

CORPORATE GOVERNANCE REPORT

STOCK CODE : 1171
COMPANY NAME : Malaysia Building Society Berhad
FINANCIAL YEAR : December 31, 2021

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

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| Application | : Applied |
| Explanation on application of the practice | <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 "MBSB Group" or "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: https://www.mbsb.com.my/Board_Charter.pdf</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: https://www.mbsbbank.com/storage/misc/MBSB_Bank_Board_Charter.pdf</p> <p>The Board Charter of MBSB and MBSB Bank also outline 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</p> |

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| | <p>Committees' TOR.</p> <p>The Board Committees established to support the Boards in executing their duties are as follows:</p> <p><u>MBSB Board Committees</u></p> <p>1. Audit Committee ("AC")</p> <p>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.</p> <p>2. Risk Management Committee ("RMC")</p> <p>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.</p> <p>3. Nominating and Remuneration Committee ("NRC")</p> <p>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.</p> <p>The NRC is also responsible for reviewing, appointing, removing and determining the remuneration package for the Group President and Chief Executive Officer ("Group PCEO")/ Acting Chief Executive Officer ("ACEO"), key senior management with the "C" Suites position and Company Secretary. Also, the NRC reviews the remuneration framework for the Group.</p> <p>With effect from 7 February 2018, all matters concerning the Shariah members are discussed and decided at MBSB Banks's Nominating and Remuneration Committee ("BNRC").</p> <p>The activities of NRC in 2021 which was carried together with the BNRC of the Bank include the following:</p> <ul style="list-style-type: none"> • Reviewed and recommended the proposed Directors' Fees and Remuneration. • Reviewed and recommended Directors and Officers Takaful |
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Coverage.

- Reviewed and recommended the Performance and Reward for the Year 2020.
- Reviewed and recommended the Group PCEO 2020 Performance Assessments, 2021 Fit and Proper Assessments and 2020 Rewards.
- Reviewed and recommended the C-Suites and Senior Management's 2020 Performance Assessments, 2021 Fit and Proper Assessments 2020 Rewards.
- Reviewed the Group PCEO's KPI.
- Reviewed the Deputy Chief Executive Officer's performance.
- Reviewed and recommended the Directors Retirement by rotation 2021.
- Assessed and evaluated potential board candidates and recommended the appointment of one Non-Independent Executive Director and two Independent Directors.
- Reviewed the Board Assessment Results for year 2021.
- Reviewed and recommended the Directors Annual Training Plan 2021.
- Reviewed and recommended the re-appointment of Directors.
- Reviewed and recommended the succession planning for C-Suites.
- Reviewed and recommended the appointment of Acting Chief Executive Officer, Chief Financial Officer, Chief Technology Officer, Chief People Officer, Chief Operating Officer and Chief Strategy Officer.

The BNRC at the Bank also reviewed the performance of Shariah Advisory Committee for year 2021.

4. Restructuring Committee ("RC")

In 2021, the Board has established a Board-led Committee to specifically oversee appropriate structure to enhance and maximize value for the 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 approval/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 three Independent Non-Executive Directors and chaired by a Director with background in IT.

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, risk management 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 including development and implementation of the Bank’s sustainability strategies, priorities and targets;
- 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

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| | <p>comes under stress;</p> <ul style="list-style-type: none"> • Promoting, together with Senior Management, a sound corporate culture within the Group which reinforces integrity, anti-corruption and bribery, ethical, prudent and professional behaviour; • Serving as the ultimate approving authority for all significant financial expenditure; • Approving related party transactions; • Overseeing the selection, performance, remuneration and succession plans of the Chief Executive Officer (“CEO”) and the C-Suites position as per BNM’s Guidelines on Fit and Proper Criteria and as defined in the MBSB’s Fit and Proper Requirements Policy. <p>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.</p> <p>The Boards also play a vital role in shaping the culture and tone of the Group, whether to place integrity in its rightful place or otherwise ensure that the direction of the Group aligns with the Integrity Governance Unit (“IGU”) vision and initiatives. The Board assumes the following responsibilities as required in relation to their oversight roles on the activities of IGU and issues on bribery, corruption and abuse of power under the Malaysian Anti-Corruption Commission (“MACC”):-</p> <ol style="list-style-type: none"> i. Approve the appointment of Head of IGU; ii. Approve IGU’s yearly plans or programs on anti-bribery, corruption and abuse of power; iii. Approve the establishment of policies which cover all high risk areas in relation to conduct of integrity, bribery, corruption and abuse of power; iv. Ensure the highest level of integrity and ethics are practiced within the Group; v. Comply with all applicable laws and regulatory requirements on anti –bribery, corruption and abuse of power; vi. Oversee the management of risks in relation to bribery, corruption and abuse of power; vii. Provide assurance to internal and external stakeholders that the Group is operating in compliance with applicable policies and regulatory requirements in relation to bribery, corruption and abuse of power; viii. Ensure that reviews by the Internal Audit function are conducted on anti-bribery, corruption and abuse of power programs; ix. Ensure a separate IGU structure answers directly to the Board so issues of pressure, isolation, rejection and unreasonable action do not arise in the Group; x. Monitor the IGU's performance through its periodic reporting; xi. Issue commands to the IGU in an effort to keep it relevant as an entity responsible for preserving integrity in the Group; |
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| | <p>xii. Ensure all bribery, corruption and abuse of power complaints are promptly escalated to the IGU Officer for investigation;</p> <p>xiii. Oversee the effective use of the whistleblowing channel by both internal and external parties to raise concerns in relation to real or suspected bribery, corruption and abuse of power incidents; and</p> <p>xiv. Attend related training on ethics, integrity, anti-bribery, corruption and abuse of power once every two (2) years.</p> <p>In the fourth quarter of 2021, the Boards deliberated the short and long-term budget of the Group. At the meeting, the Business Plan and Budget Projection for 2021-2023 were presented. The performance scorecard 2021 for the ACEO was also presented to the Boards on the same day. The detailed implementation plans for various business initiatives, key strategies, operations and human resources planning requirements were also presented to the Boards.</p> <p>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 Boards also monitored the scorecard achievement and progress of Business Plan initiatives through the monthly business performance report and financial report presented to the Boards. There was no revision of the Business Plan in 2021.</p> <p>The issue of succession planning was deliberated in detail in 2021. As a result, the Boards directed the Human Resource Division to put in place a structured training programme to develop transformational leaders who are able to introduce sound strategies and realise MBSB Bank's vision in becoming the top progressive Islamic Bank.</p> <p>During the year, the Group continued to grow its Current Account and Savings Account ("CASA") base and launched a new Wakalah unrestricted investment account. During the year, the Boards also invested in technology upgrades, mainly in the area of IT Security, as part of measures to improve cyber security.</p> <p>The Boards also discussed extensively on the impact of the prolonged COVID-19 pandemic on the Group, the financial sector and the broader economy and moratorium was granted to eligible customers throughout the year. On the Group's performance, appropriate measures were taken to mitigate and reduce the impact of the modification loss recognised in 2021 due to moratorium programme.</p> <p>Also, the Boards extensively discussed the impact of the COVID-19 pandemic on the Group, the financial sector and the broader economy.</p> <p>The Boards provide oversight on the management of sustainability matters at MBSB and MBSB Bank and ensure Environmental, Social and Governance ("ESG") considerations are incorporated in the business plans. In 2021, the</p> |
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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 engagements, including stakeholders’ engagement surveys. 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 2021 and Sustainability Report 2021.

The Boards reviewed its current State of ESG Practices in the Group. As a result, the Group is in the midst of developing an ESG framework and roadmap for full adoption by financial year 2022.

An ESG Committee was established to lead the Group’s ESG initiatives and a designated person has been identified to manage sustainability matters strategically. An ESG Risk Framework for Corporate Financing and Sukuk Issuers has been approved by the Boards in September 2021.

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 2021.

Among the topics and strategies reviewed, deliberated and approved by the Boards during financial year 2021 are as follows:-

| Areas | Key topics/ strategies |
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| Strategy | <ul style="list-style-type: none"> • Budget, business plan initiatives and KPI for year 2021 for MBSB Group • Assessment on Covid-19 impact to the Group and the strategies to mitigate the impact • Assessment on the impact of moratorium on financing • MBSB Bank’s Digital and Technology Strategy • Group Capital Strategy • MBSB Group restructuring and disposal of non-core assets • Budget and Business Plan for 2022 for MBSB Group • Environmental, Social and Governance (“ESG”) Strategy • Monthly Strategy & Business Performance • Monthly Financial Performance • Declaration of Dividend |
| Risk, Compliance, Oversight | <ul style="list-style-type: none"> • Composite Risk Rating findings • Annual Plan for 2021 for Risk, Compliance, Internal Audit and Integrity and Governance Unit (IGU). • Transfer Pricing Policy • Integrity and Anti-Bribery, Corruption & Abuse of Power Policy • Quarterly Risk Management Report |

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| | <ul style="list-style-type: none"> • Quarterly Regulatory Compliance Report on Anti-Money Laundering/ Counter Financing of Terrorism (AML/CFT) • Quarterly Internal Audit Report • Revision of Board Charter • Revision of Investor Relation Policy • Quarterly IGU Report • Review Dividend Policy |
| | <p>Governance</p> <ul style="list-style-type: none"> • Succession Planning for Key Management Personnel • Succession Planning for Board • Board remuneration, composition and gender diversity • Performance assessment and rewards for Key Management Personnel in 2020. • Board Effectiveness Assessment and Fit and Proper Assessment • MBSB Corporate Governance Report 2020 |
| | <p><u>PCEO/ ACEO Responsibility</u></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>Following the demise of Datuk Seri Ahmad Zaini Othman on 15 August 2021, the Board has appointed Datuk Nor Azam M Taib, the Deputy Chief Executive Officer as the Acting Chief Executive Officer (“ACEO”) of MBSB Group.</p> <p>The Group PCEO/ ACEO 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> |
| <p>Explanation for departure :</p> | |
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| Measure : | | |
| Timeframe : | | |

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.

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| Application | : Applied |
| Explanation on application of the practice | <p>In February 2021, Tan Sri Abdul Halim bin Ali decided to step down as Chairman of MBSB and MBSB Bank after more than 19 years of service in MBSB and three years in MBSB Bank.</p> <p>Tan Sri Azlan bin Mohd Zainol ("Tan Sri Azlan") has been appointed as Chairman/ Non-Independent Non-Executive Director of MBSB and MBSB Bank with effect from 1 March 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 Chairman ensures smooth functioning of the Board and promotes positive culture in the Board. The Chairman also ensures that the guidelines and procedures in place effectively govern the Board's operation and conduct.</p> <p>In consultation with the Group PCEO/ ACEO and the Company Secretary, the Chairman sets out the agenda for matters to be considered by the Board. The meeting agenda must 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 functions to its maximum effectiveness.</p> <p>The Chairman also actively engages Board members and encourages their contribution to Board deliberations. The Chairman 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 positive feedback received via the Self and Peer Assessment of the Board members in the annual Board Effectiveness Evaluation for year 2021.</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 at: https://www.mbsb.com.my/Board_Charter.pdf.</p> |

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| Explanation for departure : | | |
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| Measure : | | |
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Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>There is a clear division of responsibility between the Chairman and Group PCEO/ ACEO 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/ ACEO are distinguished in the Board Charter. The roles and responsibilities of the Chairman and Group PCEO/ ACEO are provided in Section 3.2 of the Board Charter, which is available on MBSB's website at: https://www.mbsb.com.my/Board_Charter.pdf.</p> <p>The positions of Chairman and Group PCEO/ ACEO are held by two different individuals. The Chairman, Tan Sri Azlan leads and manages the Board by focusing on board leadership, whereas the Group PCEO/ ACEO, focuses on the business, operations and organisational issues and implementing Board's decision.</p> <p>Following the demise of Datuk Seri Ahmad Zaini Othman on 15 August 2021, the Boards has appointed Datuk Nor Azam M Taib, the Deputy Chief Executive Officer as the ACEO of MBSB Group.</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/ ACEO 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/ ACEO 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/ ACEO carries the primary responsibility in ensuring management competency, including the emplacement of an effective succession plan to sustain continuity. The Group PCEO/ ACEO 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> |

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| Explanation for departure : | | |
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Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.4

The Chairman of the board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee

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| <i>Note: If the board Chairman is not a member of any of these specified committees, but the board allows the Chairman to participate in any or all of these committees' meetings, by way of invitation, then the status of this practice should be a 'Departure'.</i> | |
| Application : | Applied |
| Explanation on application of the practice : | The Chairman of the Board, Tan Sri Azlan is not a member of any of the Board Committees. Tan Sri Azlan is not an invitee for any of the Board Committees' meetings. |
| Explanation for departure : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | |
| Measure : | |
| Timeframe : | |

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

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.

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| Application | : Applied |
| Explanation on application of the practice | <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 Practising Certificate of Secretary issued by the Companies Commission of Malaysia.</p> <p>The Company Secretary also possess legal qualification, which allows her to execute her 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><u>Company Secretaries Responsibility</u></p> <p>The Company Secretaries demonstrates on-going 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 smooth information flow 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

2021 activities

During the year, the Company Secretaries facilitated the orientation/induction programmes for the new directors of MBSB and MBSB Bank i.e. Tan Sri Azlan and Encik Ho Kwong Hoong who were appointed on 1 March 2021 and 1 July 2021, 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.

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| | <p>All new directors of MBSB appointed in 2021 have attended the Mandatory Accreditation Programme (“MAP”) as required by Bursa Malaysia Securities Berhad.</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 based on the feedback from the Board Effectiveness Evaluation for year 2021.</p> <p>During the year, the Boards were updated with the revision on the Malaysia Code on Corporate Governance in 2021 and corresponding changes in Listing Requirements.</p> <p>In 2021, the Company Secretaries also assisted the Board and NRC in the planning for succession planning of the Board, reappointment of directors, Board remuneration review and succession planning for the key management in MBSB Group.</p> <p>The Company Secretaries also facilitated the Board Effectiveness Assessment for year 2021.</p> |
| <p>Explanation for departure :</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>Measure :</p> | |
| <p>Timeframe :</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 1.6

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <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 Chairman has 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> |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |

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| Measure | : | | |
| Timeframe | : | | |

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.

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| Application | : | Applied |
| Explanation on application of the practice | : | <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 CEO. 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 2021, the Board of MBSB Bank had reviewed and enhanced its Board Charter to incorporate the following:-</p> <p>a. Requirements for reappointment of Non-Executive Director</p> <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: https://www.mbsb.com.my/corporate_governance.html.</p> <p>The Approving Authority ("AA") Manual for MBSB and 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> |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |

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| Measure | : | | |
| Timeframe | : | | |

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.

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| Application | : Applied |
| Explanation on application of the practice | <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 https://www.mbsb.com.my/Code_of_Ethics_Directors.pdf.</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 last 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 ("COEC") for employees, the Complaint Handling Management Policies and Procedures, as well as the Whistleblowing Policies and Procedures, to set the standards of behaviour expected of its employees and to encourage employees to report on suspected fraud, misconduct behaviour and/or violations of the Code of Ethics and Conduct 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</p> |

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 is 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 COEC 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 COEC 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 COEC by signing the "Employee Declaration of Compliance".

The COEC is to be reviewed annually or as and when required. The COEC was last reviewed in 2021 with no change required.

MBSB Group has adopted 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 Integrity Governance Unit ("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.

MBSB has established an 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 MBSB Group does not tolerate any form of bribery, corruption and abuse of power. The Fraud and Corruption Control Policies and Procedures are implemented to manage the risk of fraud and corruption within the MBSB 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.

There was zero incident of confirmed corruption in year 2021.

The Whistleblowing Policies and Procedures was last reviewed on April 2021 and changes were made to enhance the following:-

1. Scope of Whistleblowing Policy
2. definitions and examples of fraud, bribery & corruption, conflict of interest, and theft/embezzlement
3. exception on the protection to the whistleblower
4. Refining reporting channels
5. Inclusion of whistleblowing report in relation to integrity, bribery & corruption, and abuse of power

All Directors and employees of MBSB Group are required to complete the Integrity, Anti-Bribery, Corruption and Abuse of Power Pledge. All newly appointed external service providers or those who renewed their services with MBSB Group are required to complete the Integrity, Anti-Bribery, Corruption and Abuse of Power Pledge as well.

All employees of MBSB Bank are required to complete e-learning modules on Integrity and Governance and Banking Secrecy.

On-boarding due diligence are conducted for new Directors, employees, customers applying for financing facilities and appointed/renewed external service providers. On-going due diligence will also be conducted for existing Directors and employees at least once every two years and prior renewal of contract with existing external service providers.

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 AML/CFT Policies & Procedures was reviewed in April 2021 to enhance MBSB Bank’s on-

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| | <p>going due diligence practice for Non-Malaysia customers.</p> <p>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.</p> <p>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.</p> <p>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.</p> | |
| <p>Explanation for departure</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>Measure</p> | <p>:</p> | |
| <p>Timeframe</p> | <p>:</p> | |

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.

| Application | : Applied | | | | | | |
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| Explanation on application of the practice | <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 April 2021 and changes were made to enhance the following:-</p> <ol style="list-style-type: none"> 1. Scope of Whistleblowing Policy 2. Definitions and examples of fraud, bribery & corruption, conflict of interest, and theft/embezzlement 3. Exception to the protection to the whistleblower 4. Refining reporting channels 5. Inclusion of whistleblowing report in relation to integrity, bribery & corruption, and abuse of power <p>According to the Whistleblowing Policies and Procedures, the whistleblowing reports shall be forwarded in the following manner:</p> <table border="1" data-bbox="544 1675 1390 2007"> <thead> <tr> <th data-bbox="544 1675 970 1727">Complaint against</th> <th data-bbox="970 1675 1390 1727">Report to</th> </tr> </thead> <tbody> <tr> <td data-bbox="544 1727 970 1957"> <ul style="list-style-type: none"> • Chairman of MBSB • Members of the Board of MBSB (other than Chairman of the AC) • CEO • Employee </td> <td data-bbox="970 1727 1390 1957">Chairman of MBSB AC</td> </tr> <tr> <td data-bbox="544 1957 970 2007"> <ul style="list-style-type: none"> • Chairman of MBSB AC </td> <td data-bbox="970 1957 1390 2007">Chairman of MBSB</td> </tr> </tbody> </table> | Complaint against | Report to | <ul style="list-style-type: none"> • Chairman of MBSB • Members of the Board of MBSB (other than Chairman of the AC) • CEO • Employee | Chairman of MBSB AC | <ul style="list-style-type: none"> • Chairman of MBSB AC | Chairman of MBSB |
| Complaint against | Report to | | | | | | |
| <ul style="list-style-type: none"> • Chairman of MBSB • Members of the Board of MBSB (other than Chairman of the AC) • CEO • Employee | Chairman of MBSB AC | | | | | | |
| <ul style="list-style-type: none"> • Chairman of MBSB AC | Chairman of MBSB | | | | | | |

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| | <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. The AC Chairman may inform the whistleblower of the result of the investigation at his discretion.</p> <p>Similar policies have been established at the MBSB Bank level.</p> <p>The details on whistleblowing policy is available on the website at https://www.mbsb.com.my/whistleblower_policy.html (MBSB) and https://www.mbsbbank.com/whistleblowing-policy (MBSB Bank).</p> | |
| <p>Explanation for departure :</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>Measure :</p> | | |
| <p>Timeframe :</p> | | |

Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.1

The board together with management takes responsibility for the governance of sustainability in the company including setting the company's sustainability strategies, priorities and targets.

The board takes into account sustainability considerations when exercising its duties including among others the development and implementation of company strategies, business plans, major plans of action and risk management.

Strategic management of material sustainability matters should be driven by senior management.

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| Application | : Applied |
| Explanation on application of the practice | <p>Sustainability oversight and management across the organization is ultimately the responsibility of the Board of Directors ("the Board"). Key governance responsibilities for the Board are as follows:</p> <ul style="list-style-type: none">• Assumes ultimate responsibility for managing sustainability matters• Ensures corporate strategy considers sustainability• Approves corporate strategy and key performance indicators• Approves policies on sustainability matters <p>The Board is supported by the Management Committee ("MANCO") who acts as the Sustainability Project Steering Committee. All sustainability matters, including reporting matters, are deliberated at the MANCO level. The MANCO is responsible for reporting to the Board on sustainability matters, provides alignment of sustainability strategy with overall business strategy, ensures that MBSB Bank's sustainability plan is implemented and tracked, provides leadership over the implementation of sustainability strategy, and monitors key sustainability performance indicators.</p> <p>MBSB's sustainable governance structure ensures responsibility at all levels to meet our sustainability goals. In view of this, MBSB Bank has also established a Sustainability Working Group ("SWG") in 2021 to spearhead the integration and implementation of MBSB's planned sustainability initiatives moving forward. The SWG is responsible for the following:</p> <ul style="list-style-type: none">• Provides business ideas, process innovation and data to support the sustainability efforts• Reports on the performance of processes and controls, and management targets• Develop a plan and timeline for disclosures• Supports strategy implementation |

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

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.2

The board ensures that the company's sustainability strategies, priorities and targets as well as performance against these targets are communicated to its internal and external stakeholders.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>MBSB Group conducted a stakeholder engagement process in 2021 to obtain input on matters that are material to MBSB Bank. The stakeholder engagement is intended to ensure that the company's sustainability strategies, priorities and targets as well as performance against these targets are communicated to internal and external stakeholders</p> <p>MBSB Bank has constantly sought to ensure transparency and responsiveness in all communications with all key stakeholders to maintain rapport and build confidence in the business operations. MBSB continues to focus on key stakeholder groups that are most impacted by MBSB Bank's business. MBSB Bank actively and regularly engage both internal and external stakeholders to obtain information and addressing their concerns as well aligning sustainability strategy and business activities to fulfil stakeholders' expectations in order to stay abreast of stakeholder priorities.</p> <p>MBSB Bank also performs a materiality assessment annually to review material matters and ensure MBSB Bank remains agile in responding to changing stakeholder concerns and to stay ahead of the evolving market environment. In 2021, MBSB Bank continues to leverage virtual communication channels to seek input from internal and external stakeholders and these inputs were analysed as part of the materiality assessment process as well as the development of business plan and sustainability roadmap.</p> <p>Additionally, a materiality assessment workshop session with the C-Suite level, Senior and Middle Management level officers across various departments was held to promote in-depth discussions of challenges and opportunities facing MBSB. MBSB analysed and evaluated current and developing trends that may present risks or opportunities to the business as well affect stakeholders. While the material matters remain the same as previous year i.e. 2020, the priorities of the matters have shifted in 2021 for internal and external stakeholders.</p> |
| Explanation for departure | : | |

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Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.3

The board takes appropriate action to ensure they stay abreast with and understand the sustainability issues relevant to the company and its business, including climate-related risks and opportunities.

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| Application | : Applied |
| Explanation on application of the practice | <p>The Boards are ultimately responsible for sustainability risk oversight within the Group. To ensure that the sustainability 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 including sustainability related risks.</p> <p>The Group is constantly improving risk assessment and management systems in order to capture relevant ESG risks and opportunities. The Board of Directors and Senior Management remain committed to incorporating sustainability principles into all elements of our operations and are actively striving to incorporate them throughout the Bank.</p> <p>In 2021, MBSB Bank introduced Environmental, Social and Governance ("ESG") Risk Framework for Corporate Financing Customers and Sukuk Issuers, which aims to acts as a guide for staff to identify and assess ESG risk in corporate financing customers and sukuk issuers for MBSB Bank.</p> <p>The ESG framework is guided by Value-based Intermediation Financing and Investment Impact Assessment Framework ("VBIAF") and Climate Change & Principle-based Taxonomy ("CCPT") issued by BNM and it provides an outline of the governance for managing climate related risks and provides stringent procedures to perform ESG risk identification and assessment for customers and includes a general and industry specific exclusion list, which prohibits financing to customers who significantly endanger the environment.</p> <p>Additionally, MBSB Bank continues to uphold responsible and transparent financing practices for the customers while simultaneously protecting MBSB Bank from incurring material credit losses by minimising non-performing accounts. MBSB Bank's existing credit risk policy embeds social and environmental considerations into risk assessment criteria and ensures financing decisions do not incur negative impacts to MBSB Bank. A list of general and industry-specific</p> |

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| | exclusions for non-individual customers' financing guides decision-making process and mitigates MBSB Bank's exposure to adverse environmental and social risks. | |
| Explanation for departure | : | |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
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Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.4

Performance evaluations of the board and senior management include a review of the performance of the board and senior management in addressing the company's material sustainability risks and opportunities.

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| Application | : | Applied |
| Explanation on application of the practice | : | <p>Board Effectiveness Evaluation conducted in 2021 contains an assessment on Board effectiveness in overseeing the development and implementation of sustainability strategies and ensuring ESG aspects are appropriately balances with the interest of various stakeholders.</p> <p>Based on the results of the Board Effectiveness Evaluation in 2021, the Boards recognised the importance of integration of sustainability and ESG consideration as part of the business strategy and satisfied with the Group's sustainability progress and performance.</p> <p>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 2021, 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 stakeholder engagements, including via stakeholder engagement surveys. 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 2021.</p> <p>The Board has agreed that the United Nation Sustainable Development Goals ("SDG") are to be incorporated as part of the Non-Financial KPI for Group PCEO/ ACEO in 2021. The SDG KPI for Group PCEO/ ACEO in 2021 is to plan and oversee the establishment of Sustainability Sukuk Programme. The proceeds from the Sustainability Sukuk Programme will be utilised to finance companies that are pursuing green economy and adopts ESG practices.</p> |
| Explanation for departure | : | |
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Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

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Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.5- Step Up

The board identifies a designated person within management, to provide dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the company.

Note: The explanation on adoption of this practice should include a brief description of the responsibilities of the designated person and actions or measures undertaken pursuant to the role in the financial year.

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| Application : | Not Adopted |
| Explanation on adoption of the practice : | |

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.1

The Nomination Committee should ensure that the composition of the board is refreshed periodically. The tenure of each director should be reviewed by the Nomination Committee and annual re-election of a director should be contingent on satisfactory evaluation of the director's performance and contribution to the board.

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| Application | : Applied |
| Explanation on application of the practice | <p>The NRC and BNRC reviews the composition of the Board and the tenure of the Directors on annual basis to ensure that the Boards has the right mix of skills and experience, diversity and other qualities including core competences which the directors should bring to the Boards. The NRC and BNRC also review the succession plan for the Boards and key Management.</p> <p>The Boards through NRC and BNRC reviewed the succession planning for the Chairman of the Boards. On 1 March 2021, Tan Sri Azlan was appointed as Chairman/ Non-Independent Non-Executive Director of MBSB and MBSB Bank. 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>Following the Board composition review in 2020, which highlighted the need to appoint director who possesses IT or Banking experience, MBSB has appointed Dr Loh Leong Hua as an Independent Non-Executive Director on 10 May 2021. Dr Loh Leong Hua was previously an Independent Non-Executive Director of MBSB Bank and has extensive experience in banking and insurance.</p> <p>At the Bank level, the Boards appointed Encik Ho Kwong Hoong on 1 July 2021 as an Independent Non-Executive Director of MBSB Bank. Encik Ho Kwong Hoong has more than 37 years of experience in banking, investment banking, risk management and centralised operations</p> <p>In 2021, the NRC has reviewed the Board and Board Committees composition and has identified the selection criteria for the new appointment i.e. Director with accounting/ finance and banking background. The NRC then sourced or potential candidates based on the selection criteria and also considered gender diversity for the Board of MBSB. NRC had evaluated several candidates and proposed Datin Hoi Lai Ping ("Datin Hoi") to be appointed as Independent Non-Executive Director of MBSB. Datin Hoi is a Fellow of CPA Australia and a Member of Malaysian Institute of Accountants ("MIA"). The proposed appointment was approved by the Board, subject to the approval by the regulator.</p> |

Datin Hoi has been appointed as Independent Non-Executive Director of MBSB effective 1 March 2022 after MBSB secured the necessary approval from the regulators.

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 |
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| 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. |

Datin Hoi Lai Ping (“Datin Hoi”) was appointed as Independent Non-Executive Director of the Company on 1 March 2022. Datin Hoi shall hold office until the forthcoming AGM in 2022 and is eligible to stand for re-election in accordance with Clause 90 of the Company’s Constitution. Datin Hoi has offered herself for re-election at the 52nd AGM.

Pursuant to Clause 100 of the Company’s Constitution, Puan Lynette Yeow Su-Yin (“Puan Lynette”) and Encik Lim Tian Huat are due for retirement at the forthcoming AGM in 2022 and both Directors are eligible to stand for re-election. Puan Lynette has offered herself for re-election at the forthcoming AGM. Encik Lim Tian Huat did not seek for re-election at the forthcoming AGM after having served on the Board of MBSB for more than 11 years since his appointment as Director on 4 April 2011. Hence, he will retain office until the conclusion of the 52nd AGM, and retires in accordance with Clause 100 of the Company’s Constitution.

The retiring Directors had abstained from deliberations and decisions

on their own eligibility to stand for re-election at the relevant Board and NRC meeting. The Board and NRC had considered the performance and contribution of each of the retiring Directors and also assessed the independence of the Independent Non-Executive Directors seeking re-election.

The Board had in March 2021 reviewed the Board Charter to review the requirements on re-appointment of the Non-Executive Directors provided that such service tenure shall not exceed a consecutive or cumulative term of 9 years. The assessment for the re-election of director had taken this into account the tenure in service in accordance with the Board Charter.

The Board and NRC supported the re-election of Puan Lynette and Datin Hoi as directors of MBSB at the forthcoming AGM in 2022 based on the following justification:-

1. The Board and NRC has assessed both directors and satisfied that both directors are not disqualified under the Companies Act, 2016 and Section 68(1) of the Islamic Financial Services Act 2013 ("IFSA"). The Directors also complied with the Fit and Proper Requirements as prescribed in the Fit and Proper Policy.
2. In addition, background screening was conducted by independent party for both directors. The background screening covers the following areas:-
 - a. Identification check
 - b. Malaysia Anti-Corruption Commission ("MACC") check
 - c. Malaysia / International Security check
 - d. Insolvency search
 - e. Global Integrity check
 - f. Global Internet & Media search
 - g. Industrial Courts Record check
 - h. Educational loan check
 - i. Professional Association Verification
 - j. Malaysia Regulatory check
 - k. Directorship check
 - l. Civil Records check
 - m. Unethical Financing & Money Laundering search
 - n. Academic verification
3. There was no adverse finding or any interest, position or relationship that might influence, or reasonably be perceived to influence in the background screening that could materially affect the director's capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of MBSB.
4. The Board and NRC had also reviewed the performance of Puan Lynette and her meeting attendance at the Board and Board Committees in 2021. The Board and NRC are satisfied with the

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| | <p>performance and the contribution by Puan Lynette to the Board. Puan Lynette participates actively in the deliberations during the Board and Board Committee meetings and was able to provide independent and diverse viewpoints. Puan Lynette also received high score in the peer evaluation which was part of the Board Effectiveness Assessment in 2021. Puan Lynette attended more than 95% of the Board and Board Committee meetings in 2021.</p> <p>5. The Board and NRC also supported the re-election of Datin Hoi based on her vast experience specialising in change management and financial services industry. The Board and NRC are of the view that she would be able to contribute in giving opinion and provide valuable insight particularly in relation to reorganisation/ reengineering of business/ structure etc. She is also a MIA member and she participates actively during the Board and Board Committee meetings.</p> <p>The details of the directors who are standing for the re-election at the forthcoming AGM in 2022 are disclosed under the Directors' Profile of the Integrated Annual Report 2021.</p> | |
| <p>Explanation for departure :</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>Measure :</p> | | |
| <p>Timeframe :</p> | | |

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.2

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

| Application | : | Applied | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---------------------|--|---------------------|----------------|--|-----------|--|---------------------|----------------|---------------------|----------------|------------------------------------|---|-------|---|------|--|---|-------|---|------|------------------------------------|---|-------|---|-------|-------|---|--------|---|--------|
| Explanation on application of the practice | : | <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 2021, the Board of MBSB and MBSB Bank was made up of 57.14% and 75.00% 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>14.28</td><td>1</td><td>12.5</td></tr><tr><td>Non-Independent Non-Executive Director</td><td>2</td><td>28.57</td><td>1</td><td>12.5</td></tr><tr><td>Independent Non-Executive Director</td><td>4</td><td>57.14</td><td>6</td><td>75.00</td></tr><tr><td>Total</td><td>7</td><td>100.00</td><td>8</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 Boards, through the NRC/ BNRC, will assess the Independent Directors annually. The following are considered when assessing independence:</p> <ul style="list-style-type: none">• Fulfilment of all criteria under definition of Independent Director as stated in BNM Corporate Governance Policy and Bursa Malaysia's MMLR; | Designation | MBSB | | MBSB Bank | | Number of Directors | Percentage (%) | Number of Directors | Percentage (%) | Non-Independent Executive Director | 1 | 14.28 | 1 | 12.5 | Non-Independent Non-Executive Director | 2 | 28.57 | 1 | 12.5 | Independent Non-Executive Director | 4 | 57.14 | 6 | 75.00 | Total | 7 | 100.00 | 8 | 100.00 |
| Designation | MBSB | | | MBSB Bank | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Number of Directors | Percentage (%) | Number of Directors | Percentage (%) | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Non-Independent Executive Director | 1 | 14.28 | 1 | 12.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Non-Independent Non-Executive Director | 2 | 28.57 | 1 | 12.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Independent Non-Executive Director | 4 | 57.14 | 6 | 75.00 | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total | 7 | 100.00 | 8 | 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 is satisfied with the results of the FY2021 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 the Directors independence.

MBSB

As at 31 December 2021, the Board of MBSB is made up of the following Directors:

| # | Name of Director | Designation |
|---|--|--|
| 1 | Tan Sri Azlan bin Zainol (appointed on 1 March 2021) | Chairman, Non-Independent Non-Executive Director |
| 2 | Encik Szaliza bin Zainuddin* (appointed on 10 May 2021) | Non-Independent Executive Director |
| 3 | Encik Lim Tian Huat | Non-Independent Non-Executive Director |
| 4 | Puan Lynette Yeow Su-Yin | Senior Independent Non-Executive Director |
| 5 | Ir. Moslim bin Othman | Independent Non-Executive Director |
| 6 | Encik Mohamad Abdul Halim bin Ahmad | Independent Non-Executive Director |
| 7 | Dr. Loh Leong Hua (appointed on 10 May 2021) | Independent Non-Executive Director |

*** Note:**

Encik Szaliza bin Zainuddin does not hold any executive position in MBSB and does not have any management responsibilities in MBSB. His 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 Encik Szaliza bin Zainuddin has management responsibilities in EPF.

As at 28 April 2022, the composition of the Board of MBSB are as follows:-

1. Tan Sri Azlan bin Zainol (Chairman, Non-Independent Non-Executive Director)
2. Encik Szaliza bin Zainuddin (Non-Independent Executive Director)
3. Encik Lim Tian Huat (Non-Independent Non-Executive Director)
4. Puan Lynette Yeow Su-Yin (Senior Independent Non-Executive Director)
5. Ir. Moslim bin Othman (Independent Non-Executive Director)
6. Encik Mohamad Abdul Halim bin Ahmad (Independent Non-Executive Director)
7. Dr. Loh Leong Hua (Independent Non-Executive Director)
8. Datin Hoi Lai Ping (Independent Non-Executive Director) (*appointed on 1 March 2022*)

MBSB Bank

As at 31 December 2021, the Board of MBSB Bank is made up of the following Directors:

| # | Name of Director | Designation |
|---|--|--|
| 1 | Tan Sri Azlan bin Zainol (<i>appointed on 1 March 2021</i>) | Chairman, Non-Independent Non-Executive Director |
| 2 | Encik Szaliza Bin Zainuddin* (Resigned on 6 February 2021) (<i>appointed on 3 May 2021</i>) | 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 | Datuk Azrulnizam bin Abdul Aziz | Independent Non-Executive Director |
| 6 | Encik Kamarulzaman Ahmad | Independent Non-Executive Director |
| 7 | Encik Arul Sothy Mylvaganam | Independent Non-Executive Director |
| 8 | Encik Ho Kwong Hoong (<i>appointed on 1 July 2021</i>) | Independent Non-Executive Director |

* Note:

| | | |
|---|---|--|
| | <p>Encik Szalizi 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 Szalizi Bin Zainuddin has management responsibilities in EPF.</p> | |
| <p>Explanation for departure :</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>Measure :</p> | | |
| <p>Timeframe :</p> | | |

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.3

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 provide justification and seek annual shareholders' approval through a two-tier voting process.

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | During the year in review, Encik Lim Tian Huat who has served as Independent Director for more than nine (9) years has been redesignated as Non-Independent Non-Executive Director effective from 7 February 2021. None of the Independent Director of MBSB has served more than (9) years in MBSB Group. |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.4 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years without further extension.

Note: To qualify for adoption of this Step Up practice, a listed issuer must have a formal policy which limits the tenure of an independent director to nine years without further extension i.e. shareholders' approval to retain the director as an independent director beyond nine years.

| | |
|--|-------------|
| Application : | Not Adopted |
| Explanation on adoption of the practice : | |

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.5

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.

Directors appointed should be able to devote the required time to serve the board effectively. The board should consider the existing board positions held by a director, including on boards of non-listed companies. Any appointment that may cast doubt on the integrity and governance of the company should be avoided.

| | | |
|---|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <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><u>Board appointment</u></p> <p>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> <ol style="list-style-type: none">1. Identification of Skills and Qualifications2. Selection of Candidates3. Fit and Proper Assessment on Candidates4. NRC/ BNRC deliberation5. Interaction with candidates6. Recommendation for Board's approval <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 NRC and BNRC and the Boards also considered the existing directorship (including non-listed companies) of the candidates when considering the new appointment to ensure that they will be able to devote sufficient time for MBSB Group.</p> <p>The Fit and Proper Policy outlined the criteria for the assessment of the suitability of the candidates for directorship, annual assessment for directors, re-election of directors and appointment/renewal of contracts for the Group PCEO/ ACEO, key senior management with "C"</p> |

Suites position and the Company Secretary:

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

In addition, background screening was conducted by independent party as part of the Fit & Proper Assessment. The background screening covers the following areas:-

- a. Identification check
- b. Malaysia Anti-Corruption Commission (“MACC”) check
- c. Malaysia / International Security check
- d. Insolvency search
- e. Global Integrity check
- f. Global Internet & Media search
- g. Industrial Courts Record check
- h. Educational loan check
- i. Professional Association Verification
- j. Malaysia Regulatory check
- k. Directorship check
- l. Civil Records check
- m. Unethical Financing & Money Laundering search
- n. Academic verification

In 2021, the Board and NRC had assessed potential Board candidates for MBSB i.e. Dr Loh Leong Hua and Datin Hoi Lai Ping and satisfied that the candidates are not disqualified under the Companies Act, 2016 and Section 68(1) of the Islamic Financial Services Act 2013 (“IFSA”) and complied with the Fit and Proper Requirements.

At the Bank level, the Board and BNRC had assessed potential Board candidate i.e. Encik Ho Kwong Hoong and satisfied that he is not disqualified under the Companies Act, 2016 and Section 68(1) of the IFSA 2013 and complied with the Fit and Proper Requirements.

There was no adverse finding or any interest, position or relationship that might influence, or reasonably be perceived to influence in the background screening that could materially affect the candidate’s capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of MBSB Group. The NRC, BNRC and the Boards also reviewed the present directorship and commitment of the candidates and satisfied that the candidates would be able to devote sufficient time for MBSB Group.

In March 2021, 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.

| | |
|---|---|
| | <p>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 the Chief Strategy Officer. The NRC and BNRC were satisfied that all the above fulfilled the abovesaid requirements under the Fit and Proper Policy.</p> <p>During the year, the NRC and BNRC also assessed the suitability of candidates for the position of Acting Chief Executive Officer, Chief Financial Officer, Chief Technology Officer, Chief People Officer and Chief Operating Officer and as part of the C-Suite Succession Planning.</p> <p><u>Board Composition</u></p> <p>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 FY2021, 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.</p> <p>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 2021.</p> |
| <p>Explanation for departure :</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>Measure :</p> | |
| <p>Timeframe :</p> | |

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.6

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.

If the selection of candidates was based on recommendations made by existing directors, management or major shareholders, the Nominating Committee should explain why these source(s) suffice and other sources were not used.

| | | |
|---|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <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>During the year in review, the NRC and BNRC sourced potential candidates from the FIDE FORUM which provides Directors Register services, aside from recommendation by directors and major shareholders. The Directors Register by FIDE FORUM is a joint initiative by FIDE FORUM, BNM and Perbadanan Insurance Deposit ("PIDM") that aims to enhance board governance in the area of joint rejuvenation and succession planning.</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> <p>NRC has selected and assessed several shortlisted candidates in 2021. NRC has recommended one female candidate, i.e. Datin Hoi Lai Ping to be appointed as Independent Non-Executive Director of MBSB.</p> <p>Datin Hoi has been appointed as Independent Non-Executive Director of MBSB effective 1 March 2022 after MBSB secured the necessary approval from the regulators.</p> |

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

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.7

The board should ensure shareholders have the information they require to make an informed decision on the appointment and reappointment of a director. This includes details of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the listed company as a whole. The board should also provide a statement as to whether it supports the appointment or reappointment of the candidate and the reasons why.

| | | |
|---|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board has upon recommendation by NRC, recommended the following directors to be re-elected as directors of MBSB at the forthcoming AGM in 2022:-</p> <ol style="list-style-type: none">1. Puan Lynette Yeow Su-Yin (“Puan Lynette”)2. Datin Hoi Lai Ping (“Datin Hoi”) <p>The Board and NRC has considered the performance and contribution of each of the retiring Directors and has also assessed the independence of the Independent Non-Executive Directors seeking re-election.</p> <p>The Board supported the re-election of Puan Lynette and Datin Hoi as directors of MBSB at the forthcoming AGM in 2022 based on the following justification:-</p> <ol style="list-style-type: none">1. The Board and NRC has assessed both directors and satisfied that both directors are not disqualified under the Companies Act, 2016 and Section 68(1) of the Islamic Financial Services Act 2013 (“IFSA”). The Directors also complied with the Fit and Proper Requirements as prescribed in the Fit and Proper Policy.2. In addition, background screening was conducted by independent party for both directors. The background screening covers the following areas:-<ol style="list-style-type: none">a. Identification checkb. Malaysia Anti-Corruption Commission (“MACC”) checkc. Malaysia / International Security checkd. Insolvency searche. Global Integrity checkf. Global Internet & Media searchg. Industrial Courts Record checkh. Educational loan checki. Professional Association Verificationj. Malaysia Regulatory checkk. Directorship check |

| | |
|---|---|
| | <p>l. Civil Records check m. Unethical Financing & Money Laundering search n. Academic verification</p> <p>3. There was no adverse finding or any interest, position or relationship that might influence, or reasonably be perceived to influence found in the background screening that could materially affect the director’s capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of MBSB.</p> <p>4. The Board and NRC had also reviewed the performance of Puan Lynette and her meeting attendance at the Board and Board Committees in 2021. The Board and NRC are satisfied with the performance and the contribution by Puan Lynette to the Board. Puan Lynette participates actively in the deliberations during the Board and Board Committee meetings and was able to provide independent and diverse viewpoints. Puan Lynette also received high score in the peer evaluation which was part of the Board Effectiveness Assessment in 2021. Puan Lynette attended more than 95% of the Board and Board Committee meetings in 2021.</p> <p>5. The Board and NRC also supported the re-election of Datin Hoi based on her vast experience specialising in change management and financial services industry. The Board and NRC are of the view that she would be able to contribute in giving opinion and provide valuable insight particularly in relation to reorganisation/ reengineering of business/ structure etc. She is also a MIA member and she participates actively during the Board and Board Committee meetings.</p> <p>The details of the directors who are standing for the re-election at the forthcoming AGM in 2022 are disclosed under the Directors’ Profile of the Integrated Annual Report 2021.</p> |
| <p>Explanation for departure :</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>Measure :</p> | |
| <p>Timeframe :</p> | |

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.8

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

| | | | |
|--|---|--|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | <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> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.9

The board comprises at least 30% women directors.

| | | |
|--|---|--|
| Application | : | Departure |
| Explanation on application of the practice | : | |
| Explanation for departure | : | Following the resignation of Puan Zaidatul Mazwin Binti Idrus as director of MBSB with effect from 6 February 2021, the number of women directors in the Board had reduced from two (2) to one (1). |
| | | The Board has adopted a measureable objective of maintaining at least one (1) woman director. As at 31 December 2021, there is one (1) woman director, i.e. Puan Lynette Yeow Su-Yin, out of a total of 7 directors, which constitute 14.29% of the Board. |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | The Board has appointed Datin Hoi Lai Ping as Independent Non-Executive Director of MBSB with effect from 1 March 2022. The women composition improved to 25% with the new appointment. The Board and NRC will continue to look for suitable female candidate in the board recruitment process. |
| Timeframe | : | Within 2 years |

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.10

The board discloses in its annual report the company's policy on gender diversity for the board and senior management.

| | | |
|--|---|--|
| Application | : | Departure |
| Explanation on application of the practice | : | |
| Explanation for departure | : | <p>The Board has not established a specific target or policy on gender diversity for the Board and the Senior Management.</p> <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 and Senior Management should remain a priority.</p> <p>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> |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | Whilst the Board did not set a target or policy on gender diversity for the Board and Senior Management. The Board is committed to set a numerical target in its diversity policy and to track its performance against the target. |
| Timeframe | : | Within 3 years |

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 6.1

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 its outcome, actions taken and how it has or will influence board composition.

For Large Companies, the board engages an independent expert at least every three years, to facilitate objective and candid board evaluation.

| | |
|--|---|
| <i>Note: For a Large Company to qualify for adoption of this practice, it must undertake annual board evaluation and engage an independent expert at least every three years to facilitate the evaluation.</i> | |
| Application : | Applied |
| Explanation on application of the practice : | <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>In 2021, the Board Effectiveness Evaluation was conducted in-house and adopts the assessment format proposed by FIDE FORUM in 2020.</p> <p>The approach of the assessment was as follows:-</p> <ol style="list-style-type: none">1. Customised questionnaire to assess the Board's, Board Committees' and individual Directors' performance and leadership qualities2. Key evaluation parameters have taken into account matters specific to Islamic Finance and include critical areas for Board's oversight such as Crisis Management and Business Continuity, Digitalisation/Technology and Non-Financial Reporting.3. The Questionnaire was developed to meet the broad objectives of corporate governance codes and guidelines. <p>The evaluation covers the following key areas: -</p> <p><u>Board and Board Committee effectiveness</u></p> <ol style="list-style-type: none">a. Overall Board Effectivenessb. Board Responsibilitiesc. Board Compositiond. Board Remuneratione. Board Committeesf. Board Cultureg. Chairmanh. Board Administration and Processi. 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, the findings were presented to the NRC/BNRC for review and subsequently to the Boards.

The Board Effectiveness Evaluation Report indicated that the Boards are able to fulfil its responsibilities and mandate in providing oversight of MBSB and MBSB Bank as demonstrated through effective contribution and commitment by individual Directors. The Boards also have common shared values and purpose such as independence and integrity, objectivity and transparency, value creation and act in all stakeholders’ interest.

The Board Effectiveness Evaluation Report also indicated that the Board Committees provides satisfactory support and value to the Board and can effectively discharge their functions and duties.

The NRC and BNRC have recommended some of the key areas for enhancement highlighted in the Board Effectiveness Evaluation Report as follows: -

MBSB

- 1. Board Remuneration
- 2. Succession planning for Board
- 3. Succession planning for key senior management and talent management
- 4. Board training and education
- 5. Oversight on business plan, strategic initiatives, KPI and performance of key talents
- 6. Continued focus in improving and strategizing ESG initiatives
- 7. Continued focus on enhancing shareholders’ value
- 8. Enhancing existing crisis management, Business Continuity Plan and cyber security

MBSB Bank

- 1. Board Remuneration
- 2. Consideration of sustainability and ESG into business strategy
- 3. Continued focus and prioritise strategic and critical discussions on long term and short-term strategies
- 4. Oversight on business plan, strategic initiatives, KPI and performance of key talents
- 5. Enhancing existing crisis management, Business Continuity Plan and cyber security
- 6. Board training and education
- 7. Succession planning for key senior management and talent management
- 8. Continued focus on enhancing products and services

The fit and proper assessments were also conducted annually for all Directors to ensure that all 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 2021 was commendable.

In 2021, there were 24 and 25 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 | | | | |
|---|---|------------------------|--------------|--------------|--------------|------------|
| | | Board | AC | RMC | NRC | RC |
| 1 | Tan Sri Azlan bin Mohd Zainol (appointed on 1/3/2021) | 19/19 (100%) | | | | |
| 2 | Encik Szaliza bin Zainuddin (appointed on 10/5/2021) | 15/16 (94%) | | | | 8/8 (100%) |
| 3 | Encik Lim Tian Huat | 24/24 (100%) | 14/14 (100%) | 1/1 (100%) | 14/14 (100%) | 8/9 (89%) |
| 4 | Puan Lynette Yeow Su-Yin | 23/24 (96%) | 5/5 (100%) | 3/3 (100%) | 10/10 (100%) | 8/9 (89%) |
| 5 | Ir. Moslim bin Othman | 24/24 (100%) | | 13/13 (100%) | 14/14 (100%) | |
| 6 | Encik Mohamad Abdul Halim bin Ahmad | 24/24 (100%) | 14/14 (100%) | 13/13 (100%) | 4/4 (100%) | 9/9 (100%) |
| 7 | Dr. Loh Leong Hua (appointed on 10/5/2021) | 16/16 (100%) | 9/9 (100%) | 9/9 (100%) | | |
| 8 | Tan Sri Abdul Halim bin Ali (Resigned on 6/2/2021) | 3/3 (100%) | | | | |
| 9 | Puan Zaidatul Mazwin Idrus (Resigned on 6/2/2021) | 3/3 (100%) | | | | |

MBSB Bank:

| # | Name of Director | Attendance at Meetings | | | | | |
|----|---|------------------------|-----------------|-----------------|-----------------|--------------|-----------------|
| | | Board | BAC | BRMCC | BNRC | BICC | BITC |
| 1 | Tan Sri Azlan bin Mohd Zainol (appointed on 1/3/2021) | 19/19 (100%) | | | | | |
| 2 | Encik Aw Hong Boo | 25/25 (100%) | 18/18 (100%) | | 17/17 (100%) | | |
| 3 | Encik Szaliza bin Zainuddin (Resigned on 6 February 2021) (appointed on 3 May 2021) | 19/19 (100%) | | | | 19/19 (100%) | |
| 4 | Datuk Johar bin Che Mat | 25/25 (100%) | | | 17/17 (100%) | 23/23 (100%) | |
| 5 | Datuk Azrulnizam bin Abdul Aziz | 25/25 (100%) | | | 10/10 (100%) | 23/23 (100%) | 11/11 (100%) |
| 6 | Encik Kamarulzaman bin Ahmad | 25/25 (100%) | | 15/16 (94%) | | | 11/11 (100%) |
| 7 | Encik Arul Sothy Mylvaganam | 25/25 (100%) | 18/18 (100%) | 16/16 (100%) | | | |
| 8 | Encik Ho Kwoong Hoong (appointed on 1/7/2021) | 14/14 (100%) | 8/8 (100%) | 7/7 (100%) | | | 6/6 (100%) |
| 9 | Tan Sri Abdul Halim bin Ali (Resigned on 6/2/2021) | 4/4 (100%) | | | | | |
| 10 | Puan Lynette Yeow Su-Yin (Resigned on 11/6/2021) | 10/10 (100%) | | | 7/7 (100%) | 9/9 (100%) | |
| 11 | Dr. Loh Leong Hua (Resigned on 10/5/2021) | 9/9 (100%) | 8/8 (100%) | 6/6 (100%) | | | 4/4 (100%) |
| 12 | Tunku Alina Binti Raja Muhd Alias (Retired on 17/6/2021) | 10/10 (100%) | 9/9 (100%) | 7/7 (100%) | | | |

The Boards through NRC and BNRC have also evaluated and identified the training needs of each Director and approve the training needs for 2021. 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 Boards through NRC and BNRC have also evaluated and identified the training requirement for 2021 based on the feedbacks received in the Board Effectiveness Evaluation in 2020. NRC and BNRC recommended and the Boards approved the following in-house training programmes for 2021:-

1. Internal Capital Adequacy Assessment Process (“ICAAP”)
2. Risk Management
3. Digital Business
4. Integrated Thinking Model ESG
5. Financial/ Accounting Standards affecting MBSB Bank

The Directors attended various programmes, conferences, seminars, dialogues focusing on Corporate Governance, Information Technology / Digitalisation, Anti Money Laundering & Counter Financing Terrorism (AML/ CFT), Anti-bribery & Corruption, Cybersecurity, Accounting, Sustainability and Risk Management.

The Company Secretaries have 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.

All Directors of MBSB have attended the Mandatory Accreditation Programme (“MAP”) as required by Bursa Malaysia Securities Berhad.

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

| Tan Sri Azlan bin Mohd Zainol | |
|--------------------------------------|--|
| 1. | Section 17A and Adequate Procedures (3 February 2021) |
| 2. | Legal Updates on The Real Estate Industry in the United Kingdom and Australia (17 March 2021) |
| 3. | Updates on the Malaysian Code on Corporate Governance 2021 (24 June 2021) |
| 4. | Shariah Perspective on Moratorium and R & R, Mufti’s Perspective on FATWA issuance (Organized by MBSB) (5 July 2021) |
| 5. | Integrated Thinking Model ESG (Sustainability) training (Organized by MBSB) (13 August 2021) |
| 6. | Adapting to the New Normal – Lessons to the Board (2nd September 2021) |
| 7. | Enterprise Risk Management - Actualising its Effectiveness “Essential for a strategic risk Framework, focusing on business & regulatory perspectives” (7 September 2021) |
| 8. | Digital Business (Organized by MBSB) (1 October 2021) |
| 9. | Board and Senior Management Training on AML/CFT and Corporate Liability Training (5 November 2021) |
| 10. | FIDE FORUM Annual Dialogue with Governor of Bank Negara Malaysia (3 December 2021) |

Encik Szaliza bin Zainuddin

- | | |
|----|--|
| 1. | Shariah Perspective on Moratorium and R & R, Mufti's Perspective on FATWA issuance (Organized by MBSB) (5 July 2021) |
| 2. | ICAAP training by PricewaterhouseCoopers (PwC) (24 June 2021) |
| 3. | Integrated Thinking Model ESG (Sustainability) training (Organized by MBSB) (13 August 2021) |
| 4. | Digital Business (organized by MBSB) (1 October 2021) |

Encik Lim Tian Huat

- | | |
|-----|--|
| 1. | Pacific & Orient Group - Awareness Briefing on MACC (15 January 2021) |
| 2. | MIA International Accountants Conference 2021 (8-10 June 2021) |
| 3. | ICAAP training by PricewaterhouseCoopers (PwC) (24 June 2021) |
| 4. | Shariah Perspective on Moratorium and R & R, Mufti's Perspective on FATWA issuance (Organized by MBSB) (5 July 2021) |
| 5. | Integrated Thinking Model ESG (Sustainability) training (Organized by MBSB) (13 August 2021) |
| 6. | Board and Senior Management Training on AML/CFT and Corporate Liability Training (5 November 2021) |
| 7. | Cyber Security Awareness (10 September 2021) |
| 8. | Digital Business (Organized by MBSB) (1 October 2021) |
| 9. | Maximising Integrity: The Role of Directors and Senior Management (7 October 2021) |
| 10. | MIA Webinar Series: The Importance of Considering the 'Code of Ethics' when Exercising Judgement in Financial Reporting (22 November 2021) |
| 11. | Practical MPERS for Inventories, Investment Property, PPE and Intangible Assets other than Goodwill (2 December 2021) |
| 12. | MIA Forum with Audit Practitioners |

Puan Lynette Yeow Su -Yin

- | | |
|----|--|
| 1. | ICAAP training by PricewaterhouseCoopers (PwC) (24 June 2021) |
| 2. | Shariah Perspective on Moratorium and R & R, Mufti's Perspective on FATWA issuance (Organized by MBSB) (5 July 2021) |
| 3. | BNM-FIDE FORUM Dialogue on Risk Management in Technology (RMiT): Insights 1 year on (8 July 2021) |
| 4. | Integrated Thinking Model ESG (Sustainability) training (Organized by MBSB) (13 August 2021) |
| 5. | Board and Senior Management Training on AML/CFT and Corporate Liability Training (5 November 2021) |

Ir. Moslim bin Othman

1. ICAAP training by PricewaterhouseCoopers (PwC) (24 June 2021)
2. Shariah Perspective on Moratorium and R & R, Mufti's Perspective on FATWA issuance (Organized by MBSB) (5 July 2021)
3. BNM-FIDE FORUM Dialogue on Risk Management in Technology (RMiT): Insights 1 year on (8 July 2021)
4. Integrated Thinking Model ESG (Sustainability) training (Organized by MBSB) (13 August 2021)
5. Digital Business (Organized by MBSB) (1 October 2021)
6. Board and Senior Management Training on AML/CFT and Corporate Liability Training (5 November 2021)

Encik Mohamad Abdul Halim bin Ahmad

1. ICAAP training by PricewaterhouseCoopers (PwC) (24 June 2021)
2. Shariah Perspective on Moratorium and R & R, Mufti's Perspective on FATWA issuance (Organized by MBSB) (5 July 2021)
3. Integrated Thinking Model ESG (Sustainability) training (Organized by MBSB) (13 August 2021)
4. Digital Business (Organized by MBSB) (1 October 2021)
5. Board and Senior Management Training on AML/CFT and Corporate Liability Training (5 November 2021)

Dr. Loh Leong Hua

1. Cultural Diversity in the Boardroom by Professor Uantchern Loh (2 March 2021)
2. Rethinking Our Approach to Cyber Defence in FIs (11 March 2021)
3. BNM-FIDE FORUM-MASB Dialogue - MFRS17 Insurance Contracts: What Every Director Must Know (20 April 2021, 3.00 p.m. - 4.00 p.m.)
4. BNM-FIDE FORUM Dialogue: The Role of Independent Director (2 June 2021)
5. BNM-FIDE FORUM Dialogue: The Future of Malaysia's Financial Sector (9 June 2021)
6. Masterclass: Board Behavioural Dynamics by Patrick Dunne (15 June 2021)
7. ICAAP training by PricewaterhouseCoopers (PwC) (24 June 2021)
8. Shariah Perspective on Moratorium and R & R, Mufti's Perspective on FATWA issuance (Organized by MBSB) (5 July 2021)
9. How to be an effective NED in a Disruptive World by Jo Haigh (6 July 2021)
10. BNM-FIDE FORUM Dialogue on Risk Management in Technology (RMiT): Insights 1 year on (8 July 2021)

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| 11. | The Net Zero Journey: What Board Members Need to Know – Part I (13 July 2021) |
| 12. | Directors' Duties and Climate Change (22 July 2021) |
| 13. | Integrated Thinking Model ESG (Sustainability) training (Organized by MBSB) (13 August 2021) |
| 14. | Cyber Security Awareness Training (16 August 2021) |
| 15. | Malaysian Code on Corporate Governance (Revised) ("MCCG") ,Latest Guidelines on Conduct of Directors of Listed Corporations and their subsidiaries issued by Securities Commission Malaysia (2 September 2021) |
| 16. | Corporate Governance Regulatory Updates for the Capital Markets Training (9-10 September 2021) |
| 17. | The Net Zero Journey: What Board Members Need to know – Part 2 Decision-making in Strategy and Operations (9 September 2021) |
| 18. | POGT Cyber Security Awareness Training (10 September 2021) |
| 19. | The Deloitte Academy Webinar: Visions of a Net Zero Future – Bridging the gap between science, policy and business (22 September 2021) |
| 20. | Digital Business (Organized by MBSB) (1 October 2021) |
| 21. | Maximising Integrity: The Role of Directors and Senior Management in Keeping Anti-Corruption System Strong (7 October 2021) |
| 22. | Bursa-FIDE FORUM Dialogue on Sustainability (2 November 2021) |
| 23. | Board and Senior Management Training on AML/CFT and Corporate Liability Training (5 November 2021) |
| 24. | ICDM Post Budget (2021) PowerTalk (9 November 2021) |
| 25. | Securities Commission Malaysia's Audit Oversight Board (AOB) Conversation with Audit Committees (29 November 2021) |
| 26. | Key Updates on Tax Budget 2022 by Deloitte (2 December 2021) |
| 27. | FIDE FORUM Annual Dialogue with Governor of Bank Negara Malaysia (3 December 2021) |

Encik Aw Hong Boo

| | |
|----|--|
| 1. | ICAAP training by PricewaterhouseCoopers (PwC) (24 June 2021) |
| 2. | Shariah Perspective on Moratorium and R & R, Mufti's Perspective on FATWA issuance (Organized by MBSB) (5 July 2021) |
| 3. | Integrated Thinking Model ESG (Sustainability) training (Organized by MBSB) (13 August 2021) |
| 4. | Digital Business (Organized by MBSB) (1 October 2021) |
| 5. | Board and Senior Management Training on AML/CFT and Corporate Liability Training (5 November 2021) |

Datuk Johar bin Che Mat

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|----|--|
| 1. | Special Presentation on Actuarial Contractual Liabilities for General Takaful Business (1 June 2021) |
| 2. | ICAAP training by PricewaterhouseCoopers (PwC) (24 June 2021) |
| 3. | Value of New Business (VoNB) and Embedded Value (EV) Concepts (30 June 2021) |
| 4. | Shariah Perspective on Moratorium and R & R, Mufti's Perspective on FATWA issuance (Organized by MBSB) (5 July 2021) |
| 5. | PNB Knowledge Forum 2021 – "Rising above Covid-19: Reimagining Work in Malaysia and Beyond (14 July 2021) |
| 6. | Integrated Thinking Model ESG (Sustainability) training (Organized by MBSB) (13 August 2021) |
| 7. | Risk-Based Capital Framework for Insurers and Takaful Operators (6 September 2021) |
| 8. | Digital Business (Organized by MBSB) (1 October 2021) |
| 9. | Board and Senior Management Training on AML/CFT and Corporate Liability Training (5 November 2021) |

Datuk Azrulnizam bin Abdul Aziz

| | |
|----|--|
| 1. | FIDE FORUM Rethinking our approach Cyber Defense in Financial Institutions (11 March 2021) |
| 2. | ICAAP training by PricewaterhouseCoopers (PwC) (24 June 2021) |
| 3. | Shariah Perspective on Moratorium and R & R, Mufti's Perspective on FATWA issuance (Organized by MBSB) (5 July 2021) |
| 4. | Understanding of Corporate Liability Provision and Adequate Procedure (17 July 2021) |
| 5. | Integrated Thinking Model ESG (Sustainability) training (Organized by MBSB) (13 August 2021) |
| 6. | Digital Business (Organized by MBSB) (1 October 2021) |
| 7. | Board and Senior Management Training on AML/CFT and Corporate Liability Training (5 November 2021) |

Encik Kamarulzaman bin Ahmad

| | |
|----|--|
| 1. | ICAAP training by PricewaterhouseCoopers (PwC) (24 June 2021) |
| 2. | Shariah Perspective on Moratorium and R & R, Mufti's Perspective on FATWA issuance (Organized by MBSB) (5 July 2021) |
| 3. | Integrated Thinking Model ESG (Sustainability) training (Organized by MBSB) (13 August 2021) |
| 4. | Digital Business (Organized by MBSB) (1 October 2021) |
| 5. | Board and Senior Management Training on AML/CFT and Corporate Liability Training (5 November 2021) |

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| 6. | FIDE FORUM Annual Dialogue with Governor of Bank Negara Malaysia (3 December 2021) |
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Encik Arul Sothy Mylvaganam

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|-----|---|
| 1. | BNM-FIDE FORUM-MASB Dialogue - MFRS17 Insurance Contracts: What Every Director Must Know (20 April 2021, 3.00 p.m. - 4.00 p.m.) |
| 2. | BNM-Fide Forum: role of independent directors in the future (2 June 2021) |
| 3. | ICAEW ESG in Malaysia -Priority or Fad? Datuk Umar Swift CEO Bursa (4 June 2021) |
| 4. | General insurance Liabilities by Chee Lim (11 June 2021) |
| 5. | BNM: JC3 Flagship Conference 2021 (23-25 June 2021) |
| 6. | ICAAP training by PricewaterhouseCoopers (PwC) (24 June 2021) |
| 7. | MNRB: Directors training on Value of New Business & Embedded Value by Ganesh Prakash, AA TIFB (30 June 2021) |
| 8. | Shariah Perspective on Moratorium and R & R, Mufti's Perspective on FATWA issuance (Organized by MBSB) (5 July 2021) |
| 9. | BNM-FIDE FORUM Dialogue on Risk Management in Technology (RMiT): Insights 1 year on (8 July 2021) |
| 10. | Net Zero Emissions Climate Change- what board of directors need to know (13 July 2021) |
| 11. | Excess Margin calculation (30 July 2021) |
| 12. | Reinsurance treaty for 2021/2022 (30 July 2021) |
| 13. | Integrated Thinking Model ESG (Sustainability) training (Organized by MBSB) (13 August 2021) |
| 14. | EY for MBSB: integrated Reporting workshop (13 August 2021) |
| 15. | FIDE Forum: Crisis Management and Board's role (19 August 2021) |
| 16. | TIGB: Actuarial aspects of Takaful (20 August 2021) |
| 17. | Risk-Based Capital Framework for Insurers and Takaful Operators (6 September 2021) |
| 18. | BNM Guidelines by PwC (1 October 2021) |
| 19. | Digital Business (Organized by MBSB) (1 October 2021) |
| 20. | AMLA2001&MACC2009 by Vijaya Raj Kanniah (5 November 2021) |
| 21. | Board and Senior Management Training on AML/CFT and Corporate Liability Training (5 November 2021) |

Encik Ho Kwoong Hoong

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|----|--|
| 1. | Risk Management Committee - Banking Sector (1&2 July 2021) |
| 2. | Islamic Finance for Board of Directors Training Programme (8-9 September 2021) |

| | | | | | | | | | | | | | | | | | |
|--|--|----|--|----|--|----|---|----|---|----|--|----|--|----|--|-----|--|
| | <table border="1"> <tr> <td>3.</td> <td>FIDE Core - Banks (Module A) (8-9 July 2021, 12-15 July 2021, 21-22 July 2021)</td> </tr> <tr> <td>4.</td> <td>Integrated Thinking Model ESG (Sustainability) training (Organized by MBSB) (13 August 2021)</td> </tr> <tr> <td>5.</td> <td>Digital Business (Organized by MBSB) (1 October 2021)</td> </tr> <tr> <td>6.</td> <td>Recovery Planning by PwC (1 October 2021)</td> </tr> <tr> <td>7.</td> <td>Intentional Integrity training (28 October 2021)</td> </tr> <tr> <td>8.</td> <td>Board and Senior Management Training on AML/CFT and Corporate Liability Training (5 November 2021)</td> </tr> <tr> <td>9.</td> <td>Talk on "Intentional Integrity" – Register and receive a complimentary copy of Robert Chesnut's book (28 October 2021)</td> </tr> <tr> <td>10.</td> <td>FIDE FORUM Annual Dialogue with Governor of Bank Negara Malaysia (3 December 2021)</td> </tr> </table> | 3. | FIDE Core - Banks (Module A) (8-9 July 2021, 12-15 July 2021, 21-22 July 2021) | 4. | Integrated Thinking Model ESG (Sustainability) training (Organized by MBSB) (13 August 2021) | 5. | Digital Business (Organized by MBSB) (1 October 2021) | 6. | Recovery Planning by PwC (1 October 2021) | 7. | Intentional Integrity training (28 October 2021) | 8. | Board and Senior Management Training on AML/CFT and Corporate Liability Training (5 November 2021) | 9. | Talk on "Intentional Integrity" – Register and receive a complimentary copy of Robert Chesnut's book (28 October 2021) | 10. | FIDE FORUM Annual Dialogue with Governor of Bank Negara Malaysia (3 December 2021) |
| 3. | FIDE Core - Banks (Module A) (8-9 July 2021, 12-15 July 2021, 21-22 July 2021) | | | | | | | | | | | | | | | | |
| 4. | Integrated Thinking Model ESG (Sustainability) training (Organized by MBSB) (13 August 2021) | | | | | | | | | | | | | | | | |
| 5. | Digital Business (Organized by MBSB) (1 October 2021) | | | | | | | | | | | | | | | | |
| 6. | Recovery Planning by PwC (1 October 2021) | | | | | | | | | | | | | | | | |
| 7. | Intentional Integrity training (28 October 2021) | | | | | | | | | | | | | | | | |
| 8. | Board and Senior Management Training on AML/CFT and Corporate Liability Training (5 November 2021) | | | | | | | | | | | | | | | | |
| 9. | Talk on "Intentional Integrity" – Register and receive a complimentary copy of Robert Chesnut's book (28 October 2021) | | | | | | | | | | | | | | | | |
| 10. | FIDE FORUM Annual Dialogue with Governor of Bank Negara Malaysia (3 December 2021) | | | | | | | | | | | | | | | | |
| Explanation for departure : | | | | | | | | | | | | | | | | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | | | | | | | | | | | | | | | |
| Measure : | | | | | | | | | | | | | | | | | |
| Timeframe : | | | | | | | | | | | | | | | | | |

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 7.1

The board has remuneration 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 remuneration policies and practices should appropriately reflect the different roles and responsibilities of non-executive directors, executive directors and senior management. The policies and procedures are periodically reviewed and made available on the company's website.

| | | |
|---|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <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, in 2019 to review the remuneration structure of the Directors of MBSB and the Bank.</p> <p>The Boards took note of the recommendations by the Consultants on</p> |

| | |
|---|--|
| | <p>the remuneration gap. The Boards, given the current economic condition, decided not to recommend any increase in the Directors' fee structure for the current year.</p> <p>The remuneration and benefits payable to Directors are approved by the shareholders in accordance with the Companies Act, 2016 and the Company's Constitution.</p> <p>As for Management, the remuneration packages of the Group PCEO/ ACEO, 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/ ACEO, 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 https://www.mbsb.com.my/Remuneration_Framework_Directors.pdf</p> |
| <p>Explanation for departure :</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>Measure :</p> | |
| <p>Timeframe :</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 7.2

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.

| Application | : Applied | | | | |
|---|---|----------------|------|--|--|
| Explanation on application of the practice | <p>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 https://www.mbsb.com.my/TOR_NRC.pdf.</p> <p>The NRC and BNRC had deliberated on MBSB Group's Directors' fees and the benefits payable to the Directors of MBSB Group for the period from the date of 52nd AGM until the next AGM of the Company in 2023. 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 AGM on the Directors' remuneration in two (2) separate resolutions as follows:</p> <ul style="list-style-type: none"> • Ordinary Resolution 2 - on the payment of Directors' fees payable to Directors for the period from the 52nd AGM to the 53rd AGM; and • Ordinary Resolution 3 – on the payment of benefits (excluding Director' fees) payable to Directors from the 52nd AGM to the 53rd AGM. <p><u>Directors' fees</u></p> <ul style="list-style-type: none"> • There was no change to the proposed Directors' fee structure for MBSB Group as compared to the previous year. The proposed Directors' fees for MBSB Group for the period from the 52nd AGM to the 53rd AGM of the Company in 2023 is based on the following fee structure: <p><u>MBSB</u></p> <table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th style="width: 50%;">Fees per annum</th> <th style="width: 50%;">(RM)</th> </tr> </thead> <tbody> <tr> <td style="height: 20px;"> </td> <td> </td> </tr> </tbody> </table> | Fees per annum | (RM) | | |
| 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 |

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 | Company car and personal driver for Chairman, medical coverage, travel, |

| | | |
|---|---|---|
| | | communication, and other claimable benefits |
| | <p><u>Group PCEO/ACEO</u> The Group PCEO/ACEO'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/ACEO and the C-Suites performance bonus as well as the overall employees' performance bonus in respect of the financial year 2021 performance was reviewed by the NRC and the BNRC and was duly approved by the Board.</p> | |
| Explanation for departure | : | |
| | | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | |
| Timeframe | : | |

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 8.1

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.

| | | |
|---|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <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 of the directors comprise of fixed remuneration only.</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 2021.</p> <p>The remuneration received by each of the directors of MBSB in 2021 is set out in the table below.</p> <p><i>Note:</i></p> <ol style="list-style-type: none"><i>50% of the directors' fees for Encik Sazaliza Bin Zainuddin and Puan Zaidatul Mazwin Idrus are paid to the organisation to which the Director represents.</i><i>Encik Sazaliza Bin Zainuddin and Puan Zaidatul Mazwin Idrus do not hold any executive position in MBSB and does not have any management responsibilities in MBSB. Their 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 Encik Sazaliza Bin Zainuddin and Puan Zaidatul Mazwin Idrus has management responsibilities in EPF.</i> |

| No | Name | Directorate | Company ('000) | | | | | | | Group ('000) | | | | | | |
|----|-------------------------------------|--|-----------------|-----------------|-----------------|-----------------|------------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|-----------------|
| | | | Fee | Allowance | Salary | Bonus | Benefits-in-kind | Other emoluments | Total | Fee | Allowance | Salary | Bonus | Benefits-in-kind | Other emoluments | Total |
| 1 | Tan Sri Azlan bin Mohd Zainol | Non-Executive Non-Independent Director | 117 | 33 | 0 | 0 | 0 | 0 | 150 | 234 | 89 | 0 | 0 | 26 | 0 | 349 |
| 2 | Encik Szaliza bin Zainuddin | Executive Director | 77 | 40 | 0 | 0 | 0 | 0 | 117 | 177 | 135 | 0 | 0 | 0 | 0 | 312 |
| 3 | Encik Lim Tian Huat | Non-Executive Non-Independent Director | 160 | 144 | 0 | 0 | 0 | 0 | 304 | 160 | 144 | 0 | 0 | 0 | 0 | 304 |
| 4 | Puan Lynette Yeow Su-Yin | Independent Director | 142 | 116 | 0 | 0 | 0 | 0 | 258 | 210 | 175 | 0 | 0 | 0 | 0 | 385 |
| 5 | Ir. Moslim bin Othman | Independent Director | 145 | 125 | 0 | 0 | 0 | 0 | 270 | 145 | 125 | 0 | 0 | 0 | 0 | 270 |
| 6 | Encik Mohamad Abdul Halim bin Ahmad | Independent Director | 165 | 159 | 0 | 0 | 0 | 0 | 324 | 165 | 159 | 0 | 0 | 0 | 0 | 324 |
| 7 | Dr. Loh Leong Hua | Independent Director | 100 | 82 | 0 | 0 | 0 | 0 | 182 | 169 | 142 | 0 | 0 | 0 | 0 | 311 |
| 8 | Tan Sri Abdul Halim bin Ali | Non-Executive Non-Independent Director | 23 | 6 | 0 | 0 | 0 | 0 | 29 | 46 | 37 | 0 | 0 | 0 | 0 | 83 |
| 9 | Puan Zaidatul Mazwin Idrus | Executive Director | 17 | 9 | 0 | 0 | 0 | 0 | 26 | 17 | 9 | 0 | 0 | 0 | 0 | 26 |
| 10 | Input info here | Choose an item. | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here |
| 11 | Input info here | Choose an item. | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here |
| 12 | Input info here | Choose an item. | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here |
| 13 | Input info here | Choose an item. | Input | Input | Input | Input | Input | Input | Input | Input | Input | Input | Input | Input | Input | Input |

| | | | | | | | | | | | | | | | | |
|----|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | | | info here | info here | info here | info here | info here | info here | info here | info here | info here | info here | info here | info here | info here | info here |
| 14 | Input info here | Choose an item. | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here |
| 15 | Input info here | Choose an item. | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here |

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 8.2

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.

| Application | : | Departure | | | | | | | | | | |
|---|---------------------------------|---|--|----|---------------------------|--|--------------|---------------------------------|------------------------------|--|--------------|---------------------------------|
| Explanation on application of the practice | : | | | | | | | | | | | |
| Explanation for departure | : | <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 affects 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 FY2021</th> <th>RM</th> </tr> </thead> <tbody> <tr> <td>Fixed Remuneration</td> <td></td> </tr> <tr> <td>- Cash-Based</td> <td>4,580,814 (Top 5 headcounts)</td> </tr> <tr> <td>Variable remuneration</td> <td></td> </tr> <tr> <td>- Cash-Based</td> <td>4,569,866 (Top 5 headcounts)</td> </tr> </tbody> </table> <p>Definition: Senior management (including Group PCEO/ ACEO) comprises MBSB Bank Senior Officers in the category of C-Suites positions and the Company Secretary of MBSB Group.</p> | Total value of remuneration for FY2021 | RM | Fixed Remuneration | | - Cash-Based | 4,580,814 (Top 5 headcounts) | Variable remuneration | | - Cash-Based | 4,569,866 (Top 5 headcounts) |
| Total value of remuneration for FY2021 | RM | | | | | | | | | | | |
| Fixed Remuneration | | | | | | | | | | | | |
| - Cash-Based | 4,580,814 (Top 5 headcounts) | | | | | | | | | | | |
| Variable remuneration | | | | | | | | | | | | |
| - Cash-Based | 4,569,866 (Top 5 headcounts) | | | | | | | | | | | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | | | | | | | | | | | |
| Measure | : | The Board will closely monitor the developments in the market in respect of such disclosure for future consideration. | | | | | | | | | | |
| Timeframe | : | Within 3 years | | | | | | | | | | |

| No | Name | Position | Company | | | | | |
|----|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|-----------------|
| | | | Salary | Allowance | Bonus | Benefits | Other emoluments | Total |
| 1 | Input info here | Input info here | Choose an item. | Choose an item. | Choose an item. | Choose an item. | Choose an item. | Choose an item. |
| 2 | Input info here | Input info here | Choose an item. | Choose an item. | Choose an item. | Choose an item. | Choose an item. | Choose an item. |
| 3 | Input info here | Input info here | Choose an item. | Choose an item. | Choose an item. | Choose an item. | Choose an item. | Choose an item. |
| 4 | Input info here | Input info here | Choose an item. | Choose an item. | Choose an item. | Choose an item. | Choose an item. | Choose an item. |
| 5 | Input info here | Input info here | Choose an item. | Choose an item. | Choose an item. | Choose an item. | Choose an item. | Choose an item. |

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 8.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

| | | |
|--|---|-------------|
| Application | : | Not Adopted |
| Explanation on adoption of the practice | : | |

| No | Name | Position | Company ('000) | | | | | |
|----|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|-----------------|
| | | | Salary | Allowance | Bonus | Benefits | Other emoluments | Total |
| 1 | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here |
| 2 | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here |
| 3 | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here |
| 4 | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here |
| 5 | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here | Input info here |

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 9.1

The Chairman of the Audit Committee is not the Chairman of the board.

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <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>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. Encik Halim is not the Chairman of the Board of MBSB.</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 2021.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

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 9.2

The Audit Committee has a policy that requires a former partner of the external audit firm of the listed company to observe a cooling-off period of at least three years before being appointed as a member of the Audit Committee.

| | | |
|--|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>None of the AC and BAC members was a former key audit partner in the past three years.</p> <p>The requirement to observe a cooling-off period of three years for appointment of AC and BAC members is stated in the respective Terms of Reference.</p> <p>The Terms of Reference of AC and BAC are available at https://www.mbsb.com.my/TOR_AC.pdf and https://www.mbsbbank.com/TOR_BAC.pdf respectively.</p> <p>The requirement to observe a cooling-off period of three years is also stated in the External Auditor Policy.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

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 9.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor to safeguard the quality and reliability of audited financial statements.

| | | |
|---|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The procedures to assess the suitability, objectivity and independence of the External Auditor have been established via the External Auditor Policy, in line with BNM's External Auditor Policy and MCCG. The External Auditor Policy was reviewed on 27 October 2021 to incorporate new requirements set out in BNM's External Auditor Policy and MCCG.</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, 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>In 2021, 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 PLT be appointed as the auditors of MBSB and its subsidiaries in place of the retiring auditors, Messrs. KPMG PLT for the financial year ended 31 December 2021.</p> <p>BNM had approved the application for the appointment of Messrs PricewaterhouseCoopers PLT as External Auditors of MBSB and MBSB Bank, and a resolution to appoint Messrs PricewaterhouseCoopers PLT was tabled at the Annual General Meeting on 17 June 2021 and the resolution was duly passed.</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 2021. | |
| Explanation for departure : | | |
| | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure : | | |
| Timeframe : | | |

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 9.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

| | | |
|--|---|-------------|
| Application | : | Not Adopted |
| Explanation on adoption of the practice | : | |

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 9.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate, competent 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.

| Application | : | Applied | | | | | | | | | | | | |
|---|---|--|----|-----|---|--|---|---|---|---|---|--|---|---|
| Explanation on application of the practice | : | <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 of 31 December 2021 were as follows:</p> <table border="1"><thead><tr><th>AC</th><th>BAC</th></tr></thead><tbody><tr><td>Encik Mohamad Abdul Halim bin Ahmad (Chairman) <i>(Independent Non-Executive Director)</i> (Redesignated as AC Chairman on 7 February 2021)</td><td>Encik Aw Hong Boo (Chairman) <i>(Senior Independent Non-Executive Director)</i></td></tr><tr><td>Encik Lim Tian Huat (Member) <i>(Non-Independent Non-Executive Director)</i> (Redesignated as AC member on 7 February 2021)</td><td>Encik Arul Sothy Mylvaganam (Member) <i>(Independent Non-Executive Director)</i></td></tr><tr><td>Dr. Loh Leong Hua (Member) <i>(Independent Non-Executive Director)</i> <i>(appointed as AC member on 10 May 2021)</i></td><td>Encik Ho Kwong Hoong (Member) <i>(Independent Non-Executive Director)</i> <i>(appointed as BAC member on 1 July 2021)</i></td></tr><tr><td>Puan Lynette Yeow Su-Yin <i>(Independent Non-Executive Director)</i> (Resigned as AC member on 10 May 2021)</td><td>Dr Loh Leong Hua <i>(Independent Non-Executive Director)</i> (Vacated due to resignation as director on 10 May 2021)</td></tr><tr><td>-</td><td>Tunku Alina Raja Muid Alias <i>(Non-Independent Non-Executive Director)</i> (Vacated due to retirement as director on 17 June 2021)</td></tr></tbody></table> | AC | BAC | Encik Mohamad Abdul Halim bin Ahmad (Chairman) <i>(Independent Non-Executive Director)</i> (Redesignated as AC Chairman on 7 February 2021) | Encik Aw Hong Boo (Chairman) <i>(Senior Independent Non-Executive Director)</i> | Encik Lim Tian Huat (Member) <i>(Non-Independent Non-Executive Director)</i> (Redesignated as AC member on 7 February 2021) | Encik Arul Sothy Mylvaganam (Member) <i>(Independent Non-Executive Director)</i> | Dr. Loh Leong Hua (Member) <i>(Independent Non-Executive Director)</i> <i>(appointed as AC member on 10 May 2021)</i> | Encik Ho Kwong Hoong (Member) <i>(Independent Non-Executive Director)</i> <i>(appointed as BAC member on 1 July 2021)</i> | Puan Lynette Yeow Su-Yin <i>(Independent Non-Executive Director)</i> (Resigned as AC member on 10 May 2021) | Dr Loh Leong Hua <i>(Independent Non-Executive Director)</i> (Vacated due to resignation as director on 10 May 2021) | - | Tunku Alina Raja Muid Alias <i>(Non-Independent Non-Executive Director)</i> (Vacated due to retirement as director on 17 June 2021) |
| AC | BAC | | | | | | | | | | | | | |
| Encik Mohamad Abdul Halim bin Ahmad (Chairman) <i>(Independent Non-Executive Director)</i> (Redesignated as AC Chairman on 7 February 2021) | Encik Aw Hong Boo (Chairman) <i>(Senior Independent Non-Executive Director)</i> | | | | | | | | | | | | | |
| Encik Lim Tian Huat (Member) <i>(Non-Independent Non-Executive Director)</i> (Redesignated as AC member on 7 February 2021) | Encik Arul Sothy Mylvaganam (Member) <i>(Independent Non-Executive Director)</i> | | | | | | | | | | | | | |
| Dr. Loh Leong Hua (Member) <i>(Independent Non-Executive Director)</i> <i>(appointed as AC member on 10 May 2021)</i> | Encik Ho Kwong Hoong (Member) <i>(Independent Non-Executive Director)</i> <i>(appointed as BAC member on 1 July 2021)</i> | | | | | | | | | | | | | |
| Puan Lynette Yeow Su-Yin <i>(Independent Non-Executive Director)</i> (Resigned as AC member on 10 May 2021) | Dr Loh Leong Hua <i>(Independent Non-Executive Director)</i> (Vacated due to resignation as director on 10 May 2021) | | | | | | | | | | | | | |
| - | Tunku Alina Raja Muid Alias <i>(Non-Independent Non-Executive Director)</i> (Vacated due to retirement as director on 17 June 2021) | | | | | | | | | | | | | |

| | | | |
|---|---|---|--|
| | - | <p>Datuk Johar Che Mat <i>(Independent Non-Executive Director)</i> <i>(appointed as BAC member on 22 June 2021)</i> <i>(resigned as BAC member on 30 June 2021)</i></p> | |
| <p>Explanation for departure</p> | : | <p>Note: On 1 March 2022, following the appointment of Datin Hoi Lai Ping as Independent Non-Executive Director of MBSB, the composition of the AC was changed as follows:</p> <ol style="list-style-type: none"> 1. Encik Mohamad Abdul Halim bin Ahmad (Chairman) 2. Dr. Loh Leong Hua (Member) 3. Datin Hoi Lai Ping (Member) <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 2021.</p> <p>The AC and BAC members have attended various conferences and training programmes during 2021 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 6.1.</p> <p>The NRC and BNRC have assessed the performance of the AC, BAC and its members through an annual Board Committee effectiveness evaluation. The assessment report 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 website at https://www.mbsb.com.my/TOR_AC.pdf and https://www.mbsbbank.com/TOR_BAC.pdf respectively.</p> <p>A summary of the AC and BAC's work in discharging their functions and duties for the financial year 31 December 2021 is described in the Report of the Audit Committee section of the Integrated Annual Report 2021.</p> | |

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

| | | | |
|------------------|---|--|--|
| Measure | : | | |
| Timeframe | : | | |

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 10.1

The board should establish an effective risk management and internal control framework.

| | | |
|---|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Boards are 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 Boards oversee the risk management and internal controls of the Group and endeavour 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 Boards remain 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 Boards have 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> |

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 2021 focused on the following:

- i) Promoting risk awareness and enhancing risk knowledge of the Bank staff which includes on policies/procedures by organizing engagement sessions/briefings between RMD and other divisions/departments of the Bank
- ii) Introducing/enhancing risk management tools, processes and reports to promote sound risk management practices
- iii) System/software implementation and process automation to promote effective and efficient risk monitoring
- iv) To ensure compliance to regulatory requirements in relation to Information Technology ("IT") infrastructure and strengthen the level of IT security within the Bank.

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 on-going 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.

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.

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 Management on matters in connection with reporting risks and controls as well as providing a forum for independent discussions.

The Board Risk Committees shall also undertake additional duties deemed appropriate and necessary to assist the Boards. 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 2021. | |
| Explanation for departure : | | |
| | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure : | | |
| Timeframe : | | |

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 10.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

| | | | |
|--|---|---|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | 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 2021. | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

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 10.3 - 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.

| Application | : | Adopted | | | | | | | | | | | | | | |
|--|--|---|-----|-------|---|---|--|--|---|---|--|--|--|---|---|--|
| Explanation on adoption of the practice | : | <p>The RMC and BRMCC comprises wholly of Independent Directors. The composition of RMC and BRMCC as of 31 December 2021 were as follows:</p> <table border="1"> <thead> <tr> <th>RMC</th> <th>BRMCC</th> </tr> </thead> <tbody> <tr> <td>Dr Loh Leong Hua (Chairman) <i>(Independent Non-Executive Director)</i> <i>(appointed as RMC Chairman on 10 May 2021)</i></td> <td>Encik Ho Kwong Hoong (Chairman) <i>(Independent Non-Executive Director)</i> <i>(appointed as BRMCC Chairman on 1 July 2021)</i></td> </tr> <tr> <td>Ir Moslim Othman (Member) <i>(Independent Non-Executive Director)</i></td> <td>Encik Kamarulzaman bin Ahmad (Member) <i>(Independent Non-Executive Director)</i></td> </tr> <tr> <td>Encik Mohamad Abdul Halim bin Ahmad (Member) <i>(Independent Non-Executive Director)</i></td> <td>Encik Arul Sothy Mylvaganam (Member) <i>(Independent Non-Executive Director)</i></td> </tr> <tr> <td>Puan Lynette Yeow Su-Yin <i>(Independent Non-Executive Director)</i> (Appointed as RMC member on 7 February 2021) (Resigned as RMC member on 10 May 2021)</td> <td>Encik Aw Hong Boo <i>(Independent Non-Executive Director)</i> (Appointed as BRMCC member on 10 May 2021) (Resigned as BRMCC member on 30 June 2021)</td> </tr> <tr> <td>Encik Lim Tian Huat <i>(Non-Independent Non-Executive Director)</i> <i>(resigned as RMC Chairman on 7 February 2021)</i></td> <td>Tunku Alina Raja Muhd Alias <i>(Non-Independent Non-Executive Director)</i> (Vacated due to retirement as director on 17 June 2021)</td> </tr> <tr> <td>-</td> <td>Dr Loh Leong Hua <i>(Independent Non-Executive Director)</i> (Vacated due to resignation as director on 10 May 2021)</td> </tr> </tbody> </table> <p>Note: On 1 March 2022, following the appointment of Datin Hoi Lai Ping as Independent Non-Executive Director of MBSB, the composition of the</p> | RMC | BRMCC | Dr Loh Leong Hua (Chairman) <i>(Independent Non-Executive Director)</i> <i>(appointed as RMC Chairman on 10 May 2021)</i> | Encik Ho Kwong Hoong (Chairman) <i>(Independent Non-Executive Director)</i> <i>(appointed as BRMCC Chairman on 1 July 2021)</i> | Ir Moslim Othman (Member) <i>(Independent Non-Executive Director)</i> | Encik Kamarulzaman bin Ahmad (Member) <i>(Independent Non-Executive Director)</i> | Encik Mohamad Abdul Halim bin Ahmad (Member) <i>(Independent Non-Executive Director)</i> | Encik Arul Sothy Mylvaganam (Member) <i>(Independent Non-Executive Director)</i> | Puan Lynette Yeow Su-Yin <i>(Independent Non-Executive Director)</i> (Appointed as RMC member on 7 February 2021) (Resigned as RMC member on 10 May 2021) | Encik Aw Hong Boo <i>(Independent Non-Executive Director)</i> (Appointed as BRMCC member on 10 May 2021) (Resigned as BRMCC member on 30 June 2021) | Encik Lim Tian Huat <i>(Non-Independent Non-Executive Director)</i> <i>(resigned as RMC Chairman on 7 February 2021)</i> | Tunku Alina Raja Muhd Alias <i>(Non-Independent Non-Executive Director)</i> (Vacated due to retirement as director on 17 June 2021) | - | Dr Loh Leong Hua <i>(Independent Non-Executive Director)</i> (Vacated due to resignation as director on 10 May 2021) |
| RMC | BRMCC | | | | | | | | | | | | | | | |
| Dr Loh Leong Hua (Chairman) <i>(Independent Non-Executive Director)</i> <i>(appointed as RMC Chairman on 10 May 2021)</i> | Encik Ho Kwong Hoong (Chairman) <i>(Independent Non-Executive Director)</i> <i>(appointed as BRMCC Chairman on 1 July 2021)</i> | | | | | | | | | | | | | | | |
| Ir Moslim Othman (Member) <i>(Independent Non-Executive Director)</i> | Encik Kamarulzaman bin Ahmad (Member) <i>(Independent Non-Executive Director)</i> | | | | | | | | | | | | | | | |
| Encik Mohamad Abdul Halim bin Ahmad (Member) <i>(Independent Non-Executive Director)</i> | Encik Arul Sothy Mylvaganam (Member) <i>(Independent Non-Executive Director)</i> | | | | | | | | | | | | | | | |
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| Encik Lim Tian Huat <i>(Non-Independent Non-Executive Director)</i> <i>(resigned as RMC Chairman on 7 February 2021)</i> | Tunku Alina Raja Muhd Alias <i>(Non-Independent Non-Executive Director)</i> (Vacated due to retirement as director on 17 June 2021) | | | | | | | | | | | | | | | |
| - | Dr Loh Leong Hua <i>(Independent Non-Executive Director)</i> (Vacated due to resignation as director on 10 May 2021) | | | | | | | | | | | | | | | |

| | |
|--|--|
| | <p>RMC was changed as follows:-</p> <ol style="list-style-type: none">1. Dr Loh Leong Hua (Chairman)2. Ir Moslim Othman (Member)3. Datin Hoi Lai Ping (Member) |
|--|--|

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 11.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

| Application | : Applied | | | | |
|---|---|---------------|--------------|--|--|
| Explanation on application of the practice | <p data-bbox="544 600 1396 808">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/ ACEO.</p> <p data-bbox="544 853 1396 1061">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 data-bbox="544 1106 1396 1346">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 2021.</p> <p data-bbox="544 1391 1396 1599">The IAD activities were carried out based on the Audit Plan 2021 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 and BAC.</p> <p data-bbox="544 1644 1396 1771">The AC and BAC had during the year reviewed the TOR and had recommended changes to the Board. The TOR of AC and BAC are available at https://www.mbsb.com.my/TOR_AC.pdf and https://www.mbsbbank.com/TOR_BAC.pdf respectively.</p> <p data-bbox="544 1816 1396 1951">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" data-bbox="544 1989 1369 2029"> <thead> <tr> <th data-bbox="544 1989 1193 2029">Certification</th> <th data-bbox="1193 1989 1369 2029">No. of Staff</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> </tr> </tbody> </table> | Certification | No. of Staff | | |
| Certification | No. of Staff | | | | |
| | | | | | |

| | | |
|---|--|----|
| | Chartered Banker (CB) | 1 |
| | Certified Internal Auditor (CIA) | 1 |
| | Masters In Islamic Master Practice (MIFP) | 4 |
| | Certification for Bank Auditor (CBA) | 17 |
| | Certified Credit Executive / CCP/BCP | 8 |
| | Associate / Intermediate Qualification in Islamic Finance | 5 |
| | Certified Information System Auditor (CISA) 2 | 2 |
| | Fundamental Certification in Islamic Banking (FCIB) | 2 |
| | COBIT 4 / ISO 27001 Lead Auditor / Scrum Fundamental & ITIL Foundation @ ITSM | 2 |
| | Certified Anti-Money Laundering & Counter Financing of Terrorism Compliance Officer (CAMCO) / ICA International Advanced Certificate in Anti Money Laundering (AC AML) | 3 |
| | Shariah Audit Certification (SAC) | 5 |
| | Certified Professional Shariah Auditor (CPSA) | 4 |
| | <p>Total IAD staff stood at 43 as of 31 December 2021. There is 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 Annual Report 2021.</p> | |
| Explanation for departure : | | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure : | | |
| Timeframe : | | |

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 11.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

| | | |
|---|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <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 2021.</p> <p>The IAD is headed by the Group Chief Internal Auditor (“GCI A”), Cik Aniza binti Zakaria. She is a Chartered Banker, AICB and Senior Associate Member of Chartered Institute of Islamic Finance Professionals. 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 2021.</p> <p>IAD personnel do not have any authority or responsibility for the activities they audit. They are required to report to the GCI A 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 BAC and 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 deliberate on internal control issues and governance practices identified in reports prepared by the internal auditors and the related actions taken by Senior Management. Key issues deliberated at the BAC and AC is presented to the Boards via the Chairman’s Report. 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</p> |

| | | |
|---|---|--|
| | <p>are free from any relationships or conflicts of interest, which could impair their objectivity and independence, save for one IAD staff's relationship with a staff (sister-in-law) 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 2021.</p> | |
| Explanation for departure : | | |
| | | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure : | | |
| Timeframe : | | |

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 12.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

| | | |
|---|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <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><u>Financial Results</u></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.</p> <p><u>Discussions, Dialogues and Briefings</u></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. Furthermore, communication with employees, customers and other communities were largely conveyed through website and social media.</p> <p>The Acting CEO together with the Chief Financial 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, MBSB conducted a webinar engagement session for corporate customers, with focus on SMEs in 2021 titled "Of Lockdown and Recovery: Where are we heading".</p> <p><u>Corporate Website</u></p> |

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| | <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 https://www.mbsb.com.my, and https://www.mbsbbank.com respectively, provide updated information on the corporate and business aspect of the Group.</p> <p><u>Corporate Disclosure Policy</u></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><u>Integrated and Sustainability Report</u></p> <p>MBSB conducts a materiality assessment on annual basis to assess and review the material matters to better respond to changing stakeholders concerns and to keep abreast with evolving market condition.</p> <p>The compilations of stakeholders’ engagements, together with the summary of concerns or interests, are disclosed in the Integrated Annual Report 2021 and Sustainability Report 2021. 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 <IR> Framework.</p> <p>Stakeholders are welcomed and encouraged to reach out to us via email at enquiry@mbsbbank.com if they have any inquiries.</p> |
| <p>Explanation for departure :</p> | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | |

| | | | |
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| Measure | : | | |
| Timeframe | : | | |

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 12.2

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

| | | |
|---|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <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>This year marks MBSB’s second year of reporting against the International <IR> Framework. MBSB continued progress in its <IR> journey to improve depth of disclosures in 2021 pertaining to value creation, risk and opportunities, outlook, short to long-term strategy, and financial and non-financial performance.</p> <p>In addition, as part of the <IR> journey, MBSB conducted internal and external stakeholder engagement surveys to identify material matters that affect the stakeholders. We will continuously improve our annual reporting on our journey towards effectively adopting the International <IR> Framework.</p> |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 13.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

| | | | |
|--|---|---|--|
| Application | : | Applied | |
| Explanation on application of the practice | : | <p>The AGM for year 2021 was held on 17 June 2021. The Notice of AGM and Annual Report 2020 was despatched to the shareholders on 19 May 2021. 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> | |
| Explanation for departure | : | | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | | |
| Measure | : | | |
| Timeframe | : | | |

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 13.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

| | | |
|--|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <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 51st AGM held on 17 June 2021 using the Remote Participation and Voting (“RPV”) facilities provided by Tricor Investor & Issuing House Services Sdn. Bhd. (“Tricor”) via its TIIH Online website.</p> <p>All directors of MBSB and MBSB Bank including the Chairman, Chair of the Board Committees and the Group PCEO participated in the 51st AGM virtually.</p> <p>There was no question directed to the Chair of the AC, NRC and RMC by the shareholders in the last AGM.</p> |
| Explanation for departure | : | |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | | |
| Measure | : | |
| Timeframe | : | |

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 13.3

Listed companies should leverage technology to facilitate–

- voting including voting in absentia; and
- remote shareholders' participation at general meetings.

Listed companies should also take the necessary steps to ensure good cyber hygiene practices are in place including data privacy and security to prevent cyber threats.

| | | |
|---|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Boards have decided to conduct a fully virtual general meeting for its 51st AGM held on 17 June 2021 using the Remote Participation and Voting (“RPV”) facilities provided by Tricor Investor & Issuing House Services Sdn. Bhd. (“Tricor”) via its TIIH Online website.</p> <p>The RPV facilities allow shareholders to submit any question in advance and 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> <p>MBSB 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. Dedicated personnel were assigned to answer any queries by the shareholders in relation to the RPV facilities and the contact information is stated in the Administrative Guide.</p> <p>Tricor has implemented an IT policy and Information Security policy, endpoint controls, data classification for cyber hygiene practices of the staff. Stress test and penetration testing have been performed on TIIH online in May 2021 to test its resiliency to provide further assurance to the public Tricor is ISO27001 certified on October 2021. In addition to this, the TIIH Online is hosted in a secure cloud platform and the data centre is ISO27001 certified.</p> <p>Dry run of the AGM was conducted prior to the AGM to test the bandwidth connection and ensure that the RPV facilities run smoothly. The dry run also gives opportunities to the participants to familiarise with the platform.</p> |
| Explanation for departure | : | |

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

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 13.4

The Chairman of the board should ensure that general meetings support meaningful engagement between the board, senior management and shareholders. The engagement should be interactive and include robust discussion on among others the company's financial and non-financial performance as well as the company's long-term strategies. Shareholders should also be provided with sufficient opportunity to pose questions during the general meeting and all the questions should receive a meaningful response.

Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to.

| | | |
|---|---|---|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>The Board allows shareholders to submit the question using the Remote Participation and Voting ("RPV") facilities provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor") via its TIIH Online website prior to the AGM to ensure that the shareholders have sufficient opportunity to pose any questions to the Board and the Management. The guide to submit question in advance is stated in the Administrative Guide which was sent together with the notice of the AGM.</p> <p>During the 51st AGM, the Group PCEO presented the Group's financial performance and the forward looking business plan for 2021 to the shareholders before proceeding with the business of the meeting. The Group PCEO also shared the achievements in 2020 in direct and indirect value distributed to stakeholders as part of the MBSB's Value-Based Sustainability approach. The Group PCEO then presented the responses to questions submitted in advance of the AGM by the Minority Shareholder Watchdog Group and responded to a total of 62 questions submitted by the shareholders in advance.</p> <p>The Chairman also invited remote participants to submit live question using the query box via RPV during the AGM to give opportunities to remote participants to enquire on MBSB's financial statements, proposed resolutions and other items to promote better understanding of the Group's financial performance, operations and other matters affecting shareholders' interests before proceed with the voting of the resolutions. The Management and the Board had responded to 27 live questions submitted by remote participants during the AGM. 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</p> |

| | |
|---|--|
| | <p>Management have e-mailed the responses to the respective shareholder after the meeting.</p> <p>The Boards have appointed Coopers Professional Scrutineers Sdn Bhd (“CPS”) to act as Independent Observer during the AGM to ensure that questions received before and during the AGM have been addressed and answered during or after the AGM by the Boards and the Management.</p> <p>CPS have reviewed all questions received before and during the AGM and confirmed that all questions had been addressed and answered by the Board and the Management.</p> <p>The questions and answers during the AGM are attached together with the Minutes of AGM on MBSB’s website at https://www.mbsb.com.my/general_meeting.html</p> |
| <p>Explanation for departure :</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>Measure :</p> | |
| <p>Timeframe :</p> | |

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 13.5

The board must ensure that the conduct of a virtual general meeting (fully virtual or hybrid) support meaningful engagement between the board, senior management and shareholders. This includes having in place the required infrastructure and tools to support among others, a smooth broadcast of the general meeting and interactive participation by shareholders. Questions posed by shareholders should be made visible to all meeting participants during the meeting itself.

Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to. Further, a listed issuer should also provide brief reasons on the choice of the meeting platform.

| | | |
|---|---|--|
| Application | : | Applied |
| Explanation on application of the practice | : | <p>In line with the measures to curb the spread of the Coronavirus Disease (“Covid-19”) infection in Malaysia, MBSB has decided to conduct a fully virtual general meeting for its 51st AGM using the Remote Participation and Voting (“RPV”) facilities provided by Tricor Investor & Issuing House Services Sdn. Bhd. (“Tricor”) via its TIIH Online website.</p> <p>The Boards decided to opt for RPV facilities for the 51st AGM as the RPV facilities offer integrated AGM online platforms which provide end-to-end experience for shareholders to attend the general meetings (via live stream), pose questions and comments (via chat-boxes) and vote on resolutions (via instantaneous polling).</p> <p>The Question and Answer session of about 50 minutes has served as an interaction between the Directors, Management and Shareholders during fully virtual AGM. Questions submitted by the shareholders during the AGM were made visible to all meeting participants.</p> <p>The RPV facilities also allow shareholders and members to login and cast their votes electronically in advance of the general meeting.</p> |
| Explanation for departure | : | |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> | | |
| Measure | : | |

| | | | |
|------------------|---|--|--|
| Timeframe | : | | |
|------------------|---|--|--|

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 13.6

Minutes of the general meeting should be circulated to shareholders no later than 30 business days after the general meeting.

| | |
|--|---|
| <i>Note: The publication of Key Matters Discussed is not a substitute for the circulation of minutes of general meeting.</i> | |
| Application | : Applied |
| Explanation on application of the practice | : The Minutes of the 51 st AGM held on 17 June 2021 was published in the MBSB's website on 17 July 2021. The minutes of AGM is available on MBSB's website at https://www.mbsb.com.my/general_meeting.html |
| Explanation for departure | : |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> | |
| Measure | : |
| Timeframe | : |

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

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 2021 and are available on MBSB's website at www.mbsb.com.my/ar/html.

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 2021 are as follows:

| # | Member | Attendance | Percentage |
|----|--|------------|------------|
| 1 | Tan Sri Azlan bin Mohd Zainol Chairman / Non-Independent Non-Executive Director (Appointed on 1 March 2021) | 19/19 | 100% |
| 2 | Encik Lim Tian Huat Non-Independent Non-Executive Director | 24/24 | 100% |
| 3 | Puan Lynette Yeow Su-Yin Senior Independent Non-Executive Director | 23/24 | 96% |
| 4 | Ir. Moslim bin Othman Independent Non-Executive Director | 24/24 | 100% |
| 5 | Encik Mohamad Abdul Halim bin Ahmad Independent Non-Executive Director | 24/24 | 100% |
| 6 | Dr. Loh Leong Hua Independent Non-Executive Director (Appointed on 10 May 2021) | 16/16 | 100% |
| 7. | Encik Sazaliza bin Zainuddin Non-Independent Executive Director (Appointed on 10 May 2021) | 15/16 | 94% |
| 8. | Tan Sri Abdul Halim bin Ali (Resigned on 6 February 2021) | 3/3 | 100% |
| 9. | Puan Zaidatul Mazwin Idrus (Resigned on 6 February 2021) | 3/3 | 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 Internal Audit Division;
- 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 2021 is as follows:

| # | Member | Attendance | Percentage |
|---|--|------------|------------|
| 1 | Encik Mohamad Abdul Halim bin Ahmad (Chairman) (Independent Non-Executive Director) (Redesignated as AC Chairman on 7 February 2021) | 14/14 | 100% |
| 2 | Encik Lim Tian Huat (Member) (Non-Independent Non-Executive Director) (Redesignated as AC member on 7 February 2021) | 14/14 | 100% |
| 3 | Dr. Loh Leong Hua (Member) (Independent Non-Executive Director) (appointed as AC member on 10 May 2021) | 9/9 | 100% |
| 4 | Puan Lynette Yeow Su-Yin (Independent Non-Executive Director) (Resigned as AC member on 10 May 2021) | 5/5 | 100% |

Note:

On 1 March 2022, following the appointment of Datin Hoi Lai Ping as Independent Non-Executive Director of MBSB, the composition of the AC was changed as follows:-

1. Encik Mohamad Abdul Halim bin Ahmad (Chairman)
2. Dr. Loh Leong Hua (Member)
3. Datin Hoi Lai Ping (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 2021 is as follows:

| # | Member | Attendance | Percentage |
|---|---|------------|------------|
| 1 | Dr Loh Leong Hua (Chairman) (Independent Non-Executive Director) (appointed as RMC Chairman on 10 May 2021) | 9/9 | 100% |
| 2 | Ir Moslim Othman (Member) (Independent Non-Executive Director) | 13/13 | 100% |
| 3 | Encik Mohamad Abdul Halim bin Ahmad (Member) | 13/13 | 100% |

| | | | |
|---|---|-----|------|
| | (Independent Non-Executive Director) | | |
| 4 | Puan Lynette Yeow Su-Yin (Member) (Senior Independent Non-Executive Director) (Appointed as RMC member on 7 February 2021) (Resigned as RMC member on 10 May 2021) | 3/3 | 100% |
| 5 | Encik Lim Tian Huat (Non- Independent Non-Executive Director) (resigned as RMC Chairman on 7 February 2021) | 1/1 | 100% |

Note:

On 1 March 2022, following the appointment of Datin Hoi Lai Ping as Independent Non-Executive Director of MBSB, the composition of the RMC was changed as follows:-

1. Dr Loh Leong Hua (Chairman)
2. Ir Moslim Othman (Member)
3. Datin Hoi Lai Ping (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/ ACEO, 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 2021 is as follows:

| # | Member | Attendance | Percentage |
|---|--|------------|------------|
| 1 | Ir. Moslim bin Othman (Chairman) <i>Independent Non-Executive Director</i> | 14/14 | 100% |
| 2 | Encik Lim Tian Huat (Member) <i>Non-Independent Non-Executive Director</i> | 14/14 | 100% |
| 3 | Puan Lynette Yeow Su-Yin (Member) <i>Senior Independent Non-Executive Director</i> (Resigned as NRC member on 7 February 2021) (Appointed as NRC member on 10 May 2021) | 10/10 | 100% |
| 4 | Encik Mohamad Abdul Halim bin Ahmad Independent Non-Executive Director (Appointed as NRC member on 7 February 2021) (Resigned as NRC member on 10 May 2021) | 4/4 | 100% |

(iv) Restructuring Committee

The principal function of Restructuring Committee is to oversee appropriate structure to enhance and maximize value for the MBSB Group.

| # | Member | Attendance | Percentage |
|---|--|------------|------------|
| 1 | Encik Lim Tian Huat (Chairman) <i>Non- Independent Non-Executive Director</i> | 8/9 | 89% |
| 2 | Puan Lynette Yeow Su-Yin (Member) | 8/9 | 89% |

| | | | |
|---|--|-----|------|
| | <i>Senior Independent Non-Executive Director</i> | | |
| 3 | Encik Mohamad Abdul Halim bin Ahmad (Member) <i>Independent Non-Executive Director</i> | 9/9 | 100% |
| 4 | Encik Szalaza bin Zainuddin (Member) <i>Non-Independent Executive Director</i> (Appointed as RC member on 10 May 2021) | 8/8 | 100% |

Board Training

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

Tan Sri Azlan bin Mohd Zainol

| | |
|-----|--|
| 1. | Section 17A and Adequate Procedures (3 February 2021) |
| 2. | Legal Updates on The Real Estate Industry in the United Kingdom and Australia (17 March 2021) |
| 3. | Updates on the Malaysian Code on Corporate Governance 2021 (24 June 2021) |
| 4. | Shariah Perspective on Moratorium and R & R, Mufti's Perspective on FATWA issuance (Organized by MBSB) (5 July 2021) |
| 5. | Integrated Thinking Model ESG (Sustainability) training (Organized by MBSB) (13 August 2021) |
| 6. | Adapting to the New Normal – Lessons to the Board (2nd September 2021) |
| 7. | Enterprise Risk Management - Actualising its Effectiveness "Essential for a strategic risk Framework, focusing on business & regulatory perspectives" (7 September 2021) |
| 8. | Digital Business (Organized by MBSB) (1 October 2021) |
| 9. | Board and Senior Management Training on AML/CFT and Corporate Liability Training (5 November 2021) |
| 10. | FIDE FORUM Annual Dialogue with Governor of Bank Negara Malaysia (3 December 2021) |

Encik Szalaza bin Zainuddin

| | |
|----|--|
| 1. | Shariah Perspective on Moratorium and R & R, Mufti's Perspective on FATWA issuance (Organized by MBSB) (5 July 2021) |
| 2. | ICAAP training by PricewaterhouseCoopers (PwC) (24 June 2021) |
| 3. | Integrated Thinking Model ESG (Sustainability) training (Organized by MBSB) (13 August 2021) |
| 4. | Digital Business (organized by MBSB) (1 October 2021) |

Encik Lim Tian Huat

| | |
|----|---|
| 1. | Pacific & Orient Group - Awareness Briefing on MACC (15 January |
|----|---|

| | |
|-----|---|
| | 2021) |
| 2. | MIA International Accountants Conference 2021 (8-10 June 2021) |
| 3. | ICAAP training by PricewaterhouseCoopers (PwC) (24 June 2021) |
| 4. | Shariah Perspective on Moratorium and R & R, Mufti's Perspective on FATWA issuance (Organized by MBSB) (5 July 2021) |
| 5. | Integrated Thinking Model ESG (Sustainability) training (Organized by MBSB) (13 August 2021) |
| 6. | Board and Senior Management Training on AML/CFT and Corporate Liability Training (5 November 2021) |
| 7. | Cyber Security Awareness (10 September 2021) |
| 8. | Digital Business (Organized by MBSB) (1 October 2021) |
| 9. | Maximising Integrity: The Role of Directors and Senior Management (7 October 2021) |
| 10. | MIA Webinar Series : The Importance of Considering the 'Code of Ethics' when Exercising Judgement in Financial Reporting (22 November 2021) |
| 11. | Practical MPERS for Inventories, Investment Property, PPE and Intangible Assets other than Goodwill (2 December 2021) |
| 12. | MIA Forum with Audit Practitioners |

Puan Lynette Yeow Su -Yin

| | |
|----|--|
| 1. | ICAAP training by PricewaterhouseCoopers (PwC) (24 June 2021) |
| 2. | Shariah Perspective on Moratorium and R & R, Mufti's Perspective on FATWA issuance (Organized by MBSB) (5 July 2021) |
| 3. | BNM-FIDE FORUM Dialogue on Risk Management in Technology (RMiT): Insights 1 year on (8 July 2021) |
| 4. | Integrated Thinking Model ESG (Sustainability) training (Organized by MBSB) (13 August 2021) |
| 5. | Board and Senior Management Training on AML/CFT and Corporate Liability Training (5 November 2021) |

Ir. Moslim bin Othman

| | |
|----|--|
| 1. | ICAAP training by PricewaterhouseCoopers (PwC) (24 June 2021) |
| 2. | Shariah Perspective on Moratorium and R & R, Mufti's Perspective on FATWA issuance (Organized by MBSB) (5 July 2021) |
| 3. | BNM-FIDE FORUM Dialogue on Risk Management in Technology (RMiT): Insights 1 year on (8 July 2021) |
| 4. | Integrated Thinking Model ESG (Sustainability) training (Organized by MBSB) (13 August 2021) |
| 5. | Digital Business (Organized by MBSB) (1 October 2021) |

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|----|--|
| 6. | Board and Senior Management Training on AML/CFT and Corporate Liability Training (5 November 2021) |
|----|--|

Encik Mohamad Abdul Halim bin Ahmad

- | | |
|----|--|
| 1. | ICAAP training by PricewaterhouseCoopers (PwC) (24 June 2021) |
| 2. | Shariah Perspective on Moratorium and R & R, Mufti's Perspective on FATWA issuance (Organized by MBSB) (5 July 2021) |
| 3. | Integrated Thinking Model ESG (Sustainability) training (Organized by MBSB) (13 August 2021) |
| 4. | Digital Business (Organized by MBSB) (1 October 2021) |
| 5. | Board and Senior Management Training on AML/CFT and Corporate Liability Training (5 November 2021) |

Dr. Loh Leong Hua

- | | |
|-----|--|
| 1. | Cultural Diversity in the Boardroom by Professor Uantchern Loh (2 March 2021) |
| 2. | Rethinking Our Approach to Cyber Defence in FIs (11 March 2021) |
| 3. | BNM-FIDE FORUM-MASB Dialogue - MFRS17 Insurance Contracts: What Every Director Must Know (20 April 2021, 3.00 p.m. - 4.00 p.m.) |
| 4. | BNM-FIDE FORUM Dialogue: The Role of Independent Director (2 June 2021) |
| 5. | BNM-FIDE FORUM Dialogue: The Future of Malaysia's Financial Sector (9 June 2021) |
| 6. | Masterclass: Board Behavioural Dynamics by Patrick Dunne (15 June 2021) |
| 7. | ICAAP training by PricewaterhouseCoopers (PwC) (24 June 2021) |
| 8. | Shariah Perspective on Moratorium and R & R, Mufti's Perspective on FATWA issuance (Organized by MBSB) (5 July 2021) |
| 9. | How to be an effective NED in a Disruptive World by Jo Haigh (6 July 2021) |
| 10. | BNM-FIDE FORUM Dialogue on Risk Management in Technology (RMiT): Insights 1 year on (8 July 2021) |
| 11. | The Net Zero Journey: What Board Members Need to Know – Part I (13 July 2021) |
| 12. | Directors' Duties and Climate Change (22 July 2021) |
| 13. | Integrated Thinking Model ESG (Sustainability) training (Organized by MBSB) (13 August 2021) |
| 14. | Cyber Security Awareness Training (16 August 2021) |
| 15. | Malaysian Code on Corporate Governance (Revised) ("MCCG") ,Latest Guidelines on Conduct of Directors of Listed Corporations and their subsidiaries issued by Securities Commission Malaysia (2 September |

| | |
|-----|--|
| | 2021) |
| 16. | Corporate Governance Regulatory Updates for the Capital Markets Training (9-10 September 2021) |
| 17. | The Net Zero Journey: What Board Members Need to know – Part 2 Decision-making in Strategy and Operations (9 September 2021) |
| 18. | POGT Cyber Security Awareness Training (10 September 2021) |
| 19. | The Deloitte Academy Webinar: Visions of a Net Zero Future – Bridging the gap between science, policy and business (22 September 2021) |
| 20. | Digital Business (Organized by MBSB) (1 October 2021) |
| 21. | Maximising Integrity: The Role of Directors and Senior Management in Keeping Anti-Corruption System Strong (7 October 2021) |
| 22. | Bursa-FIDE FORUM Dialogue on Sustainability (2 November 2021) |
| 23. | Board and Senior Management Training on AML/CFT and Corporate Liability Training (5 November 2021) |
| 24. | ICDM Post Budget (2021) PowerTalk (9 November 2021) |
| 25. | Securities Commission Malaysia’s Audit Oversight Board (AOB) Conversation with Audit Committees (29 November 2021) |
| 26. | Key Updates on Tax Budget 2022 by Deloitte (2 December 2021) |
| 27. | FIDE FORUM Annual Dialogue with Governor of Bank Negara Malaysia (3 December 2021) |

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 2021.

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 March 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.

The NRC reviews the structure of the Directors' Remuneration on an annual basis prior to making its recommendations to the Board for approval. 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 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 of MBSB in 2021 are set out in Practice 8.1.

The remuneration packages of the Group PCEO/ ACEO, 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/ ACEO, 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/ Acting 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 CEO.

The total value of remuneration paid out to the Senior Management of the Group for FY2021 are as follows:

| Total value of remuneration for FY2021 | RM |
|---|-------------------------------|
| Fixed Remuneration | |
| - Cash-based | 9,226,427 (13 headcounts) |
| Variable remuneration | |

| | |
|--------------|-------------------------------|
| - Cash-based | 5,282,626 (13 headcounts) |
|--------------|-------------------------------|

Definition: Senior management (including Group PCEO/ ACEO) 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 and ACEO for the financial year is as follows:

| Name | Category | Cash-based (RM '000) | Total (RM '000) |
|--|--|-------------------------|--------------------|
| Datuk Seri Ahmad Zaini Bin Othman (Group PCEO) (1 January 2021 – 15 August 2021) | Fixed Remuneration | 1,362 | 1,362 |
| | Variable remuneration | | |
| | • Non deferred | 3,288 | 3,288 |
| | • Deferred | 360 | 360 |
| | Total remuneration for FY2021 | 5,010 | 5,010 |
| Datuk Nor Azam M. Taib (ACEO) (15 August 2021 – 31 December 2021) | Fixed Remuneration | 451 | 451 |
| | Variable remuneration | | |
| | • Non deferred | - | - |
| | • Deferred | - | - |
| | Total remuneration for FY2021 | 451 | 451 |

| Remuneration data disclosure | Group PCEO |
|------------------------------|------------|
| Total Pay (RM) | 5,864,000 |

| Remuneration data disclosure | ACEO |
|------------------------------|---------|
| Total Pay (RM) | 523,000 |

| Remuneration data disclosure (Annual pay) | Employee |
|--|-----------|
| Mean pay (RM) | 119,293 |
| Median pay (RM) | 82,233 |
| Lowest total pay (RM) | 1,619 |
| Highest total pay (RM) | 5,864,000 |

