated Reporting Workshop (3 December 2020)	MBSB Bank Berhad
	<b>Encik Szaliza bin Zainuddin</b>		<b>Organiser</b>
	1.	Corporate Liability and AMLA Training (1st session) (28 May 2020)	MBSB Bank Berhad
	2.	4th Distinguished Board Leadership Series: Risks: A Fresh Look from the Board's Perspective (8 July 2020)	FIDE FORUM
	3.	Cybersecurity Awareness Programme for Board of Directors (12 October 2020)	MBSB Bank Berhad
4.	Expectations of the new BNM Shariah Governance Policy 2019 & Shariah Training: Cash Wakaf (12 October 2020)	MBSB Bank Berhad	
5.	Integrated Reporting Workshop (3 December 2020)	MBSB Bank Berhad	
<b>Datuk Johar bin Che Mat</b>		<b>Organiser</b>	
1.	2020: Latest Cybersecurity Threats and Landscape (22 May 2020)	MNRB	

2.	Corporate Liability and AMLA Training (1st session) (28 May 2020)	MBSB Bank Berhad
3.	Corporate Liability Provision MACC (Amendment) Act 2018 (9 June 2020)	MNRB
4.	Shariah Governance Under New Shariah Governance Policy Document (2 July 2020)	MNRB
5.	Reinsurance and Retrocessions – Part I & II (29 July 2020 & 15 September 2020)	MNRB
6.	FIDE FORUM: Annual Dialogue with the Governor of Bank Negara Malaysia (3 September 2020)	FIDE FORUM
7.	Cybersecurity Awareness Programme for Board of Directors (12 October 2020)	MBSB Bank Berhad
8.	Expectations of the new BNM Shariah Governance Policy 2019 & Shariah Training: Cash Wakaf (12 October 2020)	MBSB Bank Berhad
9.	Updates on MFRS 17	MNRB
10.	5th Distinguished Board Leadership Webinar Climate Action: The Board's Leadership in Greening the Financial Sector (2 November 2020)	FIDE FORUM
11.	Integrated Reporting Workshop (3 December 2020)	MBSB Bank Berhad

<b>Tunku Alina binti Raja Muhd Alias</b>		<b>Organiser</b>
1.	The Epidemiology and Economics of Coronavirus (30 March 2020)	Sustainable Development Solutions Network
2.	SME DigitalFest (31 March 2020)	DigitalFestAsia Exabytes Group
3.	Retail Sector – Navigating Covid 19 adjusting to a new normal (30 April 2020)	EY
4.	Market Outlook : Navigating the Covid 19 Crisis (30 April 2020)	Stashaway Academy
5.	Harrison Assessment Complimentary Group Debrief (5 May 2020)	ICDM
6.	Challenging Times: What Role Must the Board Play? (15 May 2020)	FIDE Forum
7.	Tax Implications for Debt Restructuring (20 May 2020)	Boardroom Corporate Services
8.	How to Invest (The Right Way) with ETFs (20 May 2020)	Stashaway Academy

9.	Corporate Liability and AMLA Training (1st session) (28 May 2020)	MBSB Bank Berhad
10.	Board and Executive Pay During and Post Covid-19 (18 June 2020)	ICLIF-Asia Business School
11.	Challenges of Investing in Asia during the Covid Crisis (2 July 2020)	Asia Business School - SEACEN
12.	4th Distinguished Board Leadership Series: Risks: A Fresh Look from the Board's Perspective (8 July 2020)	FIDE FORUM
13.	Digital Plantations & Optimisation for High Yields (30 July 2020)	Malaysian Oils Scientists & Technologists Association
14.	HR in the 2020s: Culture Sculptor, Risk Manager, and More (11 August 2020)	ICLIF
15.	Women in Leadership 2020: Current Affairs Roundtable Sustainability and Leadership	Leadwomen
16.	The Role of the Remuneration Committee/ Defining KPIs for the E in ESG (2 September 2020)	Fidelio Partners and Chapter Zero
17.	FIDE FORUM: Annual Dialogue with the Governor of Bank Negara Malaysia (3 September 2020)	FIDE FORUM
18.	How to be a better Non Executive Director (21 September 2020)	ICDM
19.	Cybersecurity Awareness Programme for Board of Directors (12 October 2020)	MBSB Bank Berhad
20.	Expectations of the new BNM Shariah Governance Policy 2019 & Shariah Training: Cash Wakaf (12 October 2020)	MBSB Bank Berhad
21.	5th Distinguished Board Leadership Webinar Climate Action: The Board's Leadership in Greening the Financial Sector (2 November 2020)	FIDE FORUM
22.	Integrated Reporting Workshop (3 December 2020)	MBSB Bank Berhad
23.	Establishing an empowered Audit Committee (2 November 2020)	Institute of Enterprise Risk Practitioners
24.	Audit Committee's guide to COSO 2013 and Internal Controls (2 November 2020)	Institute of Enterprise Risk Practitioners
25.	Climate Action: The Board's Leadership in Greening the Financial Sector (2 November 2020)	FIDE FORUM
26.	Fraud Risk Management Webinar (18 November 2020)	PwC

27.	Budget 2021 – paving the way towards a resilient future (20 November 2020)	PwC
<b>Datuk Azrulnizam bin Abdul Aziz</b>		
		<b>Organiser</b>
1.	Corporate Liability and AMLA Training (2nd session) (4 June 2020)	MBSB Bank Berhad
2.	4th Distinguished Board Leadership Series: Risks: A Fresh Look from the Board's Perspective (8 July 2020)	FIDE FORUM
3.	FIDE FORUM: Annual Dialogue with the Governor of Bank Negara Malaysia (3 September 2020)	FIDE FORUM
4.	Cybersecurity Awareness Programme for Board of Directors (12 October 2020)	MBSB Bank Berhad
5.	Expectations of the new BNM Shariah Governance Policy 2019 & Shariah Training: Cash Wakaf (12 October 2020)	MBSB Bank Berhad
6.	5th Distinguished Board Leadership Webinar Climate Action: The Board's Leadership in Greening the Financial Sector (2 November 2020)	FIDE FORUM
7.	Integrated Reporting Workshop (3 December 2020)	MBSB Bank Berhad
<b>Dr. Loh Leong Hua</b>		
		<b>Organiser</b>
1.	Corporate Liability and AMLA Training (1st session) (28 May 2020)	MBSB Bank Berhad
2.	4th Distinguished Board Leadership Series: Risks: A Fresh Look from the Board's Perspective (8 July 2020)	FIDE FORUM
3.	FIDE FORUM: Annual Dialogue with the Governor of Bank Negara Malaysia (3 September 2020)	FIDE FORUM
4.	Cybersecurity Awareness Programme for Board of Directors (12 October 2020)	MBSB Bank Berhad
5.	Expectations of the new BNM Shariah Governance Policy 2019 & Shariah Training: Cash Wakaf (12 October 2020)	MBSB Bank Berhad
6.	5th Distinguished Board Leadership Webinar Climate Action: The Board's Leadership in Greening the Financial Sector (2 November 2020)	FIDE FORUM
7.	FIDE - Webinar - Green Fintech: Ping An's Use of Technology to Support Green Finance Objectives (11 November 2020)	FIDE FORUM

8.	Integrated Reporting Workshop (3 December 2020)	MBSB Bank Berhad
9.	Adequate Procedures: The Director's Response to Individual Liability (9 March 2020)	Institute of Corporate Directors Malaysia (ICDM)
10.	The Path to the Next Normal: What Now for Leadership? (21 April 2020)	ICDM
11.	"Outthink The Competition: Excelling in a Post Covid-19 World" (05 May 2020)	FIDE FORUM
12.	Challenging Times: What Role Must the Board play? (15 May 2020)	FIDE FORUM
13.	Cyber Kill Chain and Cybersecurity Capabilities (16 June 2020)	ICDM
14.	Information & Cyber Security (25 June 2020)	MBSB Bank Berhad
15.	Introduction to Islamic Finance and Fundamentals of Shariah Principles (29 June 2020)	MBSB Bank Berhad
16.	RISks: A Fresh Look from the Board's Perspective (08 July 2020)	FIDE FORUM
17.	An Introductory Session with Erik P.M Vermulen (28 July 2020)	ICDM
18.	Preparing the Board for a Post-COVID World (14 August 2020)	ICDM
19.	EY Webinar: IFRS 17 for Directors – What you need to know (24 August 2020)	Ernst & Young
20.	POI Training – Actuarial (25 August 2020)	Pacific & Orient Insurance Co. Berhad
21.	BNM-FIDE FORUM Annual Dialogue with Governor of Bank Negara Malaysia (03 September 2020)	FIDE FORUM
22.	5th Distinguished Board Leadership Webinar - Climate Action: The Board's Leadership in Greening the Financial Sector (2 November 2020)	FIDE FORUM
23.	Green Fintech: Ping An's journey to becoming a top ESG-performing Financial Institution (11th November 2020)	FIDE FORUM
24.	Vision 2020 – The Pandemic Digital Tipping Point and What to Expect in 2021 (11 December 2020)	ICDM
<b>Encik Kamarulzaman bin Ahmad</b>		<b>Organiser</b>

	1.	FIDE Core - Banks (1) Module A: 16 - 19 March 2020 (2) Module B: 6 - 9 April 2020	ICLIF
	2.	Corporate Liability and AMLA Training (1st session) (28 May 2020)	MBSB Bank Berhad
	3.	FIDE Programme (Module B) (20 - 21 July 2020)	ICLIF
	4.	Cybersecurity Awareness Programme for Board of Directors (12 October 2020)	MBSB Bank Berhad
	5.	Expectations of the new BNM Shariah Governance Policy 2019 & Shariah Training: Cash Wakaf (12 October 2020)	MBSB Bank Berhad
	6.	FIDE Simulation Exercise cum Networking Lunch (23 November 2020)	FIDE FORUM
	<b>Encik Arul Sothy Mylvaganam</b>		<b>Organiser</b>
	1.	Corporate Liability and AMLA Training (1st session) (28 May 2020)	MBSB Bank Berhad
	2.	FIDE Programme (Module A) (29 June 2020 - 2 July 2020) & (6 July 2020 - 9 July 2020)	ICLIF
	3.	FIDE Programme (Module B) (13 July 2020 - 15 July 2020) , (16 July 2020 - 17 July 2020) & (20 July 2020 -21 July 2020)	ICLIF
	4.	Cybersecurity Awareness Programme for Board of Directors (12 October 2020)	MBSB Bank Berhad
	5.	Expectations of the new BNM Shariah Governance Policy 2019 & Shariah Training: Cash Wakaf (12 October 2020)	MBSB Bank Berhad
	6.	Islamic Finance for Board of Directors (IF4BOD) by ISRA (4-5 November 2020)	ISRA
	7.	Integrated Reporting Workshop (3 December 2020)	MBSB Bank Berhad
<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 6.1

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 Boards have established a formal Directors Remuneration Framework. It is designed to support the strategies and long-term vision of MBSB and provide an adequate motivational incentive for Directors to pursue long-term growth and success of the Group.</p> <p>The NRC and BNRC are responsible for ensuring that the Director's remuneration is competitive and aligns with the industry benchmark. The level of remuneration for the Directors shall be determined and recommended by the NRC and BNRC to the Boards 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 NRC and BNRC review the structure of the Directors' Remuneration on an annual basis prior to making their recommendations to the Boards for approval.</p> <p>The NRC and BNRC may obtain advice from independent professional or other advice on the remuneration packages for the Board members, Shariah Advisory Committee members (at MBSB Bank-level) or employees in a similar industry as provided in the TOR.</p> <p>To ensure that the current remuneration structure commensurate with the respective Directors' responsibilities and within industry benchmark, MBSB and MBSB Bank had appointed an external consultant, i.e. KPMG, to review the remuneration structure of the Directors of MBSB and the Bank.</p> <p>In 2019, MBSB and MBSB Bank engaged an external consultant, KPMG, to review and address the remuneration gaps. The Boards took note of the recommendations by the Consultants on the remuneration gap. The Boards, given the current economic condition, decided not to</p>

	<p>recommend any increase in the Directors' fee structure for the current year.</p> <p>The remuneration and benefits payable to Directors are determined by the shareholders' resolution in accordance with the Companies Act, 2016 and the Company's Constitution.</p> <p>As for Management, the remuneration packages of the Group PCEO, the "C" Suites and the Company Secretary of the Group will be reviewed by the NRC and BNRC, and the same will be recommended to the Boards 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 the Boards.</p> <p>The BNRC also reviews the remuneration package for the SAC.</p> <p>The Directors Remuneration Framework is available on MBSB's website at <a href="https://www.mbsb.com.my/Remuneration_Framework_Directors.pdf">https://www.mbsb.com.my/Remuneration_Framework_Directors.pdf</a>.</p>
<p><b>Explanation for departure</b></p>	<p>:</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>:</p>
<p><b>Timeframe</b></p>	<p>:</p>

## 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 2020, The NRC comprises three (3) Independent Non-Executive Directors. The TOR of the NRC outlines the roles and responsibilities in relation to the nominating and remuneration matters and is available on MBSB's website at <a href="https://www.mbsb.com.my/TOR_NRC.pdf">https://www.mbsb.com.my/TOR_NRC.pdf</a>.</p> <p>The NRC and BNRC had deliberated on MBSB Bank's Directors' fees for and the benefits payable to the Directors of MBSB and MBSB Bank for the period from the date of 51<sup>st</sup> AGM until the next AGM of the Company in 2022. The NRC and BNRC have recommended the same to the respective Boards for consideration.</p> <p>The Boards have agreed to seek shareholders' approval at the forthcoming 51<sup>st</sup> AGM on the Directors' remuneration in two (2) separate resolutions as follows:</p> <ul style="list-style-type: none"> <li>• Ordinary Resolution 2 - on the payment of Directors' fees payable to Directors for the period from the 51<sup>st</sup> AGM to the 52<sup>nd</sup> AGM; and</li> <li>• Ordinary Resolution 3 – on the payment of benefits (excluding Director' fees) payable to Directors from the 51<sup>st</sup> AGM to the 52<sup>nd</sup> AGM.</li> </ul> <p><b><u>Directors' fees</u></b></p> <p>There was no change to the proposed Directors' fee structure as compared to the previous year. The proposed Directors' fees for MBSB and MBSB Bank for the period from the date of this AGM until the next AGM of the Company in 2022 is based on the following fee structure:-</p> <p><b><u>MBSB</u></b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2" style="text-align: left;">Fees per annum</th> <th colspan="2" style="text-align: center;">(RM)</th> </tr> <tr> <th style="text-align: center;">Chairman</th> <th style="text-align: center;">Member</th> </tr> </thead> <tbody> <tr> <td>Directors</td> <td style="text-align: center;">140,000</td> <td style="text-align: center;">100,000</td> </tr> <tr> <td>Audit Committee</td> <td style="text-align: center;">30,000</td> <td style="text-align: center;">20,000</td> </tr> </tbody> </table>		Fees per annum	(RM)		Chairman	Member	Directors	140,000	100,000	Audit Committee	30,000	20,000
Fees per annum	(RM)												
	Chairman	Member											
Directors	140,000	100,000											
Audit Committee	30,000	20,000											

Risk Management Committee	30,000	20,000
Nominating & Remuneration Committee	25,000	15,000
Restructuring Committee	25,000	15,000

Note: The Option Committee had been dissolved with effect from 23 September 2020 upon expiry of the ESOS scheme.

**MBSB Bank**

Fees per annum	(RM)	
	Chairman	Member
Directors	140,000	100,000
Board Audit Committee	30,000	20,000
Board Risk Management & Compliance Committee	30,000	20,000
Board Nominating & Remuneration Committee	25,000	15,000
Board Investment & Credit Committee	30,000	20,000
Board Information Technology Oversight Committee	25,000	15,000

The details of the benefits payable to Directors 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
Other benefits	Chairman's Car, medical coverage, travel, communication and other claimable benefits

**Group PCEO**

The Group PCEO's remuneration package is structured 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. The Group PCEO's performance bonus and employees' performance bonus in respect of the financial year 2020 performance was reviewed by the NRC and the BNRC, after which the Boards approved them.

:

<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 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 received by each of the directors in 2020 is set out in the tables below:</p> <p><b>MBSB:</b></p> <table border="1"> <thead> <tr> <th>Name of Director</th> <th>Directors' Fees (RM)</th> <th>Allowance (RM)</th> <th>Total (RM)</th> </tr> </thead> <tbody> <tr> <td>YBhg Tan Sri Abdul Halim bin Ali</td> <td>140,000</td> <td>75,000</td> <td>215,000</td> </tr> <tr> <td>Encik Lim Tian Huat</td> <td>175,000</td> <td>139,000</td> <td>314,000</td> </tr> <tr> <td>Ir. Moslim bin Othman</td> <td>148,333</td> <td>121,000</td> <td>269,333</td> </tr> <tr> <td>Puan Lynette Yeow Su-Yin</td> <td>138,333</td> <td>125,000</td> <td>263,333</td> </tr> <tr> <td>Puan Zaidatul Mazwin binti Idrus*</td> <td>100,000</td> <td>72,000</td> <td>172,000</td> </tr> <tr> <td>Encik Mohamad Abdul Halim bin Ahmad (<i>Appointed on 2 March 2020</i>)</td> <td>116,667</td> <td>98,000</td> <td>214,667</td> </tr> <tr> <td><b>Total</b></td> <td><b>818,333</b></td> <td><b>630,000</b></td> <td><b>1,448,333</b></td> </tr> </tbody> </table> <p><i>*50% of the directors' fees is paid to the organisation to whom the director represents</i></p> <p><b>MBSB Bank</b></p> <table border="1"> <thead> <tr> <th>Name of Director</th> <th>Directors' Fees (RM)</th> <th>Allowance (RM)</th> <th>Total (RM)</th> </tr> </thead> <tbody> <tr> <td>YBhg Tan Sri Abdul Halim bin Ali</td> <td>140,000</td> <td>120,000* + 83,000 <i>*car allowance</i></td> <td>343,000</td> </tr> <tr> <td>Encik Aw Hong Boo</td> <td>151,667</td> <td>125,000</td> <td>276,667</td> </tr> <tr> <td>Encik Szaliza Bin Zainuddin*</td> <td>120,000</td> <td>123,000</td> <td>243,000</td> </tr> </tbody> </table>			Name of Director	Directors' Fees (RM)	Allowance (RM)	Total (RM)	YBhg Tan Sri Abdul Halim bin Ali	140,000	75,000	215,000	Encik Lim Tian Huat	175,000	139,000	314,000	Ir. Moslim bin Othman	148,333	121,000	269,333	Puan Lynette Yeow Su-Yin	138,333	125,000	263,333	Puan Zaidatul Mazwin binti Idrus*	100,000	72,000	172,000	Encik Mohamad Abdul Halim bin Ahmad ( <i>Appointed on 2 March 2020</i> )	116,667	98,000	214,667	<b>Total</b>	<b>818,333</b>	<b>630,000</b>	<b>1,448,333</b>	Name of Director	Directors' Fees (RM)	Allowance (RM)	Total (RM)	YBhg Tan Sri Abdul Halim bin Ali	140,000	120,000* + 83,000 <i>*car allowance</i>	343,000	Encik Aw Hong Boo	151,667	125,000	276,667	Encik Szaliza Bin Zainuddin*	120,000	123,000	243,000
Name of Director	Directors' Fees (RM)	Allowance (RM)	Total (RM)																																																
YBhg Tan Sri Abdul Halim bin Ali	140,000	75,000	215,000																																																
Encik Lim Tian Huat	175,000	139,000	314,000																																																
Ir. Moslim bin Othman	148,333	121,000	269,333																																																
Puan Lynette Yeow Su-Yin	138,333	125,000	263,333																																																
Puan Zaidatul Mazwin binti Idrus*	100,000	72,000	172,000																																																
Encik Mohamad Abdul Halim bin Ahmad ( <i>Appointed on 2 March 2020</i> )	116,667	98,000	214,667																																																
<b>Total</b>	<b>818,333</b>	<b>630,000</b>	<b>1,448,333</b>																																																
Name of Director	Directors' Fees (RM)	Allowance (RM)	Total (RM)																																																
YBhg Tan Sri Abdul Halim bin Ali	140,000	120,000* + 83,000 <i>*car allowance</i>	343,000																																																
Encik Aw Hong Boo	151,667	125,000	276,667																																																
Encik Szaliza Bin Zainuddin*	120,000	123,000	243,000																																																

	Datuk Johar bin Che Mat	155,000	159,000	314,000
	Puan Lynette Yeow Su-Yin	135,000	159,000	294,000
	Tunku Alina binti Raja Muhd Alias	140,000	151,000	291,000
	Datuk Azrulnizam bin Abdul Aziz	132,500	145,000	277,500
	Dr. Loh Leong Hua	162,500	173,000	335,500
	Encik Kamarulzaman bin Ahmad	140,833	136,000	276,833
	Encik Arul Sothy Mylvaganam (Appointed on 5 May 2020)	93,333	107,000	200,333
	<b>Total</b>	<b>1,370,833</b>	<b>1,481,000</b>	<b>2,851,833</b>
	<p><i>*50% of the directors' fees is paid to the organisation to whom the director represents</i></p> <p>The detailed disclosure of remuneration breakdown for all Directors is set out in Note 41 of the Audited Financial Statements for the financial year ended 31 December 2020.</p>			
<b>Explanation</b> :				
<b>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 7.2

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 the remuneration of employees (including senior management) is 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 the senior management as follows:</p> <table border="1"> <thead> <tr> <th>Total value of remuneration for FY2020</th> <th>RM</th> </tr> </thead> <tbody> <tr> <td><b>Fixed Remuneration</b></td> <td></td> </tr> <tr> <td>- Cash-Based</td> <td>4,973,072 (Top 5 headcounts)</td> </tr> <tr> <td><b>Variable remuneration</b></td> <td></td> </tr> <tr> <td>- Cash-Based</td> <td>3,444,000 (Top 5 headcounts)</td> </tr> <tr> <td>- ESOS<sup>^</sup></td> <td>Nil</td> </tr> </tbody> </table> <p>Definition: Senior management (including Group PCEO) comprises MBSB Bank Senior Officers in the category of C-Suites positions and the Company Secretary of MBSB Group.</p> <p><sup>^</sup> Share value is based on statutory guidelines for taxable gains calculation.</p>	Total value of remuneration for FY2020	RM	<b>Fixed Remuneration</b>		- Cash-Based	4,973,072 (Top 5 headcounts)	<b>Variable remuneration</b>		- Cash-Based	3,444,000 (Top 5 headcounts)	- ESOS <sup>^</sup>	Nil
Total value of remuneration for FY2020	RM													
<b>Fixed Remuneration</b>														
- Cash-Based	4,973,072 (Top 5 headcounts)													
<b>Variable remuneration</b>														
- Cash-Based	3,444,000 (Top 5 headcounts)													
- ESOS <sup>^</sup>	Nil													
<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 closely monitor the developments in the market in respect of such disclosure for future consideration.												
<b>Timeframe</b>	:	Within 3 years												

**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>Both the AC and BAC are chaired by Independent Directors who possess the relevant qualifications and have extensive experience in accounting and finance.</p> <p>The AC is chaired by Encik Lim Tian Huat, who is a Council Member of the Insolvency Practitioners Association of Malaysia, a Fellow of ACCA, a member of the MIA and the Malaysian Institute of Certified Public Accountants ("MICPA"). Encik Lim Tian Huat is not the Chairman of the Board.</p> <p>Following Encik Lim Tian Huat's redesignation as Non-Independent Non-Executive Director with effect from 7 February 2021, Encik Mohamad Abdul Halim bin Ahmad has been appointed as Chairman of the AC with effect from 7 February 2021, replacing Encik Lim Tian Huat. Encik Halim is an Associate Member of ICAEW and a member of MIA.</p> <p>The BAC is chaired by Encik Aw Hong Boo, a Fellow of ICAEW, a member of the MIA and MICPA. Encik Aw Hong Boo is not the Chairman of the Board of MBSB Bank.</p> <p>A brief description of the background and experience of the AC and BAC chairman is disclosed in the Directors Profile section of the Integrated Annual Report 2020.</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 and BAC members was a former key audit partner in the past two years.</p> <p>The Boards have adopted a stricter policy in the Board Charter that applies to the appointment of a new Director. The Board Charter states that "any candidate or Director directly involved in the engagement and any partner of the external auditor firm must not serve or be appointed as Director until at least two years after he ceases to be an officer and/or partner of that firm and the firm last served as an auditor of the Group."</p> <p>The Board Charter of MBSB and MBSB Bank are available at: <a href="https://www.mbsb.com.my/Board_Charter.pdf">https://www.mbsb.com.my/Board_Charter.pdf</a> and <a href="https://www.mbsbbank.com/storage/misc/MBSB_Bank_Board_Charter.pdf">https://www.mbsbbank.com/storage/misc/MBSB_Bank_Board_Charter.pdf</a>, respectively.</p> <p>The requirement to observe a cooling-off period of two 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 via the External Auditor Policy and Procedures, in line with BNM's External Auditor Policy and MCGG.</p> <p>The AC and the BAC are responsible for reviewing and monitoring the independence and objectivity of the external auditor annually. The External Auditor Policy is to provide guidance to MBSB 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 BAC, the auditor's independence, objectivity and professional scepticism.</p> <p>The External Auditor appointed by the Group shall meet the qualification criteria set out in the External Auditor Policy and Procedures, particularly on the audit engagement team involved in making key decisions on significant matters. The AC and BAC shall also ensure that the provision of non-audit services by the External Auditor does not impair, either in fact or appearance, the auditor's objectivity, judgment or independence.</p> <p>The AC and BAC were satisfied with Messrs KPMG PLT's performance, based on the quality of service and sufficiency of resources provided to the Group and MBSB Bank, respectively. The performance of the external auditors is assessed yearly, and the re-appointment is subject to the External Auditor meeting the criteria as set out in BNM Guidelines. The performance of Messrs. KPMG PLT was assessed on an annual basis and was submitted to BNM for approval on the proposed re-appointment as External Auditors of MBSB and MBSB Bank for financial year 2020.</p> <p>BNM had approved the application for the appointment of Messrs KPMG PLT as External Auditors of MBSB and MBSB Bank, and a resolution to reappoint Messrs KPMG PLT was tabled at the Annual General Meeting on 30 June 2020 and the resolution was duly passed.</p>

	<p>The roles of the AC and BAC in relation to the internal and external auditor are described in the Report of the Audit Committee section of the Integrated Annual Report 2020.</p> <p><i>Note: The AC and the Board have agreed to change the audit firm periodically for MBSB and its subsidiaries as good corporate governance practice and have recommended Messrs. PricewaterhouseCoopers be appointed as the auditors of MBSB and its subsidiaries in place of the retiring auditors, Messrs. KPMG PLT for the financial year ending 31 December 2021, subject always to the approval from the Regulators and Shareholders.</i></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 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>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>As at 31 December 2020, the AC Members of MBSB comprise solely of Independent Directors, as follows:</p> <ul style="list-style-type: none"><li>• <b>Encik Lim Tian Huat</b> (Chairman) – Independent Non-Executive Director</li><li>• <b>Puan Lynette Yeow Su-Yin</b> – Independent Non-Executive Director.</li><li>• <b>Encik Mohamad Abdul Halim bin Ahmad</b> – Independent Non-Executive Director</li></ul> <p>Note: <i>On 7 February 2021, Encik Lim Tian Huat was redesignated as Non-Independent Non-Executive Director and was also redesignated as a member of the AC.</i></p> <p><i>Encik Mohamad Abdul Halim bin Ahmad was appointed as the Chairman for the AC with effect from 7 February 2021.</i></p>

## 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>	:	<p>All the AC and BAC members are financially literate, possess adequate knowledge and experience to understand and deliberate matters under the Audit Committee's purview, including the financial reporting process. The composition of the AC and BAC as at 31 December 2020 were as follows:</p> <table border="1"><thead><tr><th>AC</th><th>BAC</th></tr></thead><tbody><tr><td>Encik Lim Tian Huat (Chairman) <i>(Senior Independent Non-Executive Director)</i></td><td>Encik Aw Hong Boo (Chairman) <i>(Senior Independent Non-Executive Director)</i></td></tr><tr><td>Puan Lynette Yeow Su-Yin (Member) <i>(Independent Non-Executive Director)</i></td><td>Tunku Alina Raja Muhd Alias (Member) <i>(Non-Independent Non-Executive Director)</i></td></tr><tr><td>Encik Mohamad Abdul Halim bin Ahmad (Member) <i>(Independent Non-Executive Director)</i> <i>(appointed as AC member on 2 March 2020)</i></td><td>Dr Loh Leong Hua (Member) <i>(Independent Non-Executive Director)</i></td></tr><tr><td>Ir Moslim Othman (Member) <i>(Independent Non-Executive Director)</i> <i>(resigned as AC member on 2 March 2020)</i></td><td>Encik Arul Sothy Mylvaganam (Member) <i>(Independent Non-Executive Director)</i> <i>(appointed as BAC member on 5 May 2020)</i></td></tr></tbody></table> <p>Note: On 7 February 2021, following the redesignation of Mr Lim Tian Huat as Non-Independent Non-Executive Director, the composition of the AC was changed as follows:-</p> <ol style="list-style-type: none"><li>1. Encik Mohamad Abdul Halim bin Ahmad (Chairman)</li><li>2. Encik Lim Tian Huat (Member)</li><li>3. Puan Lynette Yeow Su-Yin (Member)</li></ol>	AC	BAC	Encik Lim Tian Huat (Chairman) <i>(Senior Independent Non-Executive Director)</i>	Encik Aw Hong Boo (Chairman) <i>(Senior Independent Non-Executive Director)</i>	Puan Lynette Yeow Su-Yin (Member) <i>(Independent Non-Executive Director)</i>	Tunku Alina Raja Muhd Alias (Member) <i>(Non-Independent Non-Executive Director)</i>	Encik Mohamad Abdul Halim bin Ahmad (Member) <i>(Independent Non-Executive Director)</i> <i>(appointed as AC member on 2 March 2020)</i>	Dr Loh Leong Hua (Member) <i>(Independent Non-Executive Director)</i>	Ir Moslim Othman (Member) <i>(Independent Non-Executive Director)</i> <i>(resigned as AC member on 2 March 2020)</i>	Encik Arul Sothy Mylvaganam (Member) <i>(Independent Non-Executive Director)</i> <i>(appointed as BAC member on 5 May 2020)</i>
AC	BAC											
Encik Lim Tian Huat (Chairman) <i>(Senior Independent Non-Executive Director)</i>	Encik Aw Hong Boo (Chairman) <i>(Senior Independent Non-Executive Director)</i>											
Puan Lynette Yeow Su-Yin (Member) <i>(Independent Non-Executive Director)</i>	Tunku Alina Raja Muhd Alias (Member) <i>(Non-Independent Non-Executive Director)</i>											
Encik Mohamad Abdul Halim bin Ahmad (Member) <i>(Independent Non-Executive Director)</i> <i>(appointed as AC member on 2 March 2020)</i>	Dr Loh Leong Hua (Member) <i>(Independent Non-Executive Director)</i>											
Ir Moslim Othman (Member) <i>(Independent Non-Executive Director)</i> <i>(resigned as AC member on 2 March 2020)</i>	Encik Arul Sothy Mylvaganam (Member) <i>(Independent Non-Executive Director)</i> <i>(appointed as BAC member on 5 May 2020)</i>											

	<p>Further information on the background and experience of the AC and BAC members are disclosed in the Directors Profile section of the Integrated Annual Report 2020.</p> <p>The AC and BAC members have attended various conferences and training programmes during 2020 to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. The list of programmes, conferences, seminars or dialogues attended by each AC and BAC members are disclosed in the explanation on Practice 5.1.</p> <p>The NRC and BNRC have assessed the performance of the AC, BAC and its members through an annual Board Committee effectiveness evaluation. In addition, the Board Effectiveness Evaluation Report by FIDE FORUM indicated that the Boards are able to fulfil its responsibilities and mandate in providing oversight of MBSB and MBSB Bank.</p> <p>The NRC, BNRC and the Boards are satisfied with the overall effectiveness and performance of the AC and BAC and agree that AC and BAC have provided satisfactory support and value to the Boards.</p> <p>The AC and BAC members have carried out their duties in accordance with the TOR which is available on MBSB's website at <a href="https://www.mbsb.com.my/TOR_AC.pdf">https://www.mbsb.com.my/TOR_AC.pdf</a>.</p> <p>A summary of the AC and BAC's work in discharging their functions and duties for the financial year 31 December 2020 is described in the Report of the Audit Committee section of the Integrated Annual Report 2020.</p>
<p><b>Explanation for departure</b></p>	<p>:</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>:</p>
<p><b>Timeframe</b></p>	<p>:</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 fully aware of its overall responsibility and recognises the importance of maintaining a sound risk management and internal control system, including reviewing the adequacy, integrity and effectiveness of the system to safeguard shareholders' investments and the Group's assets.</p> <p>The Board oversees the risk management and internal controls of the Group and endeavours to ensure that principal risks are identified and appropriate internal controls and mitigation measures are being implemented. To ensure that the risk management of the Group is adequately managed, the Risk Management Committee ("RMC") at MBSB and the Board Risk Management and Compliance Committee ("BRMCC") at MBSB Bank (collectively, the "Board Risk Committees") have been set up. The respective Board Risk Committees will be responsible for establishing the risk management and internal controls of each entity, respectively.</p> <p>The Board remains committed to operating a sound risk management and internal control system and, therefore, recognise that the system must continuously be enhanced to support the Group's businesses and operations in a dynamic business environment.</p> <p>The Board has ensured appropriate controls and processes (such as policies, procedures and risk limits within the Group for identifying, measuring, monitoring, controlling and reporting of significant risks as well as emerging risks that may affect the achievement of business goals and objectives) taking into consideration the changes in the business environment and regulatory requirements. The outcome of this process is closely monitored and reported to MBSB and MBSB Bank's Board of Directors (collectively, the "Boards") for deliberation.</p> <p>The Boards receive and review reports relating to the compliance status of the internal and regulatory requirements imposed on the respective Group entities. The Boards deliberate on any gaps and deficiencies reported and direct the Management to take the necessary actions, including remedial plans and follow-up actions to ensure that the gaps and deficiencies are addressed.</p>

	<p>The risk strategy of the Group focuses on the fundamental principles with respect to MBSB Bank's risk appetite while balancing the need for competitive return on equity to improve the capital base. The risk strategies for 2020 focused on the following:-</p> <ul style="list-style-type: none"> <li>i) Supporting the business strategies in new areas that MBSB Bank is expanding in by ensuring that the necessary risk management tools are in place, e.g. Branch and Spoke project and Trade Finance;</li> <li>ii) Promoting risk awareness and enhancing risk knowledge of the employees by organising engagement sessions/briefings between Risk Management Division ("RMD") and other divisions/departments of MBSB Bank;</li> <li>iii) Ensuring technology solutions supporting the business operations comply with regulatory requirements by performing reviews on the solutions and processes and providing governance for technology risk oversight; and</li> <li>iv) Introducing or enhancing risk tools to upgrade risk management practices, including the development of statistically-based Corporate Scorecards and e-learning for operational risk</li> </ul> <p>The Group has a risk management framework for identifying, measuring, monitoring, controlling and reporting of significant risks faced by the Group achieving the objectives and strategies. The risk management framework ensures an effective ongoing process to identify, measure, monitor, control and report risks across the Group. The Boards have set up MBSB's RMC and MBSB Bank's BRMCC as the drivers for reviewing, monitoring, mitigating, and reporting significant risks and ensuring proper oversight of the management of risks related to the Group's and MBSB Bank's processes and activities.</p> <p>The Boards are ultimately responsible for risk oversight within the Group through the Board Risk Committees. The respective Board Risk Committees undertake the overall responsibility for risk oversight within the Group which includes reviewing the risk management policies, risk exposures and limits as well as ensuring 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 primary objectives of the respective Board Risk Committees are to assist the Boards in fulfilling their fiduciary responsibilities, particularly in the management of controls and to provide a focal point for communication between risk managers, the Boards and Senior</p>
--	--

	<p>Management on matters in connection with reporting risks and controls as well as providing a forum for independent discussions.</p> <p>The Board Risk Committees shall also undertake additional duties deemed appropriate and necessary to assist the Boards.</p> <p>The risk management and internal control framework is disclosed further in the Statement on Risk Management and Internal Control section of the Integrated Annual Report 2020.</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 and features of MBSB’s 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 of the Integrated Annual Report 2020.	
<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 while the BRMCC comprises a majority of Independent Directors. The composition of RMC and BRMCC as at 31 December 2020 were as follows:</p> <table border="1"><thead><tr><th>RMC</th><th>BRMCC</th></tr></thead><tbody><tr><td>Encik Lim Tian Huat (Chairman) <i>(Senior Independent Non-Executive Director)</i></td><td>Dr Loh Leong Hua (Chairman) <i>(Independent Non-Executive Director)</i></td></tr><tr><td>Ir Moslim Othman (Member) <i>(Independent Non-Executive Director)</i></td><td>Tunku Alina Raja Muhd Alias (Member) <i>(Non-Independent Non-Executive Director)</i></td></tr><tr><td>Encik Mohamad Abdul Halim bin Ahmad (Member) <i>(Independent Non-Executive Director)</i> <i>(appointed on 2 March 2020)</i></td><td>Encik Kamarulzaman bin Ahmad <i>(Independent Non-Executive Director)</i></td></tr><tr><td>Puan Lynette Yeow Su-Yin (Member) <i>(Independent Non-Executive Director)</i> <i>(resigned as RMC member on 2 March 2020)</i></td><td>Encik Arul Sothy Mylvaganam <i>(Independent Non-Executive Director)</i> <i>(appointed as BRMCC member on 5 May 2020)</i></td></tr><tr><td>-</td><td>Encik Aw Hong Boo (Member) <i>(Senior Independent Non-Executive Director)</i> <i>(resigned as BRMCC member on 5 May 2020)</i></td></tr></tbody></table> <p>Note: On 7 February 2021, following the redesignation of Mr Lim Tian Huat as Non-Independent Non-Executive Director, the composition of the RMC was changed as follows:-</p> <ol style="list-style-type: none"><li>1. Puan Lynette Yeow Su-Yin (Chairman)</li><li>2. Ir Moslim Othman (Member)</li><li>3. Encik Mohamad Abdul Halim bin Ahmad (Member)</li></ol>	RMC	BRMCC	Encik Lim Tian Huat (Chairman) <i>(Senior Independent Non-Executive Director)</i>	Dr Loh Leong Hua (Chairman) <i>(Independent Non-Executive Director)</i>	Ir Moslim Othman (Member) <i>(Independent Non-Executive Director)</i>	Tunku Alina Raja Muhd Alias (Member) <i>(Non-Independent Non-Executive Director)</i>	Encik Mohamad Abdul Halim bin Ahmad (Member) <i>(Independent Non-Executive Director)</i> <i>(appointed on 2 March 2020)</i>	Encik Kamarulzaman bin Ahmad <i>(Independent Non-Executive Director)</i>	Puan Lynette Yeow Su-Yin (Member) <i>(Independent Non-Executive Director)</i> <i>(resigned as RMC member on 2 March 2020)</i>	Encik Arul Sothy Mylvaganam <i>(Independent Non-Executive Director)</i> <i>(appointed as BRMCC member on 5 May 2020)</i>	-	Encik Aw Hong Boo (Member) <i>(Senior Independent Non-Executive Director)</i> <i>(resigned as BRMCC member on 5 May 2020)</i>
RMC	BRMCC												
Encik Lim Tian Huat (Chairman) <i>(Senior Independent Non-Executive Director)</i>	Dr Loh Leong Hua (Chairman) <i>(Independent Non-Executive Director)</i>												
Ir Moslim Othman (Member) <i>(Independent Non-Executive Director)</i>	Tunku Alina Raja Muhd Alias (Member) <i>(Non-Independent Non-Executive Director)</i>												
Encik Mohamad Abdul Halim bin Ahmad (Member) <i>(Independent Non-Executive Director)</i> <i>(appointed on 2 March 2020)</i>	Encik Kamarulzaman bin Ahmad <i>(Independent Non-Executive Director)</i>												
Puan Lynette Yeow Su-Yin (Member) <i>(Independent Non-Executive Director)</i> <i>(resigned as RMC member on 2 March 2020)</i>	Encik Arul Sothy Mylvaganam <i>(Independent Non-Executive Director)</i> <i>(appointed as BRMCC member on 5 May 2020)</i>												
-	Encik Aw Hong Boo (Member) <i>(Senior Independent Non-Executive Director)</i> <i>(resigned as BRMCC member on 5 May 2020)</i>												

## 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 Boards have the overall responsibility in maintaining a sound system of internal controls to safeguard shareholders' investment and the Company's assets. The Boards have established an in-house internal audit function for MBSB and MBSB Bank who reports directly to the AC and BAC respectively and administratively to the Group PCEO.</p> <p>The AC and BAC, through the IAD, review the effectiveness of the system of internal controls, risk management and governance of the Group based on the 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>The IAD is independent of activities and processes to ensure that they are able to perform its duties objectively. The IAD operates under an Audit Charter mandated by the AC and BAC that gives them unrestricted access to review all activities of the Group. The Audit Charter is required to be reviewed once every two years or as and when is necessary. No change in the Audit Charter was required in 2020.</p> <p>The IAD activities were carried out based on the Audit Plan 2020 as approved by the AC and BAC. The audit reports were reviewed by the AC and BAC. The respective management members are responsible for ensuring that corrective actions were taken on the reported weaknesses within a set timeframe. The IAD will carry out follow up audits, and the same will be reported to the AC accordingly.</p> <p>The AC and BAC had during the year reviewed the TOR and had recommended changes to the Board. The TOR of AC is available at <a href="https://www.mbsb.com.my/TOR_AC.pdf">https://www.mbsb.com.my/TOR_AC.pdf</a>.</p> <p>The IAD personnel constantly keep themselves abreast with development in the relevant industry and regulations through attendance at Conference and trainings. The certifications obtained by IAD personnel is summarised below: -</p> <table border="1"><thead><tr><th>Certification</th><th>No. of Staff</th></tr></thead><tbody><tr><td>Associate Qualification in Islamic Finance (AQIF)</td><td>8</td></tr><tr><td>Intermediate Qualification in Islamic Finance (IQIF)</td><td>1</td></tr></tbody></table>	Certification	No. of Staff	Associate Qualification in Islamic Finance (AQIF)	8	Intermediate Qualification in Islamic Finance (IQIF)	1
Certification	No. of Staff							
Associate Qualification in Islamic Finance (AQIF)	8							
Intermediate Qualification in Islamic Finance (IQIF)	1							

	Fundamental Certificate in Islamic Banking (FCIB)	3
	Shariah Audit Certificate (USIM)	4
	Masters in Islamic Finance Practice (INCEIF)	2
	Certified Lead Auditor (ISO27001)	2
	Certified Credit Professional (Business)	1
	Certified Credit Professional Islamic (Business)	1
	Certified Credit Executive	3
	Islamic Certified Credit Executive	1
	Certified Bank Auditor (CBA)	13
	Certified Information System Auditor (CISA)	1
	ICA International Advanced Certificate in Anti Money Laundering	2
	<p>Total IAD staff stood at 30 as of 31 December 2020. There are several staff possessing more than one of the above qualifications.</p> <p>The appointment, remuneration, performance, appraisal, transfer and dismissal of the Chief Internal Auditor must be decided by the AC and BAC.</p> <p>Further information on the IAD and the activities conducted during the year is disclosed in the Report of the Audit Committee section of the Integrated Report 2020.</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 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—

6. whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
7. the number of resources in the internal audit department;
8. name and qualification of the person responsible for internal audit; and
9. 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 of the business and undertakes activities as disclosed in the Report of the Audit Committee section of the Integrated Annual Report 2020.</p> <p>The IAD is headed by the Group Chief Internal Auditor (“GCIA”), Cik Aniza binti Zakaria. She is an Associate Member of The Institute of Internal Auditors Malaysia (“IIAM”), Senior Associate Member of Chartered Institute of Islamic Finance Professionals and Associate of Asian Institute of Chartered Bankers. She has acquired over 20 years of industry experience from various banking institutions in Malaysia. A summary of her profile and background is disclosed in the Integrated Annual Report 2020.</p> <p>IAD personnel do not have any authority or responsibility for the activities they audit. They are required to report to the GCIA on any situation in which a conflict of interest or bias is present or may reasonably be inferred. Assignments are allocated so that potential and actual conflicts and bias are avoided.</p> <p>The IAD adopts the International Professional Practice Framework issued by the Institute of Internal Auditors (“IIA”) and is guided by the Internal Audit Charter, Internal Audit Manual and the AC’s TOR. The Internal Audit Manual documents audit processes, methodology, roles, duties and responsibilities of internal auditors.</p> <p>The IAD has provided the AC and BAC reports highlighting the observations, recommendations and management action plans to improve the system of internal controls. On behalf of the Boards, the AC and BAC regularly review and deliberates on internal control issues and governance practices identified in reports prepared by the internal auditors and the related actions taken by Senior Management. AC and BAC will assess the effectiveness of IAD in carrying out its responsibilities annually.</p>

	<p>All the IAD personnel confirmed via the annual declaration that they are free from any relationships or conflicts of interest, which could impair their objectivity and independence, save for one IAD staff relationship (sister in-law) with a staff from Wholesale Banking Department. The respective staff has been excluded from any assignment involving Wholesale Banking Department.</p> <p>A brief statement on the Internal Audit Function and its key activities for the year are disclosed in the Report of the Audit Committee section of the Integrated Annual Report 2020.</p>	
<p><b>Explanation for departure</b></p>	<p>:</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>:</p>	
<p><b>Timeframe</b></p>	<p>:</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 11.1

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, investor, and other stakeholders, including the general public. The Directors ensure that the Group keeps the shareholders informed via announcements and timely release of quarterly financial reports, press releases, annual reports, and circulars.</p> <p><b><u>Financial Results</u></b></p> <p>The quarterly financial results are announced via Bursa LINK after the Board's approval. Analyst briefings are also conducted held on the same day of the quarterly financial results announcement.. This is important in ensuring equal and fair access to information is provided to the investing public to make informed decisions. Analyst Briefing is also held on the same day of the quarterly financial results announcement.</p> <p><b><u>Discussions, Dialogues and Briefings</u></b></p> <p>COVID-19 pandemic has posed challenges to MBSB in conducting discussions, dialogues and briefings with stakeholders. However, MBSB is committed in maintaining an open communication with analysts, investors, and regulators through online platforms to promote better understanding of the Group's financial performance, operations and other matters affecting shareholders' interests. Besides, communication with employees, customers and other communities were largely conveyed through website and social media.</p> <p>The Group PCEO together with the Deputy Chief Executive Officer, 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 via Webex video conferencing. This is to promote a better understanding of the Group's financial performance, operations and other matters affecting shareholders' interest.</p> <p>In addition to that, a special webinar on the 2020 economic outlook was organised for MBSB Bank's corporate customers in collaboration with Rating Agency Malaysia Berhad (RAM).</p>

	<p><b><u>Corporate Website</u></b></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 presentation slides, and quarterly results of the Group are also made available on the website, promoting the accessibility of information to the company’s shareholders, stakeholders and all other market participants.</p> <p>MBSB and MBSB Bank’s website, which can be found at <a href="https://www.mbsb.com.my">https://www.mbsb.com.my</a>, and <a href="https://www.mbsbbank.com">https://www.mbsbbank.com</a> respectively, provide updated information on the corporate and business aspect of the Group.</p> <p><b><u>Corporate Disclosure Policy</u></b></p> <p>A Corporate Disclosure Policy has set out the policies and procedures for the disclosure of all material information to be released to the public. Clear roles and responsibilities of the Directors, Management and employees are provided in the Corporate Disclosure Policy, and the designated spokesperson responsible for communicating 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 Bursa Malaysia’s MMLR and other applicable legislation.</p> <p><b><u>Integrated and Sustainability Report</u></b></p> <p>The compilation of stakeholders’ engagements, together with the summary of concerns or interests, are disclosed in the Integrated Annual Report 2020 and Sustainability Report 2020. This year, MBSB embarked on the Integrated Reporting journey using the internationally recognised framework – the International Integrated Reporting Council’s Integrated Reporting Framework. MBSB aims to demonstrate its commitment to long-term value creation for stakeholders and improve its decision making process by adopting the “integrated thinking” concept of the &lt;IR&gt; Framework.</p> <p>Stakeholders are welcomed and encouraged to reach out to us via email at <a href="mailto:enquiry@mbsbbank.com">enquiry@mbsbbank.com</a> if they have any inquiries.</p>
<p><b>Explanation for departure</b></p>	<p>:</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>:</p>

<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 11.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>MBSB acknowledges the importance of enhancing its corporate reporting and communicating its value creation for stakeholders over the short, medium and long term. MBSB sees integrated reporting as more than a reporting framework; it is a tool to unify and enhance internal processes for more effective decision-making and resource allocation.</p> <p>In 2020, MBSB embarked on integrated reporting by adopting some aspects of the International Integrated Reporting Council ("IIRC")'s International Integrated Reporting ("<ir>") Framework in the Integrated Annual Report 2020. MBSB disclosed its value creation model, risk and opportunities, outlook, short and long term strategy, financial and non-financial performance in the Integrated Annual Report 2020.</ir></p> <p>In addition, as part of the &lt;IR&gt; journey, MBSB conducted internal and external stakeholder engagement surveys to identify material matters that affect the stakeholders. MBSB also appointed an external consultant to provide capability building workshops for senior management and briefing session for the Boards to transfer knowledge and facilitate the operationalisation of the integrated thinking concept. Through the current state assessment conducted, MBSB is developing the roadmap for full adoption by FY2022. The roadmap entails setting up a governance structure for &lt;IR&gt; and improving internal processes to realise the benefits of the &lt;IR&gt; Framework.</p> <p>We will continuously improve our annual reporting on our journey towards effectively adopting the International &lt;IR&gt; Framework.</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 12.1**

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 AGM for year 2020 was held on 30 June 2020. The Notice of AGM and Annual Report 2019 was despatched to the shareholders on 28 May 2020. 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 right to appoint a proxy and guidance to attend the fully virtual AGM via remote participation and voting.</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>	:	
<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

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>The Board decided to conduct a fully virtual general meeting for its 50<sup>th</sup> AGM held on 30 June 2020 using the Remote Participation and Voting (“RPV”) facilities provided by Tricor Investor &amp; Issuing House Services Sdn. Bhd. (“Tricor”) via its TIH Online website. Shareholders who participated in the virtual AGM were allowed to use the RPV facilities to ask questions.</p> <p>All directors participated in the 50<sup>th</sup> AGM virtually with the exception of the Chairman who was physically present at the Broadcast Venue.</p> <p>During the 50<sup>th</sup> AGM, the Group PCEO presented the Group’s financial performance to the shareholders before proceeding 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 AGM, the Management and Chairman had responded to several questions submitted by remote participants. In addition, the senior management, external auditors and other advisors were available to provide answers and clarifications to shareholders.</p> <p>Due to time constraint, not all questions could be answered during the AGM. For questions that were not answered in the AGM, the Management have e-mailed the responses to the respective shareholder after the meeting.</p> <p>The queries from the shareholders and/or appointed proxies were being responded meaningfully and sufficiently by the Directors, Group PCEO and External Auditors at the last AGM.</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> :		

### 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>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board had on decided to conduct a fully virtual general meeting for its 50<sup>th</sup> AGM held on 30 June 2020 using the Remote Participation and Voting (“RPV”) facilities provided by Tricor Investor &amp; Issuing House Services Sdn. Bhd. (“Tricor”) via its TIIH Online website.</p> <p>The RPV facilities allow shareholders to attend the meeting remotely and pose questions to the Board and Management. The RPV facilities also allow shareholders to vote remotely and vote in absentia.</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>	:	

## SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT 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.*

### **BOARD OF DIRECTORS OF MBSB**

#### **Explanation on the application of the practice:**

The key personal and detailed background of the Directors are disclosed in the Integrated Annual Report 2020 and are available on MBSB's website at [www.mbsb.com.my](http://www.mbsb.com.my)

The Board is responsible for overseeing the conduct of MBSB Group business and the Management's implementation of the Group's strategic objectives as well as its conduct and performance. The Board of Directors' roles and responsibilities are set out in the Board Charter and Section A, Practice 1.1 of this Corporate Governance Report. The Board is supported by various Board Committees, and the roles and responsibilities of the respective Committees are clearly outlined in the TOR, which requires regular review and approval by the Board from time to time.

The records of attendance at Board Meeting held in the financial year ended 31 December 2020 are as follows:

#	Member	Attendance	Percentage
1	Tan Sri Abdul Halim bin Ali <i>Chairman / Non-Independent Non-Executive Director</i>	26/26	100%
2	Encik Lim Tian Huat <i>Senior Independent Non-Executive Director</i>	26/26	100%
3	Ir. Moslim bin Othman <i>Independent Non-Executive Director</i>	26/26	100%
4	Puan Lynette Yeow Su-Yin <i>Independent Non-Executive Director</i>	26/26	100%
5	Puan Zaidatul Mazwin binti Idrus <i>Non-Independent Executive Director</i>	25/26	96%
6	Encik Mohamad Abdul Halim bin Ahmad <i>Independent Non-Executive Director</i> <i>(Appointed on 2 March 2020)</i>	23/23	100%

#### **Board Committee**

##### **(i) Audit Committee**

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, including:

- 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.

The record of attendance of the AC members during the year 2020 is as follows:

#	Member	Attendance	Percentage
1	Encik Lim Tian Huat (AC Chairman) <i>Senior Independent Non-Executive Director</i>	11/11	100%
2	Puan Lynette Yeow Su-Yin (Member) <i>Independent Non-Executive Director</i>	11/11	100%
3	Encik Mohamad Abdul Halim bin Ahmad Independent Non-Executive Director <i>(Appointed as AC member on 2 March 2020)</i>	9/9	100%
4	Ir. Moslim bin Othman (Member) <i>Independent Non-Executive Director</i> <i>(Resigned as AC member on 2 March 2020)</i>	2/2	100%

Note:

On 7 February 2021, following the redesignation of Mr Lim Tian Huat as Non-Independent Non-Executive Director, the composition of the AC was changed as follows:-

1. Encik Mohamad Abdul Halim bin Ahmad (Chairman)
2. Encik Lim Tian Huat (Member)
3. Puan Lynette Yeow Su-Yin (Member)

#### (ii) Risk Management Committee

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.

The record of attendance of the RMC members during the year 2020 is as follows:

#	Member	Attendance	Percentage
1	Encik Lim Tian Huat (Chairman) <i>Senior Independent Non-Executive Director</i>	9/9	100%
2	Ir. Moslim bin Othman (Appointed as RMC Member on 6 February 2019) <i>Independent Non-Executive Director</i>	9/9	100%
3	Encik Mohamad Abdul Halim bin Ahmad Independent Non-Executive Director <i>(Appointed as RMC member on 2 March 2020)</i>	7/7	100%
4	Puan Lynette Yeow Su-Yin <i>Independent Non-Executive Director</i> <i>(Resigned as RMC member on 2 March 2020)</i>	2/2	100%

Note:

On 7 February 2021, following the redesignation of Mr Lim Tian Huat as Non-Independent Non-Executive Director, the composition of the RMC was changed as follows:-

1. Puan Lynette Yeow Su-Yin (Chairman)
2. Ir Moslim Othman (Member)
3. Encik Mohamad Abdul Halim bin Ahmad (Member)

#### (iii) Nominating and Remuneration Committee

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, policy setting on directors' remuneration, and to determine appropriate remuneration packages for all directors. The

NRC is also responsible for reviewing, appointing, removing, and determining the remuneration package for the Group PCEO, key senior management with the “C” Suites position, Company Secretary, and members of the Shariah Advisory Committee. In addition, the NRC also reviews the remuneration framework for the Group.

The record of attendance of the NRC members during the year 2020 is as follows:

#	Member	Attendance	Percentage
1	Ir. Moslim bin Othman (Chairman) <i>Independent Non-Executive Director</i>	12/12	100%
2	Encik Lim Tian Huat (Member) <i>Senior Independent Non-Executive Director</i>	12/12	100%
3	Puan Lynette Yeow Su-Yin (Member) <i>Independent Non-Executive Director</i>	12/12	100%

#### (iv) Option Committee

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.

#	Member	Attendance	Percentage
1	Puan Lynette Yeow Su-Yin (Chairman) <i>Independent Non-Executive Director</i>	There was no Option Committee meeting held during the financial year 2020.	
2	Encik Lim Tian Huat (Member) <i>Senior Independent Non-Executive Director</i>		
3	Ir. Moslim bin Othman (Member) <i>Independent Non-Executive Director</i>		

The ESOS has expired on 11 August 2020. As a result, the Option Committee was no longer required and dissolved with effect from 23 September 2020.

#### Board Training

The list of programmes, conferences, seminars or dialogues attended by the Board of MBSB are as follows:

	Tan Sri Abdul Halim bin Ali	Organiser
1.	Corporate Liability and AMLA Training (2nd session) (4 June 2020)	MBSB Bank Berhad
2.	4th Distinguished Board Leadership Series: Risks: A Fresh Look from the Board's Perspective (8 July 2020)	FIDE FORUM
3.	Managing Political Risk (25 August 2020)	FIDE FORUM
4.	Cybersecurity Awareness Programme for Board of Directors (12 October 2020)	MBSB Bank Berhad
5.	Expectations of the new BNM Shariah Governance Policy 2019 & Shariah Training: Cash Wakaf (12 October 2020)	MBSB Bank Berhad
6.	5th Distinguished Board Leadership Webinar Climate Action: The Board’s Leadership in Greening the Financial Sector (2 November 2020)	FIDE FORUM
7.	Integrated Reporting Workshop (3 December 2020)	MBSB Bank Berhad

<b>Encik Lim Tian Huat</b>		<b>Organiser</b>
1.	Corporate Liability and AMLA Training (1st session) (28 May 2020)	MBSB Bank Berhad
2.	Business Restructuring & Rescue Option Under Companies Act 2019 (3 June 2020)	WebinarJam
3.	Expectations of the new BNM Shariah Governance Policy 2019 & Shariah Training: Cash Wakaf (12 October 2020)	MBSB Bank Berhad
4.	MIA Webinar Series: SMP Forum 2020 (17 - 18 November 2020)	Malaysian Institute of Accountants (MIA)
5.	MIA Webinar Series: IBOR Reform and COVID-19 Impact on MFRS 9 (1 December 2020)	MIA
6.	MIA Webinar Series: COVID-19: Impact on Financial Instruments (24 December 2020)	MIA
6.	Integrated Reporting Workshop (3 December 2020)	MBSB Bank Berhad

<b>Ir. Moslim bin Othman</b>		<b>Organiser</b>
1.	Corporate Liability and AMLA Training (1st session) (28 May 2020)	MBSB Bank Berhad
2.	Cybersecurity Awareness Programme for Board of Directors (12 October 2020)	MBSB Bank Berhad
3.	Expectations of the new BNM Shariah Governance Policy 2019 & Shariah Training: Cash Wakaf (12 October 2020)	MBSB Bank Berhad
4.	Integrated Reporting Workshop (3 December 2020)	MBSB Bank Berhad

<b>Puan Lynette Yeow Su-Yin</b>		<b>Organiser</b>
1.	Corporate Liability and AMLA Training (1st session) (28 May 2020)	MBSB Bank Berhad
2.	4th Distinguished Board Leadership Series: Risks: A Fresh Look from the Board's Perspective (8 July 2020)	FIDE FORUM
3.	FIDE FORUM: Annual Dialogue with the Governor of Bank Negara Malaysia (3 September 2020)	FIDE FORUM
4.	SCxSC Fintech Conference 2020 (5-7 October 2020)	Securities Commission
5.	Cybersecurity Awareness Programme for Board of Directors (12 October 2020)	MBSB Bank Berhad
6.	Expectations of the new BNM Shariah Governance Policy 2019 & Shariah Training: Cash Wakaf (12 October 2020)	MBSB Bank Berhad
7.	5th Distinguished Board Leadership Webinar Climate Action: The Board's Leadership in Greening the Financial Sector (2 November 2020)	FIDE FORUM
8.	Integrated Reporting Workshop (3 December 2020)	MBSB Bank Berhad

<b>Puan Zaidatul Mazwin binti Idrus</b>		<b>Organiser</b>
---	--	------------------

1.	Islamic Finance for Board of Directors Programme on 8 & 9 January 2020	International Shari'ah Research Academy (SRA)
2.	Corporate Liability and AMLA Training (1st session) (28 May 2020)	MBSB Bank Berhad
3.	FIDE Programme (Module A) (29 June 2020 - 2 July 2020) & (6 July 2020 - 9 July 2020)	International Centre for Leadership in Finance (ICLIF)
4.	FIDE Programme (Module B) (13 July 2020 - 15 July 2020) , (16 July 2020 - 17 July 2020) & (20 July 2020 -21 July 2020)	ICLIF
5.	Cybersecurity Awareness Programme for Board of Directors (12 October 2020)	MBSB Bank Berhad
6.	Expectations of the new BNM Shariah Governance Policy 2019 & Shariah Training: Cash Wakaf (12 October 2020)	MBSB Bank Berhad
7.	FIDE Simulation Exercise cum Networking Lunch (9 December 2020)	FIDE FORUM

<b>Encik Mohamad Abdul Halim bin Ahmad</b>		<b>Organiser</b>
1.	The Financial Institutions Directors' Education Programme (FIDE) Core Programme Module A: 6-9 July 2020 Module B: (13-16 July 2020) (16 July 2020 - 17 July 2020) & (20 July 2020 -21 July 2020)	ICLIF
2.	The Mandatory Accreditation Programme (MAP) (7-9 April 2020)	ICLIF
3.	Corporate Liability and AMLA Training (1st session) (28 May 2020)	MBSB Bank Berhad
4.	FIDE Programme (Module A) (29 June 2020 - 2 July 2020) & (6 July 2020 - 9 July 2020)	ICLIF
5.	FIDE Programme (Module B) (13 July 2020 - 15 July 2020) , (16 July 2020 - 17 July 2020) & (20 July 2020 -21 July 2020)	ICLIF
6.	Islamic Finance for Board of Directors Programme (6-7 October 2020)	ISRA
7.	Cybersecurity Awareness Programme for Board of Directors (12 October 2020)	MBSB Bank Berhad
8.	Expectations of the new BNM Shariah Governance Policy 2019 & Shariah Training: Cash Wakaf (12 October 2020)	MBSB Bank Berhad
9.	Integrated Reporting Workshop (3 December 2020)	MBSB Bank Berhad
10.	FIDE Simulation Exercise cum Networking Lunch (9 December 2020)	FIDE FORUM
11.	Anti-Money Laundering / Counter Financing of Terrorism (AML/CFT) (e-Learning)	MBSB Bank Berhad
12.	Introduction to Islamic Finance and Fundamentals of Shariah Principles (e-Learning)	MBSB Bank Berhad
13.	Information & Cyber Security (e-Learning)	MBSB Bank Berhad

14.	Operational Risk & Business Continuity Management (e-Learning)	MBSB Bank Berhad
-----	--	------------------

**INTERNAL FRAMEWORK**

**Explanation on the application of the practice:**

The Board has the overall responsibility of maintaining a sound system of internal controls to safeguard shareholders' investment and the Company's assets as well as responsible for risk oversight within the Group. Two (2) Board Committees, namely AC and RMC, assist the Board in discharging these duties.

The details of MBSB's 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 of the Integrated Annual Report 2020.

**REMUNERATION**

**Explanation on the application of the practice:**

The Board has established a Directors Remuneration Framework, which is tailored to support the strategies and long-term vision of the Company as well as provide adequate motivational incentives for Directors to pursue long-term growth and success of MBSB. The NRC is responsible to review the Directors' remuneration on an annual basis prior to making its recommendations to the Board for approval. The Directors Remuneration Framework was last reviewed in January 2019 and will be reviewed in 2021.

The NRC is responsible for ensuring that the Director's remuneration is competitive and aligns 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 to 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.

To ensure that the current remuneration structure commensurate with the respective directors' responsibilities, NRC has requested an external consultant to be appointed to review the remuneration structure of the MBSB.

The NRC reviews the structure of the Directors' Remuneration on an annual basis prior to making its recommendations to the Board for approval. The remuneration and benefits payable to Directors are determined by shareholders resolution in accordance with the Companies Act, 2016 and the Company's Constitution.

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.

The details of the remuneration received by each of the directors in 2020 is set out in the tables below:

**MBSB:**

Name of Director	Directors' Fees (RM)	Allowance (RM)	Total (RM)
YBhg Tan Sri Abdul Halim bin Ali	140,000	75,000	215,000
Encik Lim Tian Huat	175,000	139,000	314,000

Ir. Moslim bin Othman	148,333	121,000	269,333
Puan Lynette Yeow Su-Yin	138,333	125,000	263,333
Puan Zaidatul Mazwin binti Idrus*	100,000	72,000	172,000
Encik Mohamad Abdul Halim bin Ahmad (Appointed on 2 March 2020)	116,667	98,000	214,667
<b>Total</b>	<b>818,333</b>	<b>630,000</b>	<b>1,448,333</b>

*\*50% of the directors' fees is paid to the organisation to whom the director represents*

#### **MBSB Bank**

Name of Director	Directors' Fees (RM)	Allowance (RM)	Total (RM)
YBhg Tan Sri Abdul Halim bin Ali	140,000	120,000* + 83,000 <i>*car allowance</i>	343,000
Encik Aw Hong Boo	151,667	125,000	276,667
Encik Szaliza Bin Zainuddin*	120,000	123,000	243,000
Datuk Johar bin Che Mat	155,000	159,000	314,000
Puan Lynette Yeow Su-Yin	135,000	159,000	294,000
Tunku Alina binti Raja Muhd Alias	140,000	151,000	291,000
Datuk Azrulnizam bin Abdul Aziz	132,500	145,000	277,500
Dr. Loh Leong Hua	162,500	173,000	335,500
Encik Kamarulzaman bin Ahmad	140,833	136,000	276,833
Encik Arul Sothy Mylvaganam (Appointed on 5 May 2020)	93,333	107,000	200,333
<b>Total</b>	<b>1,370,833</b>	<b>1,481,000</b>	<b>2,851,833</b>

*\*50% of the directors' fees is paid to the organisation to whom the director represents*

The NRC had in 2019 requested for an external consultant to be appointed to review the remuneration structure of Directors for both MBSB and MBSB Bank. Although, the external consultant had recommended an adjustment to align the remuneration of directors, the Boards, given the COVID-19 pandemic which had severely affected the Group, the financial sectors and the broader economy, had decided not to recommend any increase in the fee structure for the Directors for current year.

The remuneration packages of the Group PCEO, the "C" Suites and the Company Secretary of MBSB Group will be reviewed by the NRC and BNRC, and the same will be recommended to the Boards 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 the Boards. BNRC also reviews the remuneration package for the SAC.

#### Remuneration Framework of MBSB Bank

MBSB Bank's Remuneration Policy sets out the steps involved in setting and assessing employees' performance through MBSB Bank's performance as a whole and how it ties with the remuneration paid.

The Remuneration Policy - designed based on a comparison against other financial institutions' practices and BNM's Corporate Governance Policy and Procedures - also sets out the requirements and standards to ensure performance excellence and governing remuneration for all employees as part of MBSB Bank's effort in ensuring proper governance exercise.

The overall remuneration system of MBSB Bank shall be subject to the Board's active oversight to ensure that the system operates as intended; be in line with the business and risk strategies, corporate values and long-term interests of MBSB Bank; promote prudent risk-taking behaviour and encourage individuals to act in the interests of MBSB Bank as a whole, taking into account the interests of its customers.

The Remuneration Framework applies to all MBSB Bank employees as listed below:

1. President and Chief Executive Officer
2. Senior management, which is composed of MBSB Bank's Senior Officers as defined under MBSB Bank's Fit and Proper Requirements Policies & Procedures.
3. MBSB Bank employees who are identified as "other material risk takers" ("OMRT") which refers to an officer who is not a member of senior management and who can materially commit or control significant amounts of MBSB Bank's resources or whose actions are likely to have a significant impact on its risk profile. The list of OMRT must be maintained and reviewed regularly by MBSB Bank.
4. All other employees of MBSB Bank.
5. However, for all non-executive employees governed by the Union, they shall follow the terms and conditions as stipulated in the Collective Agreement ("CA").

The Remuneration Structure for MBSB Bank Employees Structure comprises the following components:

- Fixed – Base Salary/Benefits/Fixed Allowances
- Variable – Bonus/ Salary Increment/Adjustments/Sales Commission

A typical total remuneration structure for MBSB Bank employees is base salary, benefits and/or bonus, increment/adjustment. MBSB Bank may grant salary increment or adjustment at its sole discretion to deserving employees.

In general, the Chief Finance Officer ("CFO") is entrusted with budgeting the overall amount of variable remuneration for the year. To ensure that it links to the long-term strategy of MBSB Bank and reflects overall performance, a deferred payment method for bonus payment for senior management and OMRT is implemented. The payment mechanism is determined by the Management and approved by the Board. This mechanism is reviewed periodically.

This approach is also in line with BNM's Corporate Governance Policy, where the Remuneration Payout schedule must reflect the time horizon of risks and consider the potential for financial risks to crystalize over a more extended period of time.

In adherence to BNM's Corporate Governance Guideline, MBSB Bank may take action to adjust (malus) the unvested remuneration where there is reasonable evidence that the employee has materially contributed to, or been materially responsible for, the need for the restatement of financial results. Salary increments from the promotion exercise shall be proposed by Human Resource Division ("HRD") and agreed upon by the PCEO.

The total value of remuneration paid out to the Senior Management of the Group for FY2020 are as follows:

<b>Total value of remuneration for FY2020</b>	<b>RM</b>
<b>Fixed Remuneration</b>	
- Cash-based	9,026,583 (10 headcounts)
<b>Variable remuneration</b>	
- Cash-based	5,599,000 (10 headcounts)
- ESOS^	Nil
Definition: Senior management (including Group PCEO) comprises MBSB Bank Senior Officers in the category of C-Suites positions and the Company Secretary of MBSB Group.	

The breakdown of the total amount of remuneration awarded to the Group PCEO for the financial year is as follows:

Name	Category	Cash-based (RM '000)	Total (RM '000)
Datuk Seri Ahmad Zaini Bin Othman	Fixed Remuneration	1,640	1,640
	Variable remuneration		
	• Non deferred	1,440	1,440
	• Deferred	360	360
	<b>Total remuneration for FY2020</b>	<b>3,440</b>	<b>3,440</b>

Remuneration data disclosure (Annual pay)	Group PCEO
Total Pay (RM)	4,010,000

Remuneration data disclosure (Annual pay)	Employee
Mean pay (RM)	130,256
Median pay (RM)	86,735
Lowest total pay (RM)	20,634
Highest total pay (RM)	4,010,000

