

REMUNERATION FRAMEWORK FOR NON-EXECUTIVE DIRECTORS (“NED”)

1.1 REMUNERATION PHILOSOPHY

The remuneration practices of MBSB Group’s NED are anchored on the following overarching objectives:

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

1.2 REMUNERATION PRINCIPLES

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

Principle 1: Clear and transparent

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

Principle 2: Competitive and fair

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

of MBSB Group as a dynamic and relevant organization that is catering to the nation's economic development.

Principle 3: Performance accounted

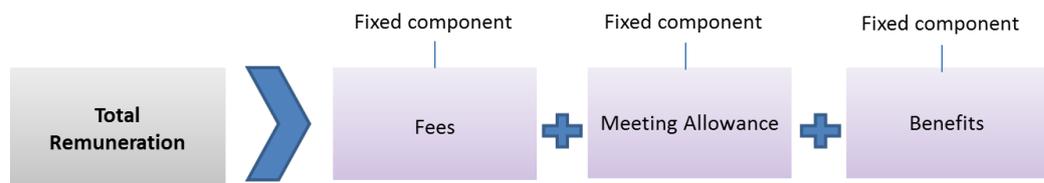
Whilst the remuneration of NED should not be pegged to headline performance indicators of MBSB Group, the said remuneration packages should give due cognisance to the achievement of sustainable performance by the MBSB Group as NED should be held accountable for their resolve to steer the course of MBSB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

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

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

1.3 REMUNERATION COMPONENTS

1.3.1 A typical remuneration structure for NED of MBSB Group is illustrated below:



- 1.4 MBSB Group is guided by the following principles in remunerating its NED:
- (a) Fees payable to NED shall be by a fixed sum, and not by a commission on or percentage of profits or turnover (*paragraph 7.23 of the MMLR*);
 - (b) Independent NED shall not be remunerated with shares or stock-options;
 - (c) Periodic benchmarking of remuneration will be undertaken to ascertain the competitiveness of remuneration packages vis-à-vis other organizations. However, such comparisons will be utilised with caution, in view of the risk of an upward ratchet in the remuneration levels with no corresponding improvement in corporate and individual performance, and to avoid paying more than is necessary.
 - (d) The quantum and structure of NED's remuneration shall be reviewed on a yearly basis by the Group Nominating and Remuneration Committee ("GNRC") and subsequently recommended to the Board for further recommendation to shareholders for approval.

1.5 OVERSIGHT OF REMUNERATION

- 1.5.1 The GNRC shall assist the Board in implementing its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of NED (*Practice 6.1 of MCCG*).
- 1.5.2 The GNRC shall develop and administer fair and transparent procedures for setting policy on remuneration of NED so as to ensure that remuneration packages are determined on the bases of the complexity of the business, the MBSB Group's performance, individual's responsibilities and comparable market statistics (*Guidance to Practice 6.1 and 6.2 of MCCG*).
- 1.5.3 The GNRC shall obtain input from the control functions and the Group Board Risk and Compliance Committee ("GBRCC") to ensure that risk exposures and risk outcomes are adequately considered in the design and implementation of the remuneration framework (*Standard 19.4 of BNM Policy Document on Corporate Governance*).

1.5.4 In considering the remuneration policy and procedures, the GNRC may also enlist the expertise of external advisors as and when deemed necessary to review the remuneration structure to ensure that the remuneration structure remains comparable with the industry.

1.6 LIABILITY TAKAFUL

1.6.1 Directors of MBSB Group are accorded with Directors and Officers Liability Takaful in respect of any liability (civil or criminal) arising in the course of discharging their duties as Directors and Officers of MBSB Group, provided that such liabilities were occasioned in good faith and not as a result of negligence, default or breach of duty (*Section 288 of Companies Act 2016*).

1.7 PERIODIC REVIEW

1.7.1 The Document shall be reviewed periodically or as and when it is necessary.

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