

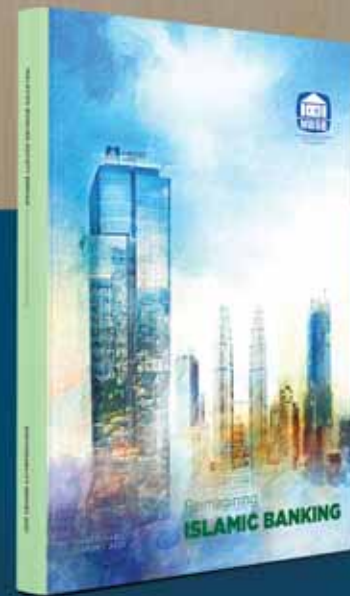


MALAYSIA BUILDING SOCIETY BERHAD
Registration No. 197001000172 (9417-K)
A Subsidiary of the EPP



SUSTAINABILITY
REPORT 2021

Reimagining **ISLAMIC BANKING**



COVER RATIONALE

REIMAGINING ISLAMIC BANKING

MBSB Bank Berhad's new corporate headquarters stands tall on the cover as a symbol of the Bank's Journey to recovery. Illustrated with the oil painting technique, the image inspires confidence as the Bank leads the way in overcoming the COVID-19 pandemic.

Scan QR Code
for digital copy

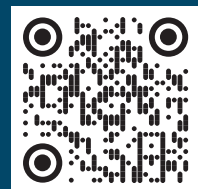


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ABOUT THIS REPORT

Malaysia Building Society Berhad (“MBSB”) is proud to present our 2021 Sustainability Report, which marks our sixth year of annual reporting on our sustainability performance and progress.

This report outlines how we respond to environmental, social, and governance (“ESG”) impact and material challenges, as well as how we add value to our stakeholders. We are committed to being upfront and transparent about how we manage our material sustainability matters, including our principles, initiatives, performance, and targets.

Reporting Suite

We have developed a suite of reports to address stakeholders’ evolving needs and concerns. This Sustainability Report is a supplement to the 2021 Integrated Annual Report, which contains additional information on our approach in managing relevant sustainability matters. Our reports are available at www.mbsb.com.my.

Scope and Boundary

This report only covers the core business activities of MBSB which is represented by MBSB Bank Berhad (“the Bank” or “MBSB Bank”), unless otherwise specified. The report boundaries of each material matters are further disclosed in their respective sections. This report covers the period from 1 January 2021 to 31 December 2021. We present comparative information on quantitative data for three years, where information is available.

Reporting Frameworks

This report has been prepared based on internationally recognised sustainability reporting frameworks, as follows:

- Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Sustainability Reporting Guide 2nd Edition
- Global Reporting Initiative (“GRI”) Standards: Core Option, including the G4 Financial Services sector disclosures
- FTSE4Good Bursa Malaysia (“F4GBM”)
- United Nations Sustainable Development Goals (“UN SDGs”)

Assurance

We are continuously enhancing the quality of our report by providing balanced, relevant, and accurate data. The Senior Management of MBSB has put their minds collectively in preparing this report and the Board of Directors has reviewed and approved the 2021 Sustainability Report. We have obtained independent third-party limited assurance on selected information. The independent limited assurance report is presented on pages 109 to 111 of this report.

Feedback

We value our stakeholders' feedback to improve our reporting and sustainability practices continuously. Should you have any comments or queries regarding this report, please reach out to us at enquiry@mbsbbank.com








Forward-looking Statement

All statements (other than statements of historical facts) regarding MBSB's financial position, business strategy, market growth and developments, expectations of growth and profitability and plans and objectives of management for future operations, are forward-looking statements. Forward-looking statements are identified by the use of forward-looking terminology such as 'believe', 'expect', 'may', 'will', 'could', 'should', 'shall', 'risk', 'intend', 'aim', 'plan', 'target', 'continue', 'positioned' 'anticipate' or the negative thereof, amongst others.

As such, MBSB makes no express or implied representation or assurance that the results anticipated by these forward-looking statements would be achieved as they involve risks, uncertainties and assumptions in their representation of various possible future scenarios; future trends, economic conditions, overnight policy rate, change in government regulations and laws, or any action or inaction by government or local authorities, or any strike, boycott, blockade, Act of God, pandemic, epidemic, civil disturbance or cause beyond the control of MBSB.

Navigation Icons



Our Sustainability Pursuits

- | | |
|---|---|
|  Our Integrity |  Our Technology |
|  Our People |  Our Communities |
|  Our Customers |  Our Planet |
|  Our Products | |







Our Stakeholders

- | | |
|--|--|
|  Shareholders |  Government |
|  Media, Analysts and Asset Managers |  Regulators |
|  Customers |  Shariah Advisory Committee |
|  Board of Directors |  Employees |
|  Society and NGOs |  Partners and Alliances |

Navigation Icons

-  This icon directs the reader to page(s) or other report(s) for further details.
-  This icon directs to the MBSB or MBSB Bank website for further details.

Our Capitals

- | | |
|--|--|
|  Financial |  Manufactured |
|  Human |  Intellectual |
|  Social and Relationships |  Natural |

ACEO'S MESSAGE



DATUK NOR AZAM M TAIB

Acting Chief Executive Officer

Dear stakeholders,

This year has been a challenging one for MBSB Bank even as the COVID-19 situation improved with the implementation of the National Vaccination Campaign. On the business front, many industries began to recover due to continued implementation of economic and fiscal stimulus measures by the Government and the opening of domestic travel.

The COVID-19 pandemic has irreversibly changed the way individuals and businesses act and think, prompting MBSB Bank to evaluate and reprioritise our plans to meet our customers' requirements and demands. We recognise that financial institutions are a cornerstone and enablers of economic recovery, and thus, we have taken a deliberate decision to provide capital where it is most needed, particularly during this tough time.

BUILDING RESILIENCE AND SUPPORTING INCLUSIVE GROWTH

The focus of MBSB Bank's initiatives in 2021 was on creating resilience and fostering inclusive growth, with an emphasis on our fundamental values of empathy, humility, and passion. As a result, we are continuing to help communities affected by the COVID-19 pandemic by doing everything we can every day to maintain business resilience and promote inclusive growth for all.

We continue to provide support to customers affected by COVID-19 through the implementation of the Bank's Targeted Payment Flexibility Programme. We remain steadfast in our commitment to provide the best service to our customers as the main commodity of a bank is customers' trust. In serving our customers better, we have relationship managers who actively engage with affected customers to find solutions to their financial predicaments.

The need for businesses to pivot and implement sustainability is more important than ever, as we witness the societal and environmental consequences of climate change.

LOOKING TO THE FUTURE VIA MBSB BANK'S STRATEGIC ROADMAP

Our goal is to become a leading progressive Islamic bank by 2025, thus we have created the 'Strategic Roadmap for 2022-2023', which outlines MBSB Bank's strategic goals for the next two years. The concept of shared prosperity is central to the Strategic Roadmap. We aspire to promote society's well-being by positioning ourselves as a **'Bank that Cares', offering holistic solutions beyond banking, based on the Muamalah principles of inclusion, fairness, and transparency.**

Our approach and focus have been on financial inclusion and improving

financial accessibility, with sustainability as one of our three guiding principles, which include designing solutions that offer a unique value proposition, meeting market expectations, and most importantly, which are sustainable.

Beyond the pandemic, we will continue to innovate to provide financial products and services that fit our customers' lifestyles by advancing our digital agenda, expanding our corporate banking portfolio by offering unique Islamic banking products, strengthening our consumer banking segment by offering products to targeted market segments, and expanding our footprint in the ASEAN region through strategic partnerships and enhancing Islamic Capital Market participation.

DRIVING RESPONSIBLE FINANCING

MBSB Bank's approach to responsible financing is guided by Bank Negara Malaysia's Climate Change and Principle-based Taxonomy (CCPT), the Value-based Intermediation Financing and Investment Impact Assessment Framework (VBIAF), as well as the VBIAF Sectoral Guides.

In 2021, we moved to establish specific guidelines for our financing activities and sukuk issuance with the creation of our

“MBSB Bank launched the World's First Dedicated Sustainable Sukuk Programme by an Islamic Bank”

ESG Risk Framework for Corporate Financing and Sukuk Issuers, and we will continue to strengthen our oversight by expanding our specific ESG financing criteria for more sectors. We have included ESG considerations such as greenhouse gas emissions, biodiversity, deforestation, and impact from pollution to land, water, and air as part of our credit and risk evaluation process. Our financing requirements are being constantly refined to better reflect ESG considerations.

SUSTAINABILITY SUKUK WAKALAH PROGRAMME

MBSB Bank is a strong supporter of the government's national sustainability agenda, and have demonstrated this by launching our RM5 billion Sustainability Sukuk Wakalah Programme.

This will be the world's first dedicated Islamic bank-issued programme of its kind, and it will expand our sustainable generating assets to encompass green and social projects, affordable housing, public health, education, small and medium enterprise financing, and underserved segments.

This landmark transaction will create a multiplier effect when MBSB Bank supports its customers who are involved in eligible green and social projects. We look forward to being a catalyst in advancing ESG in the financial and capital markets. Our effort in building a sustainable environment for all will be an ongoing pursuit that will be inclusive and comprehensive, and in line with national interests and policy.

“We launched the Sustainability @Workplace campaign with the tagline “Our Journey towards a Sustainable Future”, to empower and inculcate a culture of sustainability among our employees”

EMPOWERING OUR WORKFORCE ON SUSTAINABILITY

It is important that “we walk the talk” when it comes to sustainability and with this in mind, we recently launched MBSB Bank's Sustainability@Workplace campaign with the tagline – “Our Journey towards a Sustainable Future” to empower and inculcate a culture of sustainability among our employees.

This year is a demonstration that sustainability must remain at the core of what we do as a financial institution, in terms of our contribution to nation building and support towards the resilience and well-being of individuals, families, and businesses. We believe the best place to start is with ourselves, by strengthening our sustainability culture so that we may all be sustainability advocates.

SAC CHAIRMAN'S MESSAGE



USTAZ MOHD BAHRODDIN BADRI

Chairman, Shariah Advisory Committee, MBSB Bank

ESG IN ISLAMIC FINANCE

The earth is the only planet in the universe which has been perfectly designed to suit human beings and other living creatures. At any point of time in a human's life, one may ask himself "why do we exist on this planet?", "for what reason?" and "what's next?" Pure logic would not accept that humans were brought into existence by mere coincidence. Our innate instinct is that humans are created by a Supreme Intelligent Being, for a purpose. But what is the purpose of human creation?

The Qur'an has addressed those innate questions. It has affirmed that humans are not created for nothing, but as purposive beings (Al-Qur'an, 23:115). Indeed, the Qur'an further explains that humans are created by God to believe in His Unity, to submit and to worship Him: "I did not create the jinn and mankind except to worship Me" (Al-Qur'an, 51:56) and to be *khalifah* (vicegerent) on earth: "Behold, thy Lord said to the angels: "I will create a vicegerent on earth..." (Al-Qur'an, 2:31). It is worth noting that from

the recorded dialogue in the Qur'an, Chapter 2: verses 30-33, between Allah SWT and the angels, the faculty of intelligence (*'aql*) bestowed upon humans is the key quality for being chosen for the position of vicegerent. With the power of intelligence, humans are entrusted with an *Amanah* (Divine Trust) to manage their worldly affairs and utilise resources in a responsible and sustainable manner and in accordance with the Divine Will. In essence, with great power comes great responsibility.

In performing their duties and responsibilities effectively, as vicegerent or stewards on earth, humans are outfitted with a comprehensive manual or book of life i.e. the Qur'an and the teachings of the last Messenger, Prophet Muhammad peace be upon with him ("pbuh"). Not only faith and worship, Shariah also encompasses all aspects of life inclusive of economics, finance, politics, social, laws, governance, ethics, and personal affairs. Shariah is not confined to rites and rituals, rather it is a

comprehensive system that provides a systematic code on how to vertically deal with the Creator while managing a horizontal relationship with fellow human beings, the environment, and other creatures on this planet. The Prophet said *“The world is sweet and green, and verily Allah SWT has made you His steward in it, and He sees how you acquit yourselves (Sahih Muslim)”*. That is the reason why the discussion on ESG values are close to the heart of Shariah and Islamic finance.

“In essence, with great power comes great responsibility. In performing their duties and responsibilities effectively, as vicegerent or stewards on earth, humans are outfitted with a comprehensive manual or book of life i.e. the Qur’an and the teachings of the last Messenger, Prophet Muhammad peace be upon with him (“pbuh”).”

In the last four decades, the Islamic finance industry has developed significantly to being a viable alternative to its conventional counterpart. Islamic finance is based on ethical tenets of Islamic laws (Shariah), rooted from the revelation i.e., the Qur’an and the Sunnah, which mainly prohibit usury and *riba*-based economy, *gharar* (uncertainty),

maysir (gambling) and other forbidden matters. The idea behind the prohibition of interest is that money should not be just created in an unproductive manner and detached from real economic activities, as it subsequently brings injustice and long-term harm to the wellbeing of society. Islam bans the idea of unjustified money creation, such as in the case of gambling and *gharar* because money is gained wrongfully at the loss of others, which leads to disputes and enmities. Interest-based lending businesses, conventional insurance, alcohol, tobacco and gambling businesses are among the areas that are excluded from the list of allowable financing and investment activities. The ultimate objectives of Islamic finance principles are to protect mankind from harmful and unethical activities and to preserve the general wellness of human beings.

ESG is a field that has considerably grown to receive attention by governments, regulators, industry players and ethical investors. Interestingly, ESG and Shariah compliance share many commonalities. There are many overlaps between both fields. For instance, ESG excludes alcohol, tobacco, production of weapons of mass destruction, human trafficking, pornography and bribery, all of which are also similarly prohibited by Shariah. Both paradigms share the same aspirations to achieve positive and sustainable economic, environmental, and social impact to societies. As such, ESG themes are naturally in line with Shariah principles. The distinctions between Shariah compliance and ESG rest in the prohibition of *riba* and *gharar*, promotion of trade, profit and loss sharing, as well as Islamic philanthropy including *zakat* (alms), *waqf* (endowment) and *sadaqah* (voluntary charity).

Islamic finance and ESG share common ground in addressing environmental issues. Environmental factors such as climate change, waste management, water scarcity, deforestation, and natural resource mismanagement, for example, are similar to those highlighted by Shariah, more than 1,400 years ago.”

Islamic finance and ESG share common ground in addressing environmental issues. Environmental factors such as climate change, waste management, water scarcity, deforestation, and natural resource mismanagement, for example, are similar to those highlighted by Shariah, more than 1,400 years ago. In fact, ESG is just emerging upon the realisation that such environmental risks are bad for collective societies. The Qur’an had reminded humankind more than 1,400 years ago that the perfect balance of the environment would be endangered due to mismanagement, wasteful behaviour of humans and environmental deprivation activities; *“Calamities have appeared on land and sea because of what the hands of the people have earned, so that He (Allah) makes them taste some of what they did, in order that they may return (to the right*



way)" (Al-Qur'an, 30:47). As such, the Qur'an enjoins responsible consumption by commending the behaviour of "those who, when they spend, are not extravagant and not niggardly, but hold a just balance) between those (extremes)" (Al-Qur'an, 25:67) and prohibits wasteful behaviour: "But waste not by excess, for Allah loveth not the wasters" (Al-Qur'an 7:31).

Islamic financial institutions ("IFIs") must fully embrace the Shariah spirit in a broader sense rather than merely observe the legal, compliance and business implementation of its principles. Much focus has been given to product innovation in compliance with Shariah laws and to increase competitiveness with its conventional counterpart, thus less attention is given to sustainable finance. It is understandable that the field of Islamic finance is relatively young when compared to its conventional counterpart, which requires the IFIs to be competitive, relevant, and financially stable in the highly competitive market. Now, it is timely for the Islamic finance industry to backtrack and evaluate its

performance towards achieving the overall *maqasid al-Shariah* (objectives of Shariah). After four decades, the Islamic finance industry should gear towards the full realisation of the *maqasid al-Shariah* by giving more attention to initiatives of socially responsible financing and sustainable economic development. IFIs should not only focus on negative screening by elimination of things forbidden by Shariah laws, but also proactively embark on positive screening to address ESG risks facing the world.

Although there have been a lot of initiatives in the Islamic finance industry geared towards social wellbeing, such as Islamic blended-financing, *zakat*, *waqf* and CSR activities, we need to see more initiatives led by IFIs to address real problems facing the world, such as climate change, increasing carbon emissions, water scarcity, waste mismanagement, extreme poverty, food crisis, educational disparities, affordable housing and other pressing issues. With the emergence of the ESG sector, whose values are inherently mostly in line with

“Now, it is timely for the Islamic finance industry to backtrack and evaluate its performance towards achieving the overall *maqasid al-Shariah* (objectives of Shariah).”

maqasid al-Shariah, it is timely that ESG should be pursued within the ambit of Islamic finance as a new business-led approach.

Let us be good stewards on this planet, for our current and future generations!

Ustaz Mohd Bahroddin Badri

Chairman, Shariah Advisory Committee,
MBSB Bank

Established in

1950

Malaysia's

FIRST

property financier

supporting low and
medium-income groups

Formed

MBSB Bank, Malaysia's

**SECOND
LARGEST**

standalone Islamic bank

Supporting the
nation's economic
growth for more than

70 YEARS

Having been at the forefront of the country's economic development for more than 70 years, MBSB is a financial services pioneer with roots that can be traced back to the Federal and Colonial Building Society Limited founded in 1950. The Federal and Colonial Building Society Limited was the forerunner of MBSB which was then rebranded to Malaya Borneo Building Society Limited ("MBBS") in 1956. In 1970, its business transferred to the newly incorporated MBSB. Thus, MBSB has been in the financial services business offering low- and middle-income home loans, even prior to Malaya's independence.

In 2018, MBSB acquired Asian Finance Bank which was then renamed MBSB Bank after a rebranding process. This acquisition was a defining moment for MBSB as it propelled MBSB Bank to become Malaysia's second largest standalone Islamic bank. We are proud to carry on our tradition of "building society" by offering full Shariah-compliant banking and financial services to over 300,000 customers. Value-based Intermediation ("VBI") is ingrained in our DNA, as we strive to achieve the objectives of Shariah that generates on positive and sustainable impact the economy, community and environment.

MBSB's main goal since its establishment has been to help the average citizen by providing life-changing opportunities to low- and middle-income people and enabling the development of various residential areas. MBSB has always been supportive of government policies, government projects, and government servants – a tradition that has been firmly established over time and continues to be our corporate purpose to this day.

Our commitment to aid in nation-building has remained consistent over the years. We continue to innovate our business by embracing technology and launching digital initiatives to increase access and convenience to financial services for ordinary citizens and small-medium enterprises. The COVID-19 pandemic proved that our approach is highly beneficial to our customers. Additionally, we offer financial literacy programmes to assist our customers in making better financial decisions.

The dynamic leadership and the dedication of all our employees have contributed to our long-term success. We strive to be the top progressive Islamic bank in the future, guided by our business goals and Journey 25 strategies. We are certain that we will continue to play a key role in the future of the Malaysian economy as we have in the past.

WE OFFER SERVICES ACROSS MALAYSIA THROUGH THREE BUSINESS SEGMENTS:

Consumer Banking

Our comprehensive suite of products and services caters to retail customers, including financing, deposit and wealth management products, bank card solutions, and transactional banking services.

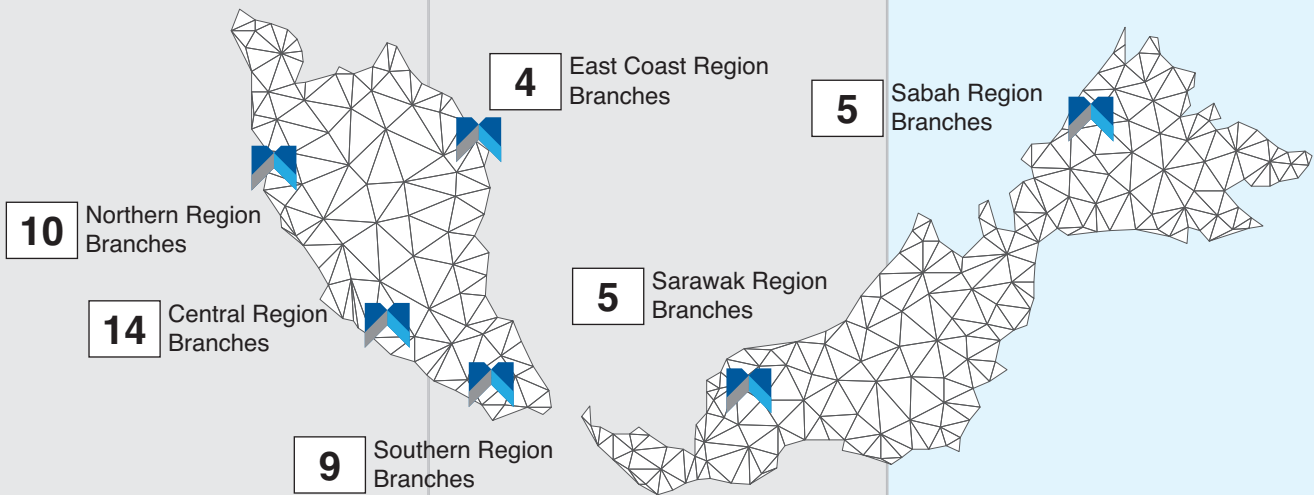
Business Banking

Business banking includes a wide range of business financing facilities that cater to commercial vendors, small and medium-sized enterprises and micro-enterprises.

Trade Financing

Trade financing includes a range of personalised trade and advisory services for our customers who wish to expand their businesses.

47 BRANCHES NATIONWIDE



54

Self Service Terminals across our branches



2,105

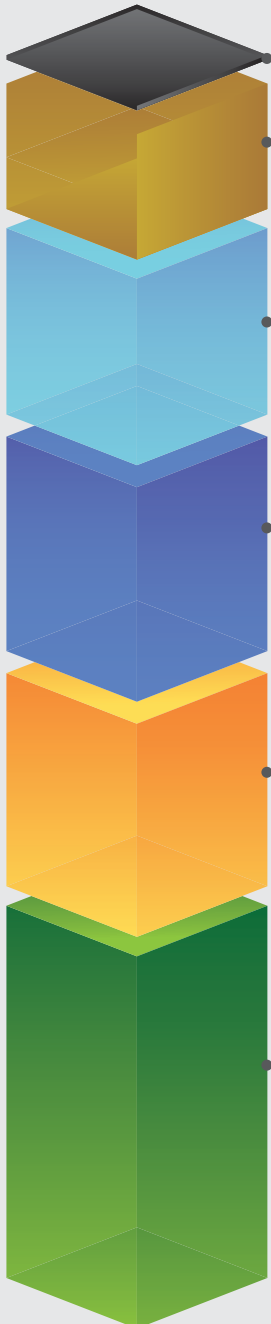
employees supporting MBSB's value delivery



More than **300,000**

active customers served across business segments

VALUE DISTRIBUTED



Communities



RM6.6 million

total contribution in the form of non-zakat charitable donations

0.4%

Suppliers and providers



RM196.5 million

paid to our partners, suppliers, and service providers

11.9%

Employees



RM259.0 million

paid to our employees in the form of benefits, salaries, and bonuses

15.7%

Government



RM259.0 million

distributed to the government in the form of taxes and zakat which contributes to nation building

15.7%

Providers of capital



RM354.7 million

dividend paid to our shareholders, translating to a dividend of 3.0 cents per ordinary share

21.4%

Retain for Future Reinvestment Growth



RM578.4 Billion

retained for MBSB's future reinvestment growth

34.9%



Refer to page 14-15 for further information on value created

SUSTAINABILITY STRATEGY

PROGRESS FOR ALL

Help Malaysians build a sustainable and superior financial position

Help Malaysia's economic growth by supporting local businesses

Creating a Fair, Safe and Inclusive Workplace



Our Integrity



Our People

Innovating Value through Technology



Our Customers



Our Products



Our Technology

Operating Sustainably and Responsibly



Our Communities



Our Planet

Material Matters

Our Core Values



Humility



Professionalism



Ethics



Empathy



Passion

Supported by Policies, Procedures and Systems

Sustainability Strategy

Our sustainability strategy continues to be centered on making the everyday Malaysian and local companies more financially robust. Our value-based sustainability approach incorporates holistic ESG issues into our decision-making.

Our focused approach directs how we integrate sustainability into our daily operations. It identifies issues and opportunities that are most important to

our company and its stakeholders, indicating areas where we can have the greatest influence.

Our sustainability ambitions drive MBSB's sustainability approach, which is governed by our five core values of humility, professionalism, ethics, empathy, and passion to achieve our three key objectives. Our efforts to manage and respond to the highlighted material matters will aid us in creating positive societal and environmental impact through our business.

As part of our strategy to further embed sustainability throughout the organisation, we have embarked on developing a sustainability roadmap to streamline our efforts towards achieving a broader sustainability ambition, which will intrinsically align with Malaysia's commitment to achieve carbon neutrality by 2050. The sustainability roadmap will be finalised in 2022.



Refer to the Materiality at MBSB section on page 26 for further information on our updated materiality matrix and materiality assessment process

Our strategy continues to stand by Shariah principles as we aim to become a top progressive Islamic Bank. It is aligned with Bank Negara Malaysia's concept of Value-based Intermediation ("VBI"), which aims to provide meaningful impact and create value not only for our stakeholders but also for the society in general.

Our value creation model demonstrates how the Bank's business model transforms diverse capital inputs into desired outputs and outcomes. This methodology is founded on the principle of multiple capitals, as recommended by the International Integrated Reporting Council's <IR> Framework. We create and maintain value by effectively and responsibly managing our six capitals listed below.

FINANCIAL CAPITAL

Funds available for MBSB to use in the provision of services obtained via financing such as equity, debt, or grants, or money generated through business operations or investments.

MANUFACTURED CAPITAL

An established network of bank branches and touch points across Malaysia to provide services meeting the needs of key stakeholders.

HUMAN CAPITAL

Employees' competencies, capabilities, and experience and how they align with and support MBSB's governance framework, risk management approach, and ethical values.

INTELLECTUAL CAPITAL

Our knowledge-based intangibles include brand and reputation, management systems and procedures, digital capabilities, and intellectual property.

SOCIAL AND RELATIONSHIP CAPITAL

The relationships MBSB has built within the community and with key stakeholders that allow knowledge exchange to enhance individual and collective well-being.

NATURAL CAPITAL

All renewable and non-renewable environmental resources used by MBSB to provide services that support the past, current, or future prosperity.

OUR SIX CAPITALS



CREATING VALUE FOR OUR STAKEHOLDERS

Our Value Creation Model

OVERARCHING GOVERNANCE

Premised on Shariah Principles, we commit to uphold the highest level of integrity in our everyday decisions and actions, in our efforts to uplift our communities and our nation.

Our Management Committee is chaired by our CEO and consists of top management.

KEY INPUT

Resources used



FINANCIAL

- **RM7.2bil** shareholders' capital
- **RM33.3bil** deposits and placements from customers, banks and other financial institutions
- **RM5.5bil** borrowings



MANUFACTURED

- **47** branches across Malaysia
- **54** self-service terminals
- **10,737** number of CASA account opening online applications



HUMAN

- **2,105** employees
- **52,704** training hours
- **RM2.10mil** invested in employees' learning and development
- Competitive **benefits**



INTELLECTUAL

- Values, principles, standards, and norms of behavior
- Risk management framework, system, process and policies
- **Internet banking** platform
- Invested in **Cyber Security** Enhancement Project
- **62%** of total CAPEX spent on technology improvement and upgrades
- Established **Robotic Process Automation** to optimise operational efficiency



SOCIAL & RELATIONSHIP

- Continuous **stakeholder engagement**
- **RM9.38mil** collectively contributed to community investment
- Donated **RM2.73mil** for **COVID-19 relief measures**
- **Responsible financing** policy
- **Data protection and privacy** policies



NATURAL

- **Green financing** initiatives which include the planned issuance of a sustainability Sukuk to finance green and social projects
- Invested in **green building** as MBSB's new corporate headquarters
- **Energy efficiency** initiatives
- **Waste management** process
- **Digitalisation** efforts and initiatives to reduce environmental footprint

BUSINESS ACTIVITIES

OUR VISION

To Become A Top Progressive Islamic Bank



Consumer Banking | Business Banking | Trade Financing

OUR STRATEGY



OUR CORE VALUES



Supported by Policies, Procedures and Systems

Our Shariah Advisory Committee ("SAC") oversees the Bank's compliance our internal Shariah Governance Framework and all regulatory Shariah standards and guidelines issued by Bank Negara Malaysia

We have robust policies and procedures across the Group to ensure our banking services are ethical, transparent and secure

Our Board of Directors is diverse in skills, qualification, and experience. In 2021, 57% of the MBSB Board are independent non-executive directors

OUTPUT

Value Created



- **RM2.62bil** revenue
- **RM714.10mil** profit before tax and zakat
- **32.8%** cost-to-income ratio
- Gold Excellence Awards - Companies with RM2 Billion to RM10 Billion in Market Capitalisation for National Annual Corporate Report Awards (NACRA) 2021



- **783** customer complaints received from various communication channels
- **RM4.3bil** in total approved financing supporting both retail and corporate customers
- **Diversified portfolio** for business lines by specific region and size



- **2,105** employees
- **285** new hires
- Diverse workforce with **53%** women employees
- **RM259.0mil** total wages and benefits expenses



- **Zero** non-compliance for fines and sanctions
- **RM12.03mil** in advertising and marketing value
- **RM11.09mil** in public relations value



- **8** substantiated complaints concerning breaches of customer privacy
- Essential food items were distributed to flood-affected areas where approximately 100 of our employees were dispatched to help clean up affected houses.



- **RM525.18mil** cumulative green financing approved and accepted
- **7,126MWh** in energy consumption
- **52,477m³** in water consumption
- **4,018tCO₂e** in carbon emissions (scope 2)
- **12,753 reams** of paper used

VALUE FOR STAKEHOLDERS



Shareholders

- **RM354.7mil** dividend declared/paid
- **RM3.84bil** market capitalisation
- **RM1.08bil** economic value distributed



Government

- **RM259.0mil** total tax and zakat distributed
- Contributed to the national economy
- Positive impact on society and environment



Media, Analysts and Asset Managers

- **2.4 million** social media reach
- Enhanced brand quality
- Increased transparency and information reliability



Regulators

- Complied with regulations and standards
- Improved socio economic welfare



Customers

- Achieved **81.5%** Customer Satisfaction Index Score
- Enhanced customer experience



Employees

- **6.6%** employee turnover rate
- **25 training hours** on average provided to each employee



Board of Directors

- Transparent and accountable leadership
- Reliable management and systems



Partners and Alliances

- Successful projects and partnerships
- More future collaboration opportunities



Society

- Provision of COVID-19 and flood relief to the community
- Environmental efficient processes and operations

OUR CONTRIBUTION TO BUILDING BACK BETTER

In 2021, MBSB's objectives were mainly focused on actively assisting affected customers as many enterprises were yet to operate at full capacity due to the pandemic's impact. As the country now recovers and adjusts to the new normal, MBSB has stepped in to help vulnerable groups that have been disproportionately impacted by the COVID-19 pandemic. We are committed in helping keep businesses afloat and assisting the community's ability to recover. We are also focused on financial inclusion and expanding financial accessibility through technology.

Financial Assistance

The CAKNA scheme is a result of an initial collaboration between Bank Negara Malaysia, the Ministry of Finance, and selected Islamic Financial Institutions including MBSB Bank. This initiative aims to alleviate the cashflow constraints faced by SMEs by allowing them to better manage operations and cashflow, which in turn will help with economic recovery. MBSB Bank has launched the RM1 Billion Cashline-i which is an additional feature to complement our existing Cashline-i programme, that aims to provide short-term Shariah-compliant financing assistance to existing SME and non-SME customers to help sustain their businesses.

Due to major losses faced by flood victims in December 2021, MBSB has offered repayment assistance, which allows affected customers to reschedule or refinance their personal and home financing. We have also extended the RM1 MEPS fee waiver for cash withdrawals at ATMs of local banks until 31 December 2022 thus enabling the flexibility to withdraw as often as needed without additional charges.

Digitalising our Operations

We recognise that digitalisation improves access to financial services and products significantly. The underserved, underbanked, and unbanked often lack access to technology, which becomes a barrier in acquiring many products and services offered. We therefore hope to increase access to our online products and services, such as our e-wallet, mobile banking applications, and online customer care platforms, by enhancing innovation.

In 2021, MBSB launched the Personal Financing ("PF-i") campaign, which aims to improve accessibility of our financial services and products to customers. This service is offered through our **MBSB's Financing Application System ("M FAST") which enables anyone to apply for PF-i from the comfort of their home, office, or even while being on the move. Online applications will be reviewed within one business day.** In 2022, we are looking into launching our virtual branch, which will allow customers to perform their daily online banking transactions easily and efficiently.

Supporting the National Agenda

The past two years have been economically devastating as pandemic driven restrictions and global supply chain disruptions have negatively impacted the livelihoods of many Malaysians. The Malaysian Government has provided various forms of support to cushion this impact, including initiatives involving withdrawals from the Employees' Provident Fund ("EPF").

MBSB Bank intends to assist Malaysians by providing financial assistance aimed at replenishing and eventually increasing retirement savings. This also aligns with the Government's objective of meeting the EPF's RM240,000 minimum basic retirement savings requirement.

OUR COMMITMENT TO THE UN SDGS

It is our responsibility to ensure that our business practices holistically incorporate sustainability by considering economic, environmental, and social risks and opportunities. In support of Malaysia’s adoption of the 2030 Agenda for Sustainable Development, we are steadfast in aligning our sustainability approach with the United Nations Sustainable Development Goals (“UN SDGs”).

We performed an SDG mapping exercise in 2019 to identify SDGs to which we may actively contribute through our business operations. In 2021, our priorities remained focused on five out of the 17 UN SDGs that we believe we are able to deliver value and make the most positive impact. Within these five UN SDGs, we have further identified specific UN SDG Targets to track our progress and impact. These are:

- SDG 4 Quality Education
- SDG 8 Decent Work and Economic Growth
- SDG 11 Sustainable Cities and Communities
- SDG 12 Responsible Consumption and Production
- SDG 13 Climate Action



Refer to our 2019 Sustainability Report for the SDG Mapping Table



SDG 4 focuses on ensuring inclusive and equitable quality education and promotes lifelong learning opportunities for all. Education plays a significant role in the development of a country and its people. A higher educated population leads to greater innovation, higher levels of productivity, and increased economic growth.

In today’s rapidly changing environment, it is not only important to provide access to education but also to ensure progress. MBSB Bank’s role in contributing to this goal includes the professional development of our employees and education-themed corporate social responsibility initiatives.

Relevant UN SDG 4 Targets:



Our Contributions and Impact:

- Adopted 6 schools under the School Adoption Programme in FY2021 [page 85]
- Invested RM2.10 million in 52,704 hours of employee training and development programmes [page 46]

Value created for:



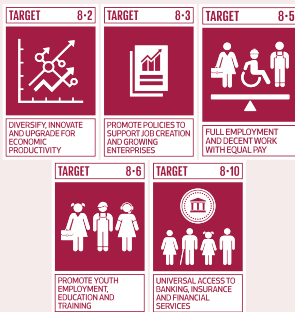
8 DECENT WORK AND ECONOMIC GROWTH



SDG 8 focuses on promoting inclusive, and sustainable economic growth, full and productive employment and decent work for all. We believe that the key to the achievement of this goal is through higher productivity and technological innovation. The Bank contributes to this goal through creating job opportunities, investing in technological innovation, and emphasising on equal opportunities and non-discrimination for all.

We also practice responsible financing by ensuring that our customers are only presented with goods that are acceptable on the basis of their needs and within their affordability.

Relevant UN SDG 8 Targets:



Our Contributions and Impact:

- Improved job productivity by investing in technological enhancements as part of our digital transformation programme [page 72]
- More than RM17 million was invested to upgrade and enhance Bank's Cyber Security related systems [page 70]
- Supported youth employment through our GEM 2.0 programme [page 44]
- Implemented and enhanced our responsible financing and financial inclusion practices [page 81]
- Introduced digital financial platforms such as our mobile application and e-wallet to improve accessibility [page 73]

Value created for:



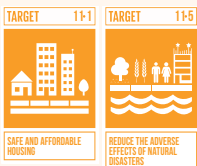
11 SUSTAINABLE CITIES AND COMMUNITIES



SDG 11 focuses on making cities and human settlements inclusive, safe, resilient, and sustainable. It is about ensuring access to adequate, safe, and affordable housing and basic services for all, in addition to providing sustainable transport systems, improving road safety and expanding public transport, with special attention to the needs of those in vulnerable situations, such as, women, children, persons with disabilities and the elderly.

The Bank contributes to SDG 11 by providing affordable housing financing schemes and ensuring accessible financing for all.

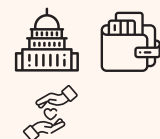
Relevant UN SDG 11 Targets:



Our Contributions and Impact:

- Distributed RM2.37 billion in financing to SMEs [Page 78]
- Provision of affordable home financing products [Page 83]
- Contributed over RM9.38 million in community investments [Page 85]
- Provided COVID-19 special relief for affected customers [Page 85]

Value created for:



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



SDG 12 focuses on ensuring sustainable consumption and production patterns. It includes policies that improve resource efficiency, reduce waste, and make sustainability practices mainstream.

We promote responsible consumption in our daily operations through our conservation initiatives as well as influencing the market through our sustainable financing practices. In terms of sustainable financing, we support companies which manage their environment, economic and social risks, and opportunities as we believe that these companies will perform better in the longer term.

Relevant UN SDG 12 Targets:



Our Contributions and Impact:

- 5.4% reduction in paper used as compared to FY2020 [Page 92]
- Approved RM58.1 million of financing to the waste management and recycling sectors [Page 88]

Value created for:



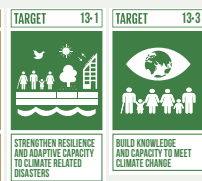
13 CLIMATE ACTION



SDG 13 focuses on taking urgent action to combat climate change and its impact. It is important for us to understand the risks and opportunities from climate change such as physical risks and transition risks, as well as responding to change in government policy.

Being sustainable is not just about reducing our own impact, it's in all the decisions we make—as a finance provider and through the services we provide to our customers. At MBSB Bank, we contribute to this goal by reducing our environmental footprint as well as financing projects that contribute to mitigating climate change such as renewable energy projects.

Relevant UN SDG 13 Targets:



Our Contributions and Impact:

- Approved RM99.16 million in green financing (for renewable energy projects) FY 2021, resulting in a cumulative green financing of RM525.18 million as of 31 December 2021 [Page 69]
- 4,018 tCO2e of indirect energy (Scope 2) GHG emissions [Page 91]
- Our new headquarters achieved LEED (Gold) certification [Page 92]
- Implementation of energy efficiency improvement initiatives for existing buildings [Page 93]

Value created for:

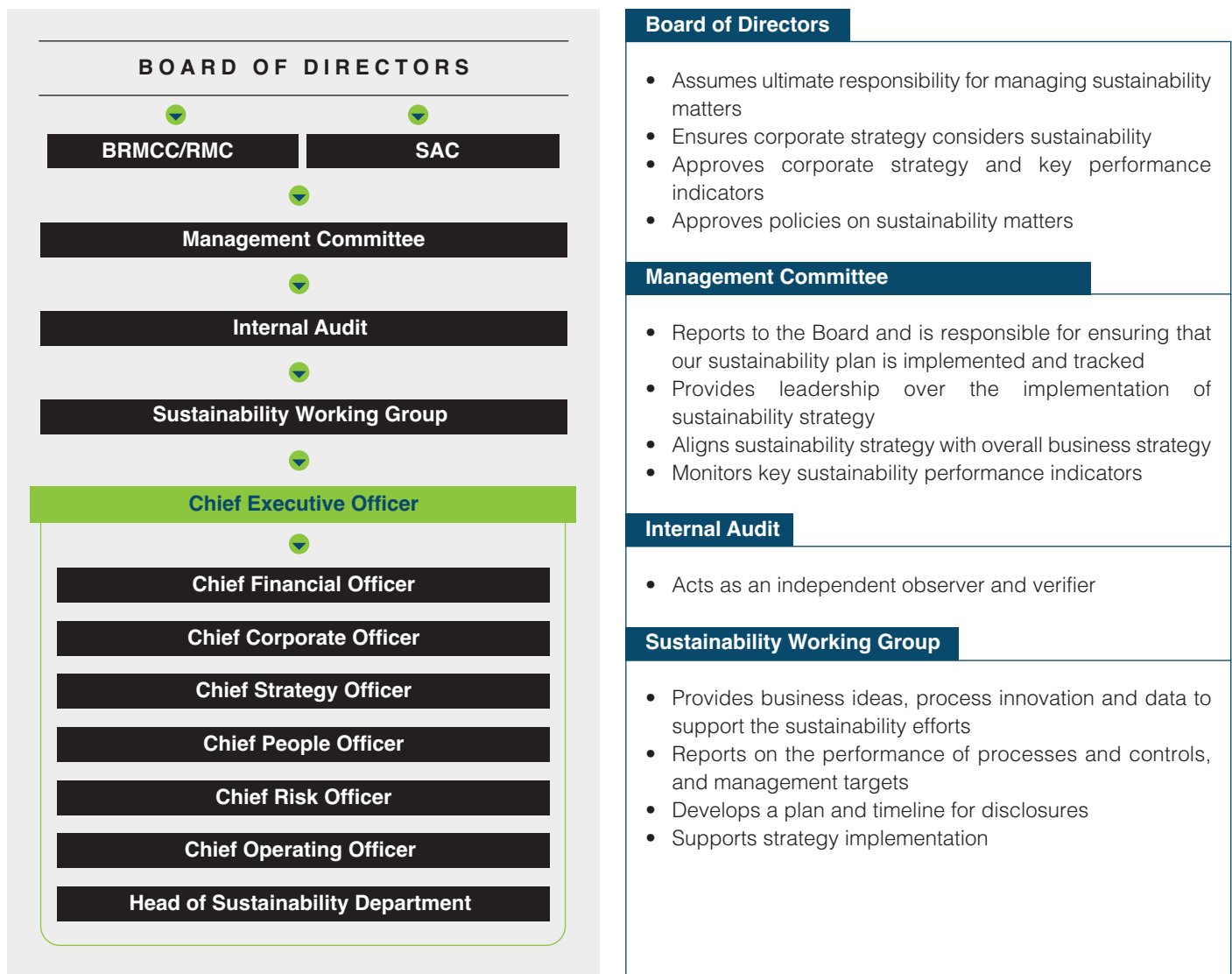


OUR SUSTAINABILITY GOVERNANCE

Sustainability governance at MBSB is steered by our core principles to operate transparently and dutifully. Our corporate governance framework, which comprises clear policies, procedures, and structures, serves as our guide to effectively manage our performance, sound decision-making and ethical business operations.

Assimilating a top-down approach, sustainability oversight and management across the organisation is ultimately the responsibility of our Board of Directors ("the Board"). The Management Committee ("MANCO") governs sustainability matters, which are deliberated at the Sustainability Working Group which was established in 2021 to spearhead and progress the integration and implementation of our planned sustainability initiatives.

Our sustainable governance structure ensures responsibility at all levels to meet our sustainability goals. This governance structure is depicted in the figure below, while the table defines the precise tasks and responsibilities of all levels of our sustainability governance.



Ethics and Values

Our goal remains aligned to building financial resilience for Malaysians and empowering local businesses to thrive and succeed. We continuously strive to achieve this goal by embedding our five core values of Humility, Professionalism, Ethics, Empathy and Passion.

We strongly believe that these set of core values will guide all employees in upholding our culture of integrity and ethical business practices. Our Code of Ethics and Conduct for Employees ensures that we take an unwavering, global approach in managing ethical and compliance issues. We communicate our corporate governance-related guidelines, policies and procedures through various communication channels as well as enforce mandatory training and workshops to ensure all employees are made aware of our expectations to uphold integrity here at MBSB.

The Code of Ethics and Conduct for Employees and our Code of Ethics for Directors are periodically reviewed to ensure relevance and robustness in maintaining our culture of ethical business practices. Both Codes have been reviewed in FY2020/FY2021.

Embedding Sustainability in Our Risk Management Procedures


As consumers and corporate customers become increasingly educated on matters of sustainability, they have begun to avoid companies that contribute to climate change or do not treat their employees well, while rewarding companies with their business that have sustainable and responsible policies. ESG is now a key factor for investors when making decisions about their portfolio.

In 2021, climate and environmental-related issues continued to dominate the World Economic Forum Global Risk Survey’s top five long-term risks by likelihood. The impact of climate change has undeniably been observed across the globe in the form of extreme weather events, which have resulted in disruption of business operations and damaged infrastructure. Malaysia was also hard hit with severe flooding in late 2021, displacing tens of thousands from their homes and costing billions in damage. We recognise that we need to actively address pressing economic, environmental, and social risks and challenges.


We are constantly improving our risk assessment and management systems 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.

In FY2021, we introduced our ESG Risk Framework for Corporate Financing Customers and Sukuk Issuers. This was developed based on BNM’s CCPT and VBIAF. This includes integration of climate related considerations. This framework acts as a guide for staff to identify and assess ESG risk in corporate financing customers and sukuk issuers for MBSB. This framework also outlines stringent procedures to perform ESG risk identification and assessment of customers and includes a general and industry specific exclusion list, which prohibits financing to customers and purchase of Sukuk from issuers who significantly endanger the environment. In addition to the general financing restrictions, sectors identified as presenting significant ESG risks are subject to a sectoral Risk Acceptance Criteria (“RAC”). We have established the RAC for the palm oil sector and we intend to progressively introduce RACs for other key sectors relevant to MBSB Bank’s portfolio.


Refer to Our Integrity section on page 35 for further details



Refer to Material Risks and Opportunities on page 29 for further details of sustainability risk and opportunities.



Refer to page 79 For further details on our Responsible Financing practices.



MBSB’s Core Values



Humility



Professionalism



Ethics



Empathy



Passion

ENGAGING OUR STAKEHOLDERS

We constantly seek to ensure transparency and responsiveness in all our communications with our key stakeholders thus maintaining rapport and building confidence in our business operations. Our initiatives continue to focus on key stakeholder groups that are most impacted by our business. We conducted a stakeholder engagement process in FY2019 to determine target stakeholder groups of focus and upon review, our current key stakeholders remain the same as those identified in FY2019.

Refer to SR 2019 for Stakeholders Assessment Process



To stay abreast with stakeholder priorities, we actively and regularly engage both internal and external stakeholders to better equip ourselves in addressing their concerns as well aligning our sustainability strategy and business activities in fulfilling our stakeholders' expectations.




This year, we continue to leverage our virtual communication channels to seek stakeholders' input. These inputs will be utilised to inform our materiality assessment process as well as the development of our business plan.

Engagement Frequency

- Annually
- Quarterly
- As and when required
- Bi-Annually
- Monthly
- Throughout the year

Board of Directors	Shariah Advisory Committee
The Board of Directors play a significant role in creating business strategies and in ensuring that the company is moving in the right direction	Responsible for providing objective and sound Shariah-related advice to the Bank for key business decisions
How do we engage them?	
Board meetings ● Board training and forums ●	Meetings ● Training programmes ●
Key topics discussed in FY2021	
Business performance Growth opportunities Employee welfare, remunerations, and benefits Good governance IT infrastructure and information system Succession Planning	Good governance Reputation Shariah risk, audit and compliance Sustainable financing practices Transparent reporting
Related material matters	
Economic Performance Green Financing Innovation Employment Business Ethics and Integrity Cyber Security	Business Ethics and Integrity Regulatory and Shariah Compliance Responsible Financing Financial Inclusion



<h3>Shareholders</h3> <p>Shareholders provide the capital and funding necessary for MBSB to continue growing as a rising star in the Islamic bank industry</p>	<h3>Customers</h3> <p>Our customers play an essential role as users and feedback providers for continuous improvement of our products and services</p>	<h3>Employees</h3> <p>Employees are the executors of our business plans and strategies, and they are our brand ambassadors</p>
How do we engage them?		
<p>Annual General Meetings ●</p> <p>Extraordinary General Meetings ●</p>	<p>Customer Satisfaction Index Survey ●</p> <p>Product Launch ●</p> <p>Promotions and Campaigns ●</p>	<p>Online meetings and discussions ●</p> <p>Online training ●</p> <p>Employee engagement survey ●</p> <p>Employee engagement activities ●</p>
Key topics discussed in FY2021		
<p>Business performance and dividend payment</p> <p>Reputation</p> <p>Growth opportunities</p>	<p>Customer experience</p> <p>Shariah compliance</p> <p>Data integrity and security</p> <p>Products and services</p> <p>Affordability and accessibility</p>	<p>Health and safety</p> <p>Employee welfare</p> <p>Career development</p> <p>Equal opportunities</p>
Related material matters		
<p>Economic Performance</p> <p>Market Presence</p> <p>Innovation</p> <p>Green Financing</p> 	<p>Customer Experience and Satisfaction</p> <p>Regulatory and Shariah Compliance</p> <p>Customer Privacy</p> <p>Innovation</p> <p>Financial Inclusion</p> 	<p>Occupational Safety and Health</p> <p>Employment</p> <p>Training and Education</p> <p>Diversity and Equal Opportunities</p> 

Engagement Frequency

- Annually
- Quarterly
- As and when required
- Bi-Annually
- Monthly
- Throughout the year

<p>Regulators</p> <p>Regulators provide direction towards sustainable, ethical and best practices</p>	<p>Media, Analysts and Asset Managers</p> <p>Media and analysts provide valuable insight and news of MBSB to investors and the community in an independent and credible manner</p>
<p>How do we engage them?</p> <ul style="list-style-type: none"> Online briefing ● Internet Banking Task Force (IBTF) ● Industry engagement ● 	<p>How do we engage them?</p> <ul style="list-style-type: none"> Analyst briefings ● One-on-one meeting ● Press conference ●
<p>Key topics discussed in FY2021</p> <ul style="list-style-type: none"> Sustainable financing practices Risk management Good governance Transparency Customer relief assistance 	<p>Key topics discussed in FY2021</p> <ul style="list-style-type: none"> Business performance Business strategy and growth Transparency
<p>Related material matters</p> <ul style="list-style-type: none"> Responsible Financing Financial Inclusion Business Ethics and Integrity 	<p>Related material matters</p> <ul style="list-style-type: none"> Economic Performance Market Presence Responsible Financing Green Financing Business Ethics and Integrity 

<p>Government</p> <p>The government has the authority to provide direction and policies that can impact MBSB's business plan and strategies</p>	<p>Society and NGOs</p> <p>Society and NGOs can help us understand how we can play a part in developing society, improving communities, empowering marginalised groups and reducing inequality</p>	<p>Partners and Alliances</p> <p>To build strong industry rapport for shared knowledge and expertise</p>
<p>How do we engage them?</p>		
<p>Dialogues ●</p> <p>Conferences ●</p>	<p>Meetings ●</p> <p>Graduate Employability at MBSB (GEM) programme ●</p> <p>CSR initiatives ●</p>	<p>Meetings ●</p> <p>Associations ●</p>
<p>Key topics discussed in FY2021</p>		
<p>COVID-19 relief and financing measures</p> <p>Affordable housing financing</p> <p>Compliance</p> <p>Green initiatives</p>	<p>CSR activities</p> <p>Green initiatives</p> <p>Financial literacy</p> <p>Accessibility</p>	<p>Partnership for growth</p> <p>Reputation</p> <p>Product innovation</p> <p>IT infrastructure and information system</p>
<p>Related material matters</p>		
<p>Responsible Financing</p> <p>Financial Inclusion</p> <p>Business Ethics and Integrity</p> <p>Green Financing</p> 	<p>Local Communities</p> <p>Direct Environmental Footprint</p> <p>Responsible Financing</p> <p>Financial Inclusion</p> 	<p>Economic Performance</p> <p>Innovation</p> <p>Cyber Security</p> 

MATERIALITY AT MBSB

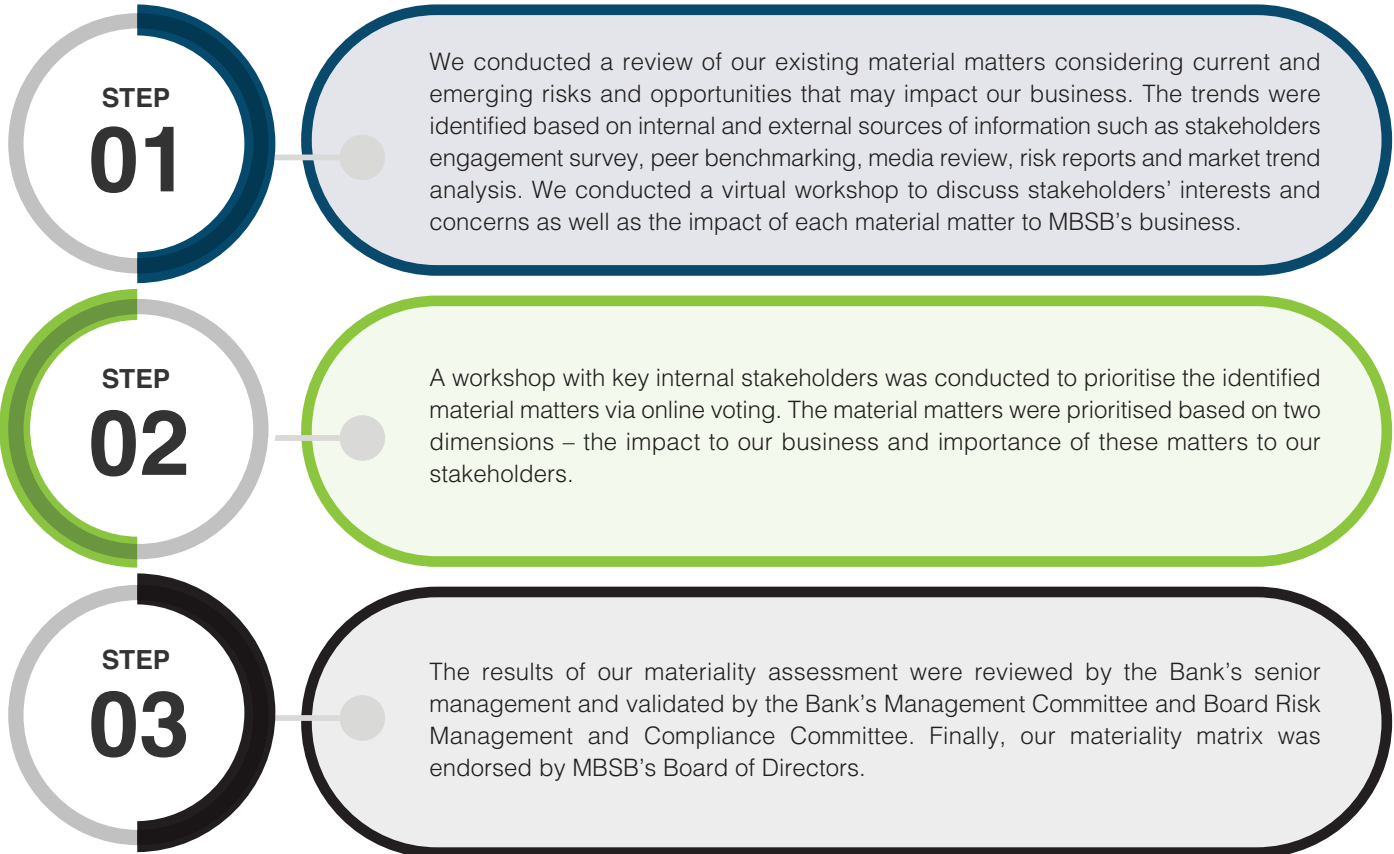
For the purposes of sustainability reporting, we define material matters as areas of focus that influence our ability to create long-term value as well reflect the impact we create through our business. Key material matters are essential in guiding the development of our business plan and provide a narrative for our annual sustainability reporting at MBSB.

Materiality Assessment Process

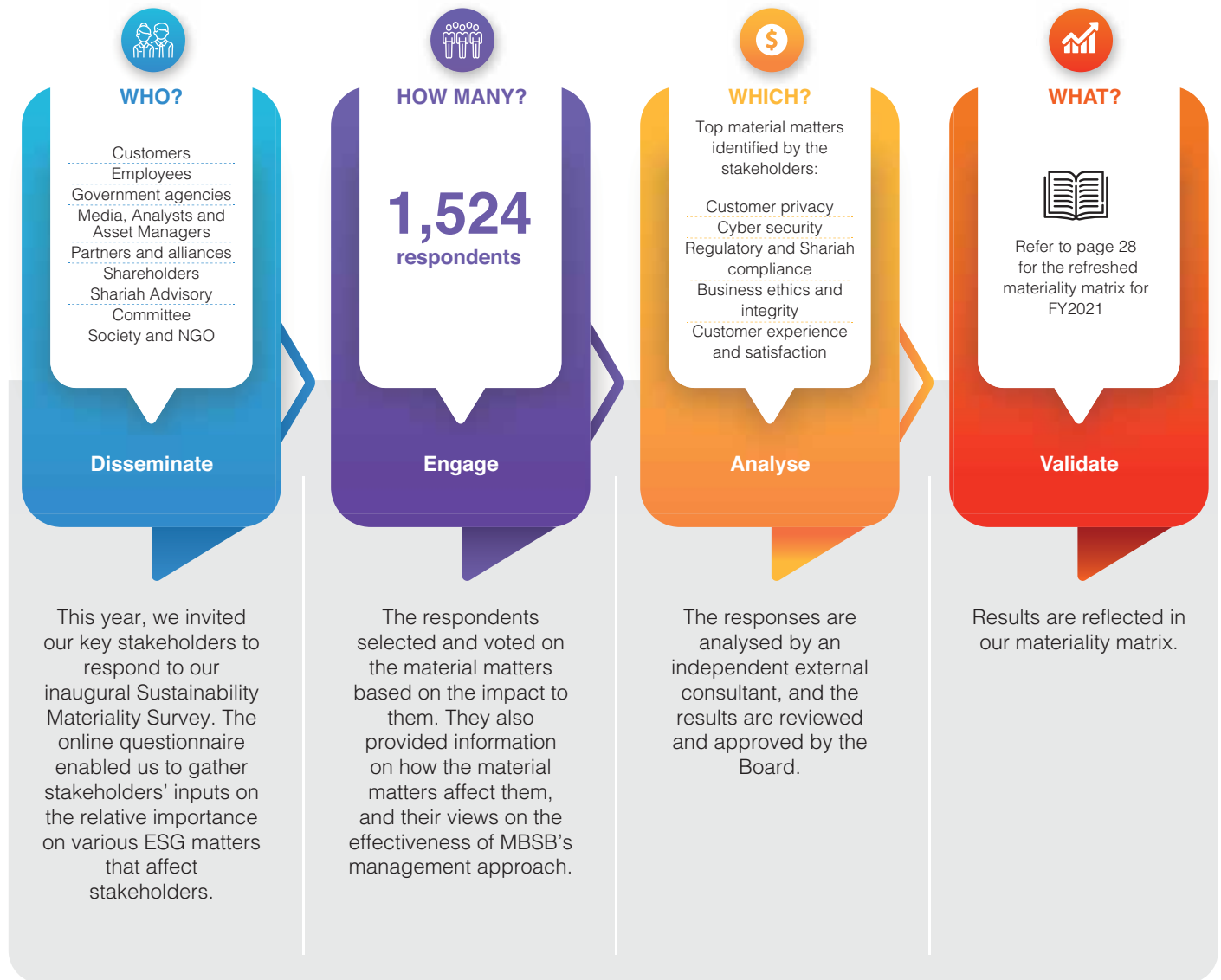
We perform an annual materiality assessment to review our material matters to ensure we remain agile in responding to changing stakeholder concerns and stay ahead of the evolving market environment.

This year, we rolled out a stakeholder engagement survey to identify and assess areas of focus that our stakeholders are interested in. Participants of this survey are required to rate material matters that they perceive to have the most impact on them.

Additionally, we held a materiality assessment workshop session with the C-suite level, senior and middle management level officers across various departments to promote in-depth discussions of challenges and opportunities faced by MBSB. We analysed and evaluated current and developing trends that may present risks or opportunities to our business as well affect stakeholders. Whilst material matters remain the same as FY2020, the priorities of some material matters have shifted in FY2021.



Incorporating stakeholder engagement outcomes in the materiality assessment process

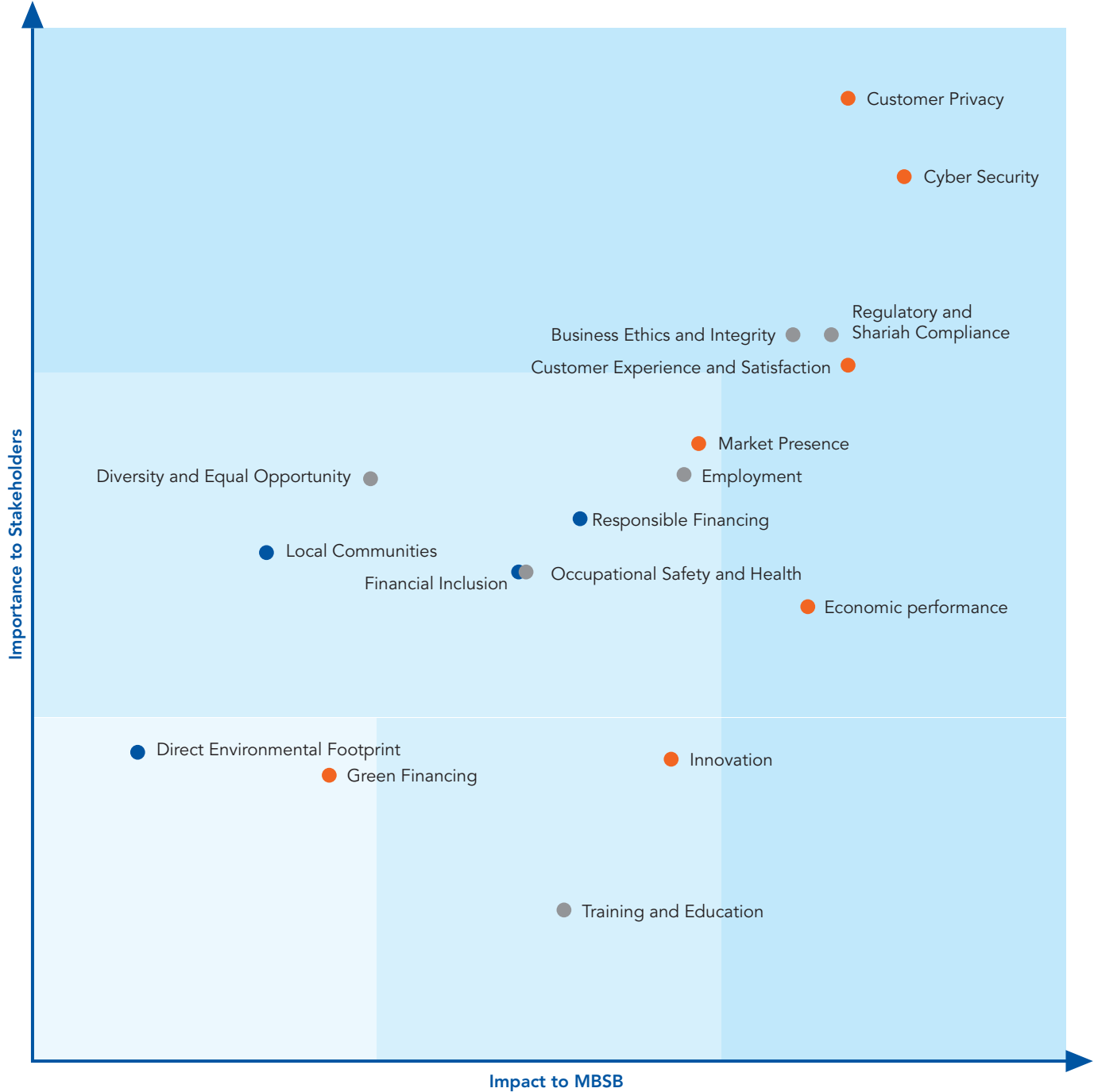


Materiality Assessment Results

As we focus on accelerating technological enablement at MBSB, "Customer privacy" was rated to be the most important material matter in FY2021, closely followed by "Cyber security". We understand that these material matters would be a top priority to our stakeholders considering our efforts to become more digital. "Market presence" has also increased in priority in FY2021 compared to FY2020, suggesting that brand reputation and marketing initiatives are vital to sustain the business.

Our matrix's adjustments reflect changes in the business environment, sustainability trends, regulatory pressure, and other external variables like the COVID-19 pandemic. Nonetheless, these significant matters continue to be relevant to MBSB, and we will continue to build effective management approaches and handle key concerns.

MBSB Materiality Matrix FY2021



Legend:

- Creating a Fair, Safe and Inclusive Workplace
- Innovating Value through Technology
- Operating Sustainably and Responsibly

Our Material Risks and Opportunities

Business Ethics and Integrity

Boundary

MBSB Group

Risks

Increasing regulatory risks that would increase the cost of operation and change the competitive landscape

Opportunities

Maintain a strong compliance culture across MBSB and enhance the capability and capacity in MBSB's operational compliance

Affected Key Capitals



Regulatory and Shariah Compliance

Boundary

MBSB Group

Risks

Non-compliance will result in tarnished reputation and regulatory fines

Opportunities

Growing demand for Shariah-compliant products among high-net-worth customers, particularly in Malaysia and Indonesia

Affected Key Capitals



Employment

Boundary

MBSB Bank

Risks

High recruitment costs for high-skilled talents with relevant expertise

Opportunities

Retain high performing employees and develop a workforce that is committed to creating sustainable value for MBSB Bank

Affected Key Capitals



Training and Education

Boundary

MBSB Bank

Risks

Lack of employee capabilities will affect MBSB Bank's market presence and share

Opportunities

Upskilling MBSB Bank's talent pool to keep up with technological changes and digitalisation of the banking industry

Affected Key Capitals



Occupational Safety and Health

Boundary

MBSB Bank

Risks

The productivity of the employee being affected by lost time injuries or sick days, which has an effect on MBSB Bank's overall performance

Opportunities

Promote a safe environment for MBSB Bank's employees, especially amidst the COVID-19 pandemic

Affected Key Capitals



Diversity and Equal Opportunity

Boundary

MBSB Bank

Risks

Lack of diverse capabilities and views in the workforce

Opportunities

A diverse and inclusive workforce promotes openness and innovation while equal opportunity ensures fair progression and remuneration

Affected Key Capitals



Market Presence

Boundary
MBSB Bank

Risks
Competition risk

Opportunities
Collaboration with Fintech partners to improve the speed and execution of delivery

Affected Key Capitals



Customer Experience and Satisfaction

Boundary
MBSB Bank

Risks
Digitalisation is shifting the way customers engage with banks. There is a risk of losing potential business and new entrants if MBSB Bank does not innovate

Opportunities
Development of Shariah-compliant products and services which may lead to increased customer confidence and market share

Affected Key Capitals



Customer Privacy

Boundary
MBSB Bank

Risks
A breach in customer data will lead to penalties and reputation damage

Opportunities
Collaborate with regulators and industry working groups to manage data privacy

Affected Key Capitals



Economic Performance

Boundary
MBSB Group

Risks
Uncertainties and volatility in the operating landscape may suppress appetite in private and public spending activities

Opportunities
Diversion of revenue streams

Affected Key Capitals



Green Financing

Boundary
MBSB Bank

Risks
Increased credit risk on portfolios exposed to climate risk and reputational risk if MBSB Bank does not take environmental impact into consideration in financing decisions

Opportunities
Enhancement of the risk management approach to incorporate environmental risk assessments when providing financing could safeguard MBSB Bank's value

Affected Key Capitals



Innovation

Boundary
MBSB Bank

Risks
Increasing competition from other Fintech companies will result in loss of market share

Opportunities
Enabling business continuity in the new norm and increase demand of product and services through the introduction of new digital channels

Affected Key Capitals



Cyber Security

Boundary
MBSB Bank

Risks
A technological risk that may pose potential damage to infrastructure from cyberattacks

Opportunities
Update system infrastructure, collaborate with regulators to better understand global cyber threats

Affected Key Capitals



Financial Inclusion

Boundary
MBSB Bank

Risks
Potential of losing business opportunities from the underserved SME segments

Opportunities
Greater business opportunities from the underserved SME segments

Affected Key Capitals



Local Communities

Boundary
MBSB Bank

Risks
Reputational risk as an Islamic bank that has a responsibility in nation-building

Opportunities
Local communities are viewed as potential customers

Affected Key Capitals



Responsible Financing

Boundary
MBSB Bank

Risks
Subject matter experts are required to ensure MBSB Bank offers suitable financing solutions

Opportunities
Increasing awareness on the alignment of Shariah principles and ESG components may promote greater demand for Islamic products and services

Affected Key Capitals



Direct Environment Footprint

Boundary
MBSB Group

Risks
Reputational risks and risks associated with non-compliance of environmental regulations as well as physical and transition risks arising from climate change

Opportunities
Reducing the environmental impact of our operations and managing climate risks will contribute to operational efficiency, cost reduction and operational resilience to climate change.

Affected Key Capitals



Refer to the respective material matters section for our initiatives and responses to the risks and opportunities.



CREATING A FAIR, SAFE AND INCLUSIVE WORKPLACE





1 UPHOLDING OUR INTEGRITY

In our journey to become a top progressive Islamic bank, we are fundamentally guided by Shariah principles while being committed to the highest standards of governance, ethics and integrity in our everyday decisions and actions. Our corporate and Shariah governance frameworks ensure that we operate as a responsible organisation and contribute to nation-building.

Related material matters:

Business Ethics and Integrity

Regulatory and Shariah Compliance

Sustainable Development Goals:

As we uphold a high integrity culture, we support the following UN SDGs:



OUR FY2021 PERFORMANCE



Successfully implemented

IABCAP Policy

across the Group

Zero Tolerance

policy towards bribery and corruption

Zero

Incidents of confirmed corruption

BUSINESS ETHICS AND INTEGRITY

Here at MBSB, we are committed to conducting business ethically and with honesty in order to build confidence among our stakeholders and maintain a reliable reputation.

Our foundation of good governance and high ethical conduct is based on our core values of humility, professionalism, ethics, empathy, and passion. We are dedicated in ensuring our business is conducted in an accountable and truthful manner. Our corporate governance is driven by the Board and managed by the Human Resource and Compliance functions respectively. This ensures that employees adhere to the Bank's corporate ethics and integrity practices.

We strictly do not tolerate any form of corruption and bribery in our daily operations and have embedded a zero-tolerance policy in the Bank's Risk Appetite Statement. This year, we revised our whistle blowing policy to ensure our guidelines and procedures reflect our high ethical conduct standards. Revisions to the policy were made in the following areas:

- a. Scope of Whistleblowing Policy
- b. Refining definitions and examples of fraud, bribery & corruption, conflict of interest, and theft/embezzlement
- c. Refining exception on the protection of the whistleblower
- d. Refining reporting channels
- e. Inclusion of whistleblowing report in relation to integrity, bribery & corruption and abuse of power



We continue to progress in implementing integrity programmes pursuant to the Guidelines on Adequate Procedures ("GAP") that was implemented in line with the Malaysian Anti-Corruption Commission ("MACC") Act 2009. Effective 2021, we have made it mandatory for all employees to complete e-learning modules on Integrity and Governance and Banking Secrecy which all relates to our ethics and professionalism at work. All staff are required to achieve a passing mark to demonstrate completion of the e-learning programme.

MBSB has also carried out Corporate Liability Awareness programme with the Board of Directors and Senior Management. This is one of the ways for us to communicate and train our employees on our anti-corruption policies and procedures. Additionally, we send out bank-wide periodic emails and bulletins on awareness against corruption and bribery.








Refer to our website for more information on our Whistleblowing policy



SHARED RESPONSIBILITIES TO COMBAT CORRUPTION, BRIBERY AND ABUSE OF POWER

When dealings with external service providers, agents and public officials, be alert on bribery and corruption risks that may be disguised in the forms of :-

-  • Giving and Receiving Gifts
-  • Facilitation of Payments
-  • Donations, sponsorship, travel, entertainment
-  • Overbilling
-  • Patronage Employment

Anyone who is aware or suspect if the above activities contain elements of crime in exchange for benefits of value, has a responsibility to raise concerns through Whistleblowing Channels provided. Failure to report could lead to regulatory reprimand and fines as prescribed under MACC Act 2009

This message is brought to you by Compliance Division

MBSB Bank Berhad
Registration No.: 2006010339811718125-PJ

#bepartofthejourney

Our dedicated Integrity Officer continues to spearhead the Integrity and Governance Unit (“IGU”) and the avoidance of bribery, corruption, and abuse of power. The IGU, in collaboration with other relevant business units, oversees the identification and review of high-risk areas within MBSB that are more vulnerable to bribery, corruption, and abuse of power.

Our expectations of good business ethics extend to our business partners and suppliers. Since September 2020, partners/suppliers are made to sign an “Anti-Bribery, Corruption and Abuse of Power Declaration Form (External Service Provider)” on anti-bribery or clauses incorporated in the letter of appointment. Furthermore, our updated whistleblowing policy includes a grievance channel to enable the reporting of any non-compliance to such policies.

Customers are also required to complete the Anti-bribery, Corruption and Abuse of Power Declaration Form (For Customers) as part of the due diligence process when applying for financing facilities.

We have put in place several policies to guarantee that our personnel uphold excellent ethics and value honesty in their daily actions.

We are progressing to implement a Risk Control Self-Assessment (“RCSA”) programme in phases, which will involve key process owners who manage transactions involving third parties, as this is where the Bank is exposed to corruption risks as stipulated under the Corporate Liability provision of Section 17A of MACC Act. We have included the RCSA programme in Integrity & Governance Unit’s Annual Plan for 2022.

Policy	Description
<p>Code of Ethics and Conduct for Employees Policy</p>	<p>The Code of Ethics and Behaviour for Employees establishes the obligations of the Bank's employees who work for and on behalf of the Bank in adhering to the principles and upholding the corresponding conduct of the Bank's commercial and professional activities. Discrimination, bullying, intimidation, or harassment will not be tolerated at MBSB Bank.</p> <p>The Code is an essential component of excellent corporate governance to which all employees must comply.</p>
<p>Integrity, Anti-Bribery, Corruption and Abuse of Power (IABCAP) Policy</p>	<p>The policy defines integrity and conveys MBSB Bank's position on the risks associated with managing bribery, corruption, and abuse of authority in accordance with GAP's recommendations and requirements, as well as the Prime Minister's direction on the establishment of IGU. It establishes all parties' roles and responsibilities for preventing, detecting, and correcting any instances of bribery, corruption, and abuse of authority to maintain and improve a high integrity culture.</p> <p>The policy applies to both internal and external stakeholders, such as Board members, employees, including MANCO members, consumers, and newly appointed or appointed external service providers such as outsourced service providers, contractors, or agents.</p>
<p>Disciplinary Procedures</p>	<p>Disciplinary processes ensure that MBSB Bank's operations are carried out professionally and officially. The Bank establishes the rules and procedures that will govern workplace behaviour. These include establishing a fair manner of dealing with claimed neglect or failing to follow rules and procedures to ensure good staff discipline. They are intended to create positive attitudes and good personal discipline in employees to improve their individual behaviour.</p>
<p>Fraud and Corruption Control Policies and Procedures</p>	<p>This policy is intended to give a clear definition of fraud, reflect MBSB Bank's stance on fraud and irregularities, and put in place standard operating procedures for fraud reporting. We intend to use this policy to prevent possible fraud and corruption committed by MBSB Bank against other entities, as well as to enhance awareness of fraud and fraud prevention.</p>
<p>Whistleblowing Policies and Procedures</p>	<p>To protect the integrity of our operations, we have implemented a Whistleblowing Policy. It promotes a culture of transparency, accountability, and honesty. Employees, customers, business partners, and other members of the public or third parties can express their concerns without fear of repercussions. This policy is intended to instill a sense of responsibility in all parties to report any fraud or misbehaviour through the appropriate channel.</p> <p>Both internal and external parties can use the whistleblowing channel to convey concerns about actual or suspected bribery, corruption, and power abuse.</p>

Our policies are reviewed every two years to ensure that they are relevant and effective in sustaining our integrity culture. When necessary, our Head of IGU and Chief Compliance Officer attend all Board committee meetings to provide corruption-related advice. Employees are kept up to date on any changes or revisions to our policies via a variety of channels, including quarterly briefings, engagement sessions, and compulsory training.

In FY2021, there were no reported or verified cases of corruption. However, there was one instance of non-compliance involving a violation of internal policies and procedures. All infractions were thoroughly examined before disciplinary action was taken. Regrettably, we have dismissed the employee this year as a result of the offences committed for violations of internal policies and procedures.

REGULATORY AND SHARIAH COMPLIANCE

Our license to operate is ensured by regulatory and Shariah compliance. Through a strong compliance culture and rigorous policies and procedures, we are committed to ensuring that any reporting or regulatory requirements are met in all aspects of our decision-making and business operations.

Regulatory Compliance

MBSB Bank conforms to a list of core laws, rules, and guidelines as follows:

LIST OF LAW, REGULATIONS AND GUIDELINES

Islamic Financial Services Act 2013

Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act (“AMLA”) 2001

Personal Data Protection Act 2010

Foreign Exchange Policies

Foreign Account Tax Compliance Act 2010 & Common Reporting Standard

Policy Documents, Guidelines & Circulars issued by BNM and non-BNM e.g. PIDM, Paynet, LHDN, etc.

Companies Act 2016

Bursa Malaysia’s Main Market Listing Requirements

Malaysia Code on Corporate Governance

MACC Act 2009

Shariah Resolution of Shariah Advisory Committee (Bank Negara Malaysia)

**The list is not exhaustive*

In addition to the ones listed. MBSB Bank is also complying with related laws which are not limited to the following:

ENVIRONMENTAL

Paris Agreement on Greenhouse Gas Emissions (GHG)

.....
Environmental Quality Act 1974

.....
Other environmental laws and regulations that are also applicable to Corporates

SOCIAL

Employment Act 1955

.....
Children and Young Persons Act 1966

.....
Industrial Relations Act 1967

.....
Occupational Safety and Health Act 1994

.....
Human Rights (Article 6 of Federal Constitution) and Anti-Trafficking in Persons and Anti-Smuggling of Migrants Act 2007



We believe that instilling and maintaining a compliance culture requires ongoing employee engagement and targeted training. The compliance department has conducted several initiatives this year to ensure that all our employees followed the necessary rules and regulations. These include:

- Broadcast of compliance awareness email bulletin (monthly) and poster (bi-monthly) to create a compliance culture within the workplace.
- Development of an e-learning module for all employees. The module includes Anti-Money Laundering (“AML”), banking secrecy and IGU – this is under anti-corruption and bribery, Common Reporting Standard (“CRS”) and Foreign Account and Tax Compliance Act (“FATCA”).
- Disseminating quizzes quarterly on critical policy and procedures via email to all employees. There are two kinds of mandatory quiz every quarter: one is on AML and another on Policies & Procedures (“P&P”). On average, the participation rate of our employees ranges from 85% to 95%.

In FY2022, we are looking forward to implementing an interactive internal communication channel to encourage impromptu compliance learning for a stronger compliance culture among our employees.

Strengthening MBSB’s P&P

In FY2021, we have updated some of our policies and procedures which we believed required further enhancement to serve our customers better. These include:

Foreign Exchange Policy

Formalising the latest liberalisation on the relevant Foreign Exchange requirements which have already been put in place and practiced issued since April to June 2021.

Personal Data Protection (PDP”) Policy

Incorporated the latest changes and encapsulated all the relevant acts and regulations in relation to PDP, as well as to reflect the ownership transfer from Legal to Compliance Division.

Guidelines on Handling Confidential and Sensitive Document/Information

Reflected BNM’s announcement on the changes made to “Schedule 11” of the IFSA 2013 on the permitted disclosures of customer’s affairs or accounts.

Anti-Money Laundering (“AML”) and Counter Financing of Terrorism (“CFT”) Policy

Enhancement made to the existing on-going due diligence (“ODD”) processes for foreign customers (classified as non resident).

Whistleblowing Policies

Refined the definitions and examples of reporting channels and exceptions on protection to the whistle-blowers.

In 2021, we have not observed any fines and/or non-monetary sanctions for non-compliance with laws and regulations, including environmental and social laws and regulations.

DECLARATORY STATEMENTS

There were no political contributions made or received.

There were no fines, penalties or settlements in relation to corruption.

There were no staff disciplined or dismissed due to non-compliance with our anti-corruption policy.

There were no grievances on human rights impact filed.

There were no grievances or disputes with vendors and suppliers.

There were no cases of non-compliance with labour laws including Employment Act 1955, Children and Young Persons Act 1966, Human Rights (article 6 of federal constitution) and Anti-Trafficking in Persons and Anti-smuggling of Migrants Act 2007.

There were no legal actions for anti-competitive behaviour, anti-trust, or monopoly practices.

There were no incidents of non-compliance with regulations and voluntary codes concerning marketing.

There was no sale of banned or disputed products.

There were no instances of non-compliance to safety standards.

Shariah Compliance Review, Shariah Secretariat and Advisory and Shariah Audit act as the Shariah Compliance function within the Bank to perform Shariah screenings in determining the status of Shariah matters prior to escalation to the SAC.

MBSB Bank has a Shariah negative list which consists of list of Shariah non-compliant activities which the Bank and its Customers are not allowed to engage and participate unless permitted on exceptional basis by the Bank's Shariah Advisory Committee.

The Shariah Secretariat and Advisory Department serves as the SAC's secretariat and provides operational assistance for the SAC's independent operation, which include:

- coordinating communications and disseminating information among the SAC, the Board and MANCO
- performing in-depth research and studies on Shariah issues
- providing day-to-day advice to relevant parties within the Bank on Shariah matters based on the rulings of the SAC of BNM and decisions or advice of the SAC of the Bank
- ensuring proper dissemination of decisions or advice of the SAC within the Bank
- undertaking administrative and secretarial functions to support the SAC

Regular reviews are done to evaluate the level of operational support offered to SAC as well as to resolve any shortfalls. Our Shariah practices are communicated across the Bank through an effective communication programme to support a sound understanding of Shariah topics. Any possible or actual Shariah non-compliances will be promptly disclosed to the Board and the SAC.

Shariah Compliance

To ensure that the Bank's operations, business, affairs and activities are Shariah compliant at all times, we abide by our Shariah governance policies, procedures and practices which include the following:



We are governed by our Shariah Governance Policy established by our Shariah Advisory Committee ("SAC") and in line with the Shariah guidelines issued by BNM. All Shariah functions in the Bank i.e. Shariah Risk,

Strengthening Shariah Compliance Culture

A number of key initiatives have been implemented across the Bank to develop our Shariah compliance culture such as a Shariah e-Learning platform and SKIL Robo Shariah Advisor. Both of these initiatives have seen an encouraging uptake by the employees every year since it was first introduced.

SHARIAH E-LEARNING

Shariah e-Learning is a digital project that aims to improve bank-wide knowledge of Islamic Finance and Shariah Fundamentals, as well as raise awareness of Shariah compliance and prohibitive components in Islamic banking.

The following topics are covered in the Shariah e-Learning modules:

Introduction to Islamic finance

Introduction to Shariah

Sources of Shariah

Objectives of Shariah

Principles and prohibition in Muamalat Contracts

Introduction to Shariah Contracts

Products of Islamic Banks

Introduction to Shariah Compliance

SKIL ROBO SHARIAH ADVISOR

The SKIL Robo Shariah Advisor is an online learning platform that combines artificial intelligence with a Knowledge Management System. This system is hosted on our website and made available to our staff, with the possibility of being extended to our customers in the future. We are honoured to introduce an online learning platform like the SKIL Robo Shariah Advisor, and we intend to continue pushing the industry ahead by expanding this platform to our customers.

We hope that by using a practical and simple instructional system, we can make our bank officials more comfortable dealing with Shariah-related matters. Our banking customers, on the other hand, can be better informed about their contract conditions and financing options



In FY2021, an additional

1,623 employees

have completed the modules

As of December 2021,

110 employees

have completed the modules

2 NURTURING OUR PEOPLE

While we have steadily increased our workforce strength, we would also like to retain our existing employees by providing equal opportunities, competitive benefits and a conducive workplace that align with our core values in giving the best to our people. At MBSB Bank, we also take pride in ensuring we are upskilling our employees by promoting an efficient, tech-savvy, and resilient culture.

Sustainable Development Goals:

By creating a meaningful work environment, we support the following UN SDGs:



Related Material Matters:

- Employment
- Training and Education
- Occupational Safety and Health
- Diversity and Equal Opportunity

OUR FY2021 PERFORMANCE



4 cases

of recordable work-related ill health

A hiring rate of

13.5%

as of 31 December 2021

52,704

total hours of employee training

EMPLOYMENT

Our employees are our most valuable assets; they are our ambassadors, front liners, and the backbone of the company, enabling us to achieve our business goals and provide value to all stakeholders.

At MBSB Bank, we want to ensure that our workforce is future-ready and resilient by providing equal opportunities for career advancement, effective training, and attractive remuneration. Our employee management approach is guided by our Human Resources Department Policies and Procedures and the Remuneration Policy. This includes talent recruitment, compensation and benefits, remuneration and systems, learning and talent development, organisational development, as well as industrial relations.

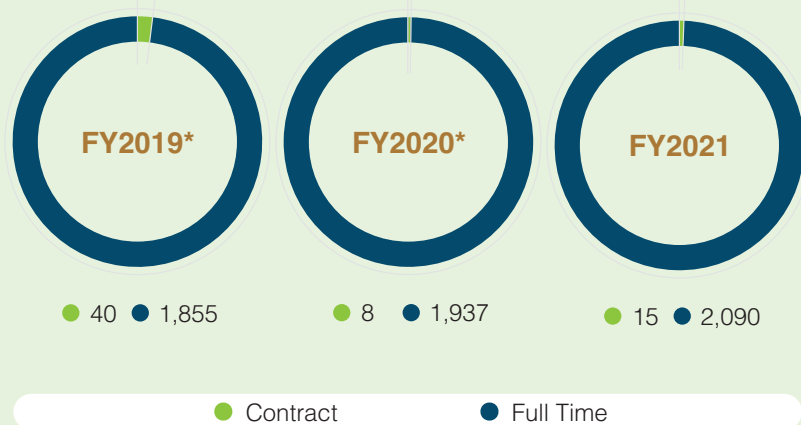
Our policies on human resource such as the Code of Ethics and Conduct for Employees and the Labour Standards, are regularly distributed and communicated to all employees via internal communication channels such as memorandums, intranets, emails, as well as during induction programmes.

In the area of collective agreements in relation to the right to collective bargaining and freedom of association by adhering to all regulations on labour standards, 10.2% of MBSB employees are covered as of 31 December 2021. This demonstrates our strong support for employees' right to collective bargaining and freedom of association under the Industrial Relations Act, which is essential for their well-being.

WORKFORCE STRENGTH

2,105  **EMPLOYEES**
AS OF 31 DECEMBER 2021

Total Staff Strength by Employment Type



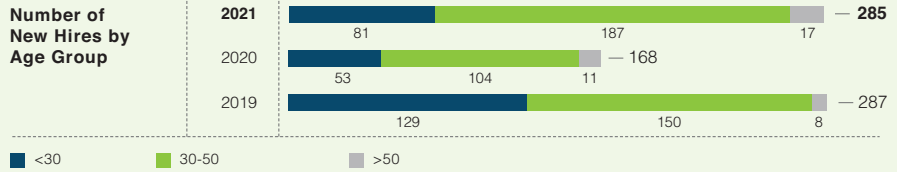
* FY2019 and FY2020 figures have been restated due to errata

As of 31 December 2021, we expanded our workforce size to a total of 2,105 employees across Malaysia, an 8.2% increase from 2020. Our goal of retaining existing talents is met by maintaining a low turnover rate of 6.6%, well below the industry average, while at the same time seeking for new talents by increasing our hiring rate to 13.5%.

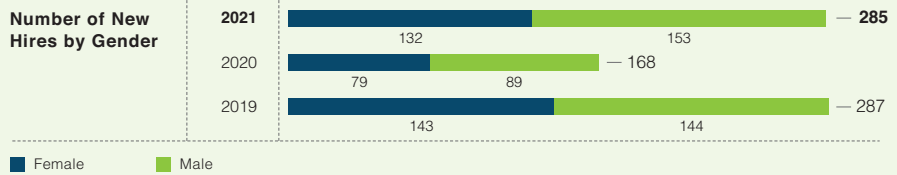
We prioritise recruiting locally to maintain our commitment to nation-building. In 2021, 100% of our employees were locals. MBSB has also supported the Ministry of Finance's MySTEP's initiative through its Graduate Employability MBSB Bank Programme ("GEM") 2.0. Through this programme, graduates are provided with insights and in-depth experience of working in the banking industry for a duration of 6 months and depending on their performance, these graduates are absorbed into the MBSB Bank workforce. We believe that GEM allows them to thrive, be innovative and develop soft skills that are all important for their career pathway.

Key Human Resources Data

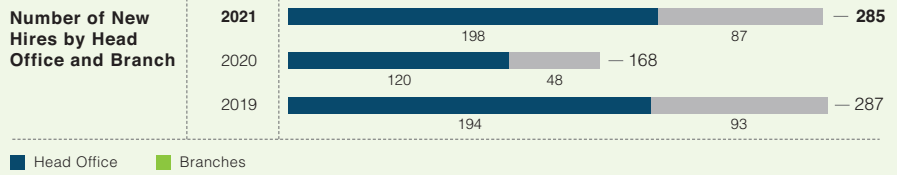
Number of New Hires by Age Group



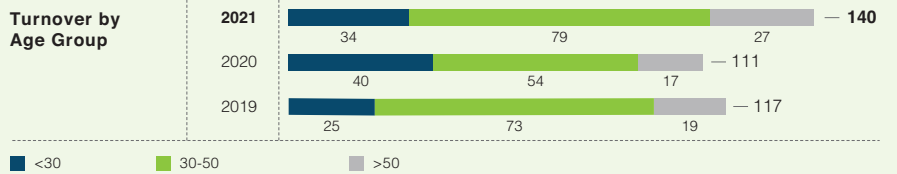
Number of New Hires by Gender



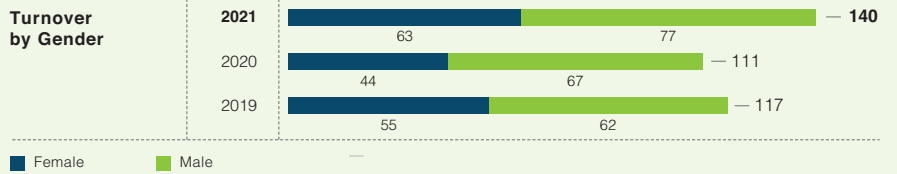
Number of New Hires by Head Office and Branch



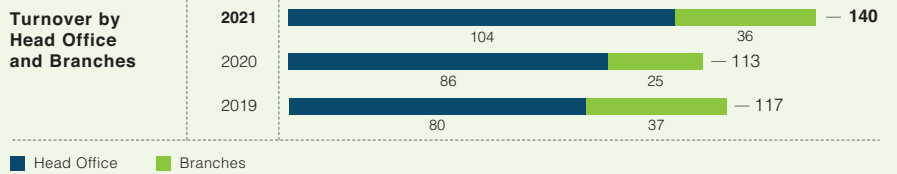
Turnover by Age Group



Turnover by Gender



Turnover by Head Office and Branches



Remuneration and well-being

Our employees receive competitive remuneration packages that are above the national minimum wage requirement. We also offer parental leave, staff group takaful, employee education assistance, mobility benefits, overtime compensation, applicable allowances, and training as part of our employee benefits.

Employees entitled to parental leave	FY2019	FY2020	FY2021
Number of male employees entitled to parental leave	704*	921*	807
Number of female employees entitled to parental leave	998*	1,035*	1,107
Number of male employees who took parental leave	64	74	66
Number of female employees who took parental leave	68	101	81
Number of male employees that returned to work after parental leave ended	64	74	66
Number of female employees that returned to work after parental leave ended	68	101	81
Number of male employees that returned to work after parental leave ended and were still employed 12 months after their return to work	62	74	66
Number of female employees that returned to work after parental leave ended and were still employed 12 months after their return to work	68	101	81

* FY2019 and FY2020 figures have been restated due to recategorisation

Engaging our workforce

We frequently conduct employee engagement surveys to assess degree of satisfaction of our employees. This empowers us with actionable data to identify areas of improvement around commitment, motivation, sense of purpose and passion. The survey also functions as a formal grievance process, allowing employees to report work-related complaints that will be forwarded to relevant management for resolution.

In FY2021, we conducted an employee engagement survey and received a score of 63%. We also conducted an employee engagement sharing session with respective divisions as part of our initiative to encourage two-way communication between employees and their respective supervisors.

TRAINING AND EDUCATION

We believe that our people's skills and abilities must be continuously developed to create a future-ready workforce that will meet the increased expectations and demand of our stakeholders.

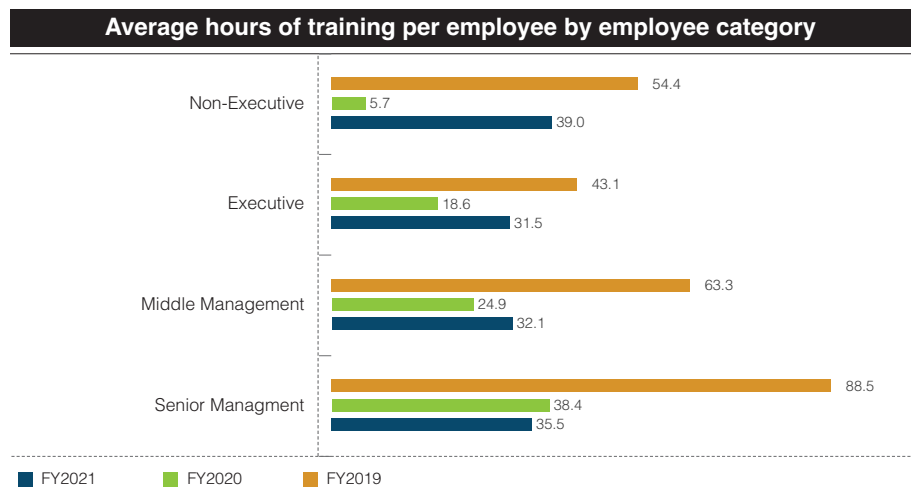
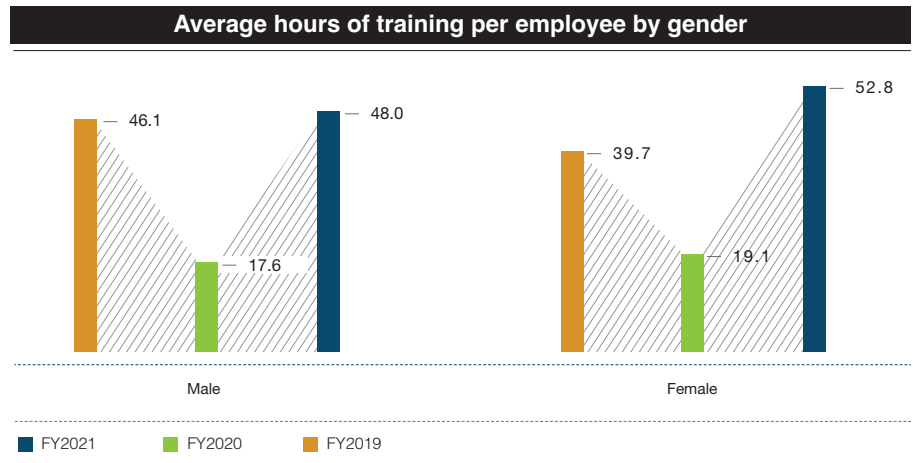
It is critical that we continue to grow and retain our talents to enable us to meet the expectations of the workforce of tomorrow as we become the leading progressive Islamic bank in Malaysia. MBSB employs two training approaches:

1. Two-way communication on trainings that are personally requested by employees
2. Performing training needs analysis to tailor customised programmes catering to specific needs of the workforce and the Bank

Our training approach focuses on structured modules for middle and senior management, as well as specialised teams to complete necessary certification programmes; front-line customer service training; design innovation, fundamental banking knowledge, and soft skills. We want to be able to build our employees' careers by fulfilling and aligning their career goals and professional development with the company's growth. Thus, we help our employees to develop other work-related abilities such as leadership and management, which can help them advance to managerial positions and higher as they progress in their career pathway.

In FY2021, MBSB Bank spent RM2.10 million on training and development programmes for our staff, double the expenditure in comparison to FY2020. We have conducted a total of 52,704 hours of employee training throughout the year, averaging 25 hours per employee. Due to the limitations imposed for physical training and seminars during the pandemic, we have maintained our aim of 8 hours of training per person which is similar to our aim in FY2020.

Key Training Programmes and Data



The key programmes this year include, but not limited to the following:

Programme	Employee Category	Description
AML CFT & Corporate Liability Awareness Programme	Senior Management, Shariah Advisory Committee & Board Members	The session was curated to provide a deeper understanding of AML CFT and corporate liability. It provided an overview on how to identify the key risk issues and mitigating factors in AML CFT and corporate liability.
2021 Integrated Reporting Workshop	C-suite, Senior Management and Middle Management	The training was conducted to create value through ESG Agenda. It provided a better understanding and overview on the ESG trends in the banking sector as well as a refresher on the integrated reporting framework.
Banking Secrecy e-Learning	All staff	A platform for employees to understand and enhance their knowledge on Banking Secrecy. This provides an understanding of the key sections and relevant offences and penalties. It also provides an overview on the management of customer information and permitted disclosures as well as policy requirements.
Integrity & Governance e-Learning	All staff	A platform for employees to understand and enhance their knowledge on what is corruption and gratification as per the Malaysian Laws. It introduces the Act and relevant regulations as well as creates awareness on the roles and responsibilities of all employees.
Ethics in Banking	All new employees who are fresh graduates or have been in the industry for less than 2 years	The course's objective is to instill the right ethical behaviour in the participants day to day operations. It is intended to give them further understanding of ethics in the banking world and to carry this learning throughout their career
Design Thinking	Bank-wide	This workshop aims to build participants' innovative mindset as well as to enable participants to develop their inherent strength, skills, and tools in transforming their business.
In-Service Programme (INSPRO)	Senior Management, Middle Management, Executive	An onboarding programme explicitly customised for new employees to familiarise themselves with MBSB Bank. This programme represents a platform to welcome new employees to the Bank and provides them with an overview of the Bank as a whole.

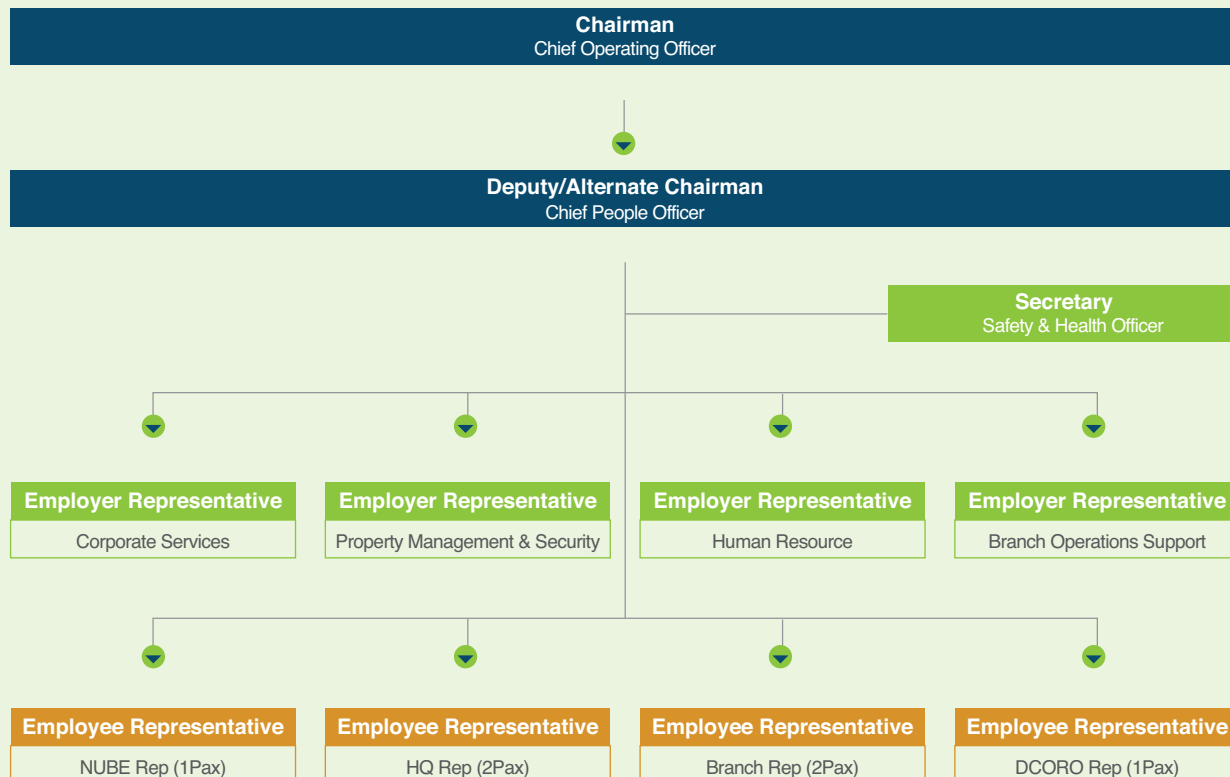
OCCUPATIONAL SAFETY AND HEALTH

Our employees are more productive when they work in a safe and comfortable workplace, and we believe that these conditions are critical to our company's long-term viability and success.

Our Occupational Safety and Health ("OSH") Policy takes a holistic approach to safeguarding the well-being of our employees, customers, and business partners. The OSH Policy establishes a complete set of requirements for effective workplace safety and health management, reinforcing our adherence to national OSH regulations. Additionally, we are in the process of developing health and safety procedures in line with ISO 45001:2018 Occupational health and safety management systems.

The Bank's commitment and obligation to OSH is outlined in the OSH Policy, which serves as a foundation for establishing and implementing workplace safety and health programmes. Planning, organising, managing, setting targets, establishing accountability and policy formation, and monitoring the safety and health performance of organisational boundaries are all covered by the Bank's OSH management system. It also directs in-charge personnel to improve safety and health performance standards in accordance with the goals.

OSH COMMITTEE STRUCTURE





The OSH Committee meets up quarterly to discuss key topics such as:

- Approval and communication of the Bank's health and safety policy
- Formulation, review, and/or recommendation for adoption of environmental health and safety policies
- Monitor the effectiveness of safety and health programs
- Update the CEO/COO on the status of the company and achievement of goals

In FY2021, the Board approved revisions made to the OSH Policy and OSH procedures in its meeting on 15th December 2021. The OSH committee will further develop the specific OSH procedures on Hazards management to further identify and mitigate all the hazards in the workplace. In addition, we are also

looking to develop a Work Permit system as part of the OSH Procedures. The OSH committee also conducts emergency drills on an annual basis to ensure that all our staff are familiar with emergency procedures and well prepared in case of an actual emergency.

Maintaining the Well-being of Our People

We have prioritised the safety and well-being of our personnel throughout the pandemic, keeping them informed of current events and adjustments implemented through our internal communication channels. We have put in place work-from-home arrangements where possible and new working protocols for important roles requiring physical presence, to limit the risk of infection and the impact of COVID-19 on

our business performance. The Multi-Disciplinary Pandemic Team (“MDPT”) that was developed in 2020, supervised COVID-19 matters in general, including the safe and effective response to positive cases throughout 2021.

Strict procedures and regulations are implemented including provision of proper personal protective equipment such as hand sanitizers, masks, and gloves. Workplace standards, social distancing measures, and regular sanitisation of our branches and offices are carried out in accordance with the Ministry of Health's SOP. Our employees are also equipped with digital tools to assist remote working, as well as upskilling programmes on how to use these technologies effectively.

DIVERSITY AND EQUAL OPPORTUNITY

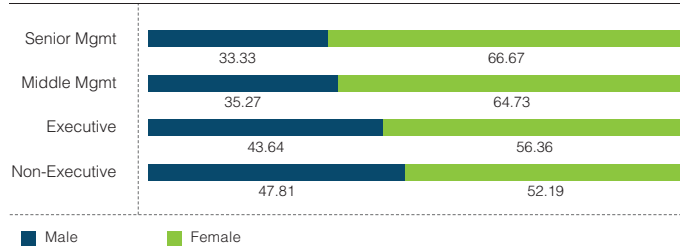
Regardless of gender, age, background, race, religion, nationality, or disability, MBSB Bank strives to provide a fair and inclusive workplace in which all employees can succeed.

Essentially, the goal is to hire the best people with the proper attitude and qualifications by rewarding them for their achievements without discrimination. Our workforce's diversity guarantees that we have a variety of views and skill sets to help accelerate innovation and problem-solving skills that are critical to our business' success as well as better serving our customers.

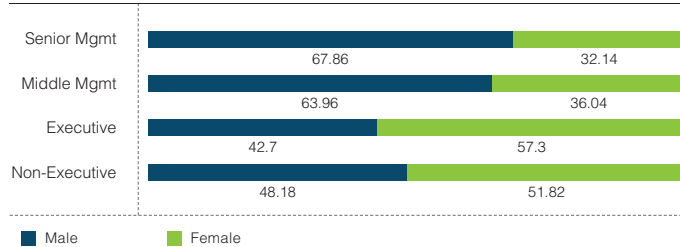
We are working to improve our male-to-female gender ratio across the Bank each year, particularly by placing more women in key roles. The breakdown of our overall workforce for each employee category, by gender, age, and ethnicity across the years are as follows:

Gender Diversity (%)

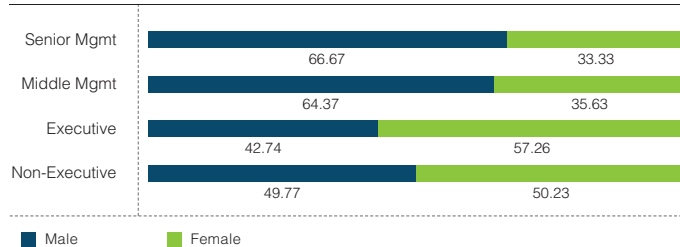
FY2019



FY2020

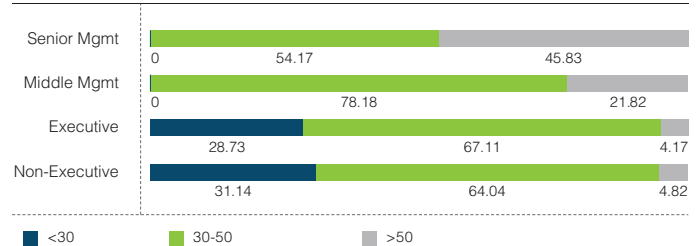


FY2021

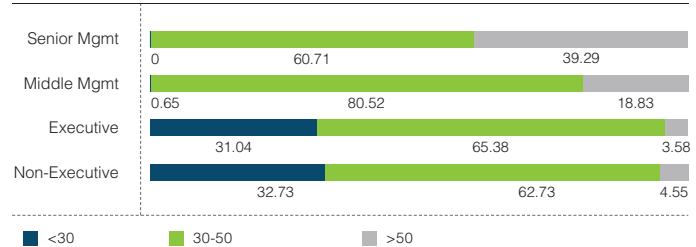


Age Diversity (%)

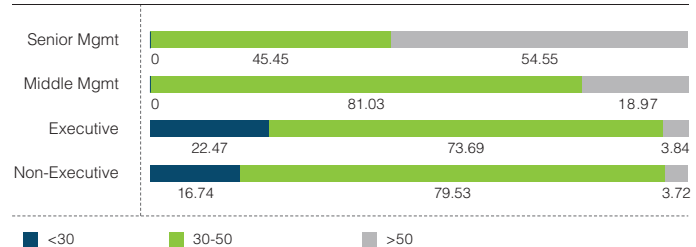
FY2019



FY2020



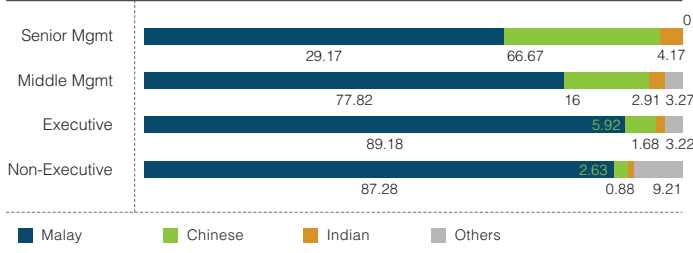
FY2021



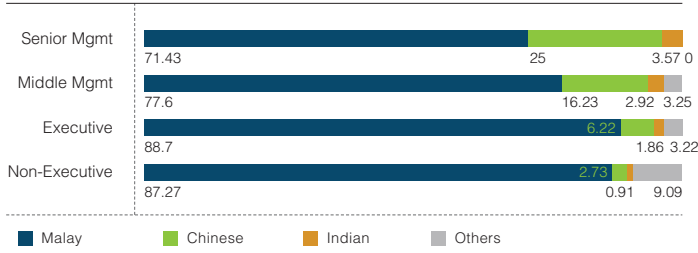


Race Diversity (%)

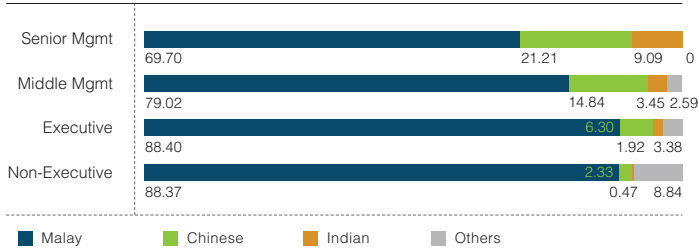
FY2019



FY2020



FY2019



Governance Body (Male-to-Female ratio)

Governance Body	FY2019	FY2020	FY2021
Management Committee	86:14	71:29	86:14
Management Investment & Credit Committee	83:17	100:0	83:17
Asset & Liability Committee	86:14	86:14	43:57
Initial Alert Report (Retail & Corporate) Committee	78:22	86:14	75:25

As part of our commitment to nation-building, we are continuing our efforts to become a locally run organisation. To date, all our employees at our corporate headquarters are Malaysians, as shown below:

Head Office Staff

	Total	Local
C-suite	10	100%
Executive Vice President	7	100%
Senior Vice President	17	100%
Vice President	59	100%
Assistant Vice President	119	100%
Senior Manager	167	100%





INNOVATING VALUE THROUGH TECHNOLOGY

3 ENGAGING OUR CUSTOMERS

Our aspiration is to offer holistic solutions beyond banking which benefit the society's well-being based on our Muamalah principles of being inclusive, fair, and transparent. Over the years, we have started to focus on digitalising our operations to increase the efficiency of our performance as part of our commitment to assist our customers on each step of their journey. We believe that good relationships with our customers can be built by consistently providing high quality service.

Sustainable Development Goals:

As we continuously build good customer relationships, we support the following UN SDGs:



Related Material Matters:

- Customer Experience and Satisfaction
- Market Presence
- Customer Privacy

OUR FY2021 PERFORMANCE



81.5%

Customer Satisfaction Index

783

cases of customer complaints received from various communication channels

8

substantiated complaints concerning breaches of customer privacy

CUSTOMER EXPERIENCE AND SATISFACTION

Customer behavior and needs are continuously changing in line with the digital revolution, leading to increasing expectations for convenient, innovative, and secure banking. This in turn has provided MBSB Bank with the opportunity to improve and transform functionality of products and services without compromising quality and accessibility.

Our priorities remain aligned to providing exceptional customer service by enhancing our touchpoints to elevate customer experience, improve functionality of branch services, and deliver innovative products and solutions.

In delivering exceptional service, we continue to uphold the three pillars of our Customer Service Charter that guide our commitments and actions. These pillars are:



Our Customer Experience Management Department ("CEMD"), which is made up of the Customer Experience Unit, the Complaint Handling Unit and the Customer Service Centre, is responsible for all matters regarding customer experience and satisfaction. From implementing effective and innovative strategies to elevate customer experience at all touchpoints to identifying pain points and managing grievances, CEMD carries out these responsibilities with the best interest of the customers. Various feedback channels and customer interaction platforms, including social media platforms such as Facebook and Instagram, have been set up to maximise customer engagement and broaden customer reach.

Our Complaints Handling and Management Policies and Procedures outline effective measures to manage customer feedback and grievances based on standards and best practices that are in line with internal, statutory, and regulatory requirements. The CEMD compiles all complaints monthly and presents findings to the MANCO on a quarterly basis. Our ultimate goal is to ensure all complaints are handled professionally with utmost integrity and necessary corrective measures are put in place to improve our services.

Elevating Customer Experience

In FY2021, we continued our progress on several initiatives rolled out from previous years, including our Case Management System, Service Transformation for Excellent Performance ("STEP") Programme, Customer Satisfaction Survey and Mystery Shopping Programme. Following the ongoing pandemic, we have made several adaptations to our existing initiatives to ensure continuous accessibility and flexibility for our customers.

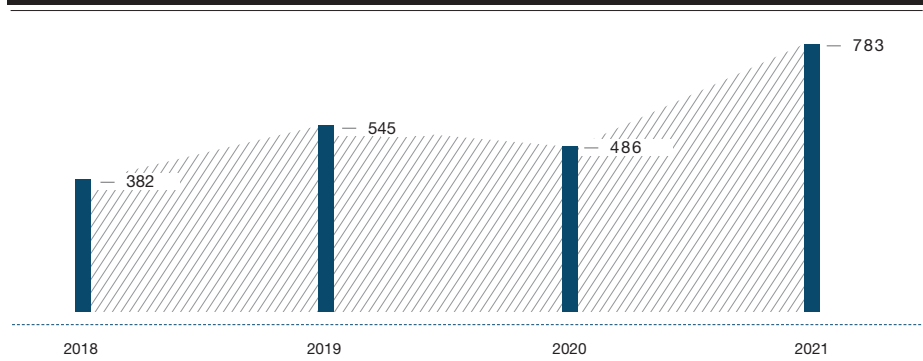
Case Management System

The Case Management System (“CMS”) was implemented in 2019 to manage customer complaints and enquiries effectively and efficiently by providing automated support and tracking the turnaround time (“TAT”) in resolving complaints. This year, we continue to utilise the CMS to manage customer grievances. The key advantages of utilising CMS include:

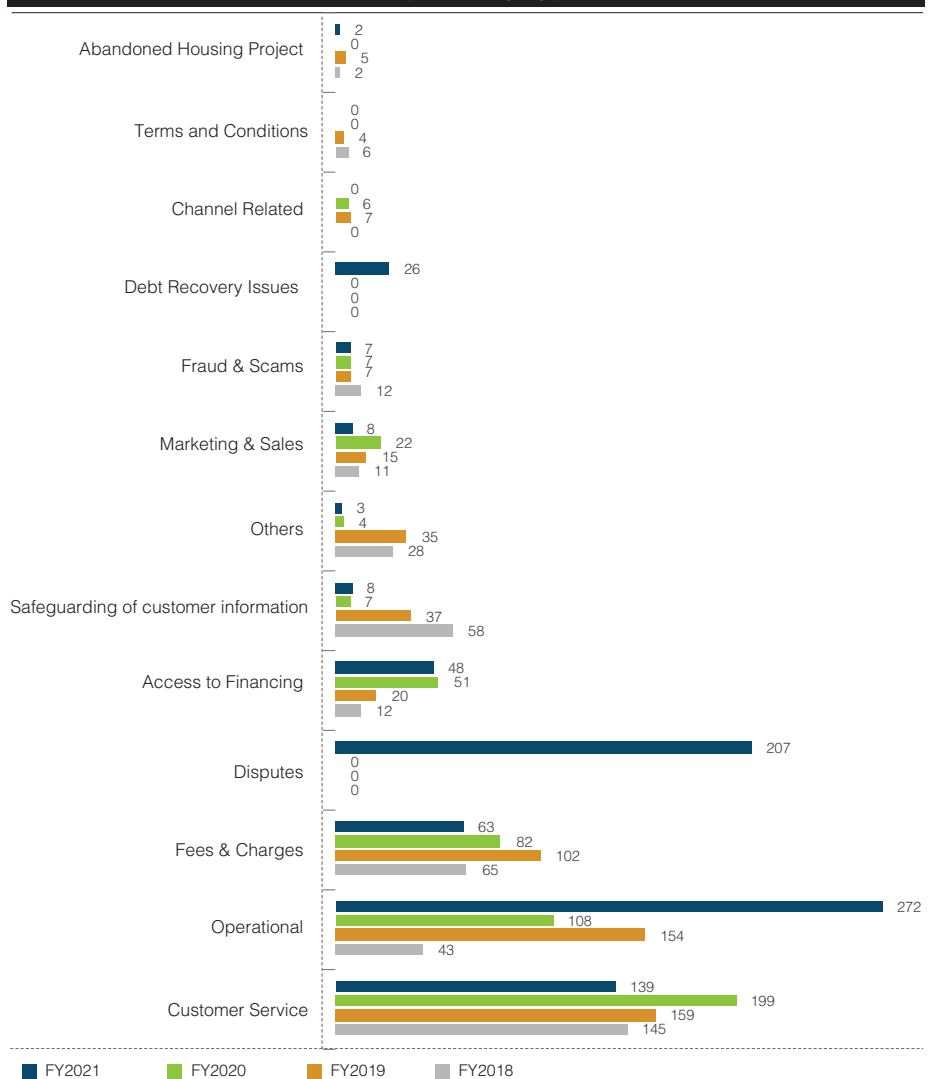
- Keeping track of customer complaints and enquires from various communication channels such as emails, online web form, internet banking, social media, BNM Telelink, Customer Service Centre, Early Care Unit, walk-in, letter and fax
- Set up and auto-assign case based on type, priority, or source.
- Trace and log all e-mail communication between employees and customers in the event of complaint ownership transfer.
- Built-in workflows such as new case notification, deadline notification, and overdue escalation are part of the overall functionality to improve performance and standardise support activities.

Overall, we received 783 complaints from various communication channels this year. There was an increase in number of complaints compared to FY2020 mainly due to the processes involved in attaining and approving the moratorium for eligible customers.

Total Number of Complaints



Complaints by Type



Number of complaints for FY2019, FY2020 and FY2021 have been selected for limited assurance.

Effective Complaint Handling (“Excel CH”) Programme

Formerly known as the Customer Experience (“CX”) Awareness Programme, the Excel CH programme was initiated for frontline employees who engage customers via face-to-face, phone, and email interaction and head office stakeholders (including Customer Experience Management, Retail Credit Management, Collection and Recovery, Regional Business, Consumer Banking, Branch Monitoring & Supervision, and Corporate Credit Management & Disbursement). Guest speakers from Compliance Division and Operational Risk Management were also invited to the programme.

- Create awareness and highlight on the latest revision of Complaints Handling Management Policy & Procedure
- Share the previous and current overall performance of each of the Case Owners/Departments in resolving complaints within the stipulated turnaround time
- Share on critical complaint cases and common real case scenarios
- Highlight on the reporting requirements and updates from the regulatory bodies i.e. Bank Negara Malaysia (“BNM”) and Ombudsman for Financial Services (“OFS”) with regards to complaint/redress management

One session was held virtually this year involving 115 participants from all 47 branches nationwide including Retail Credit Unit regional offices and various departments at the headquarter office (Customer Experience Management, Retail Credit Management, Collection and Recovery, Regional Business, Consumer Banking, Branch Monitoring & Supervision, and Corporate Credit Management & Disbursement). Guest speakers from Compliance Division and Operational Risk Management were also invited to the programme.

Service Transformation for Excellent Performance (“STEP”) Programme

STEP programme that started in 2018, is an on-going effort to enhance our customer service standard. However, due to the COVID-19 outbreak in 2020, the STEP programme was being put on hold. This year, we succeeded in having a refresher training programme which was carried out virtually using the WebEx platform, allowing employees from all regions to participate while adhering to movement restriction measures put in place by the government.



Customer Service Centre (“CSC”)

Since 2019, our Customer Service Centre operates 24 hours daily, enabling customers to inquire on debit card, online banking and cash recycling machine. Our Centre currently operates with 32 employees, handling an average of 550-600 calls and 150-160 emails per day. We saw an increase in calls and emails in 2021 as changes were made to our operating systems to adhere to safety protocols as well as enhance digitalisation efforts to make our services available virtually. This year, we also introduced a segregation on services offered at our CSC to handle customer queries and complaints more efficiently. All general inquiries are to be made during office hours from 9:00 AM to 6:00 PM. From 6:00 PM to 12:00 AM, CSC services are offered only for matters related to debit card usage and online banking whereas after 12:00 AM services are only available for debit card related matters.

Customer Satisfaction Survey (“CSS”)

The CSS is an initiative conducted annually to assess whether our products and services are parallel to customer expectations. Our CSS measures customer satisfaction across two touchpoints, which are our branches and the Customer Service Centre (General Line). This year, we saw a slight decline in our overall customer satisfaction to 81.5% from 84.4% in FY2020. Our post-mortem of the CSS revealed that the key issue that is affecting customer satisfaction is the quality of query resolution related to moratorium. We have initiated response measures to competently handle this issue.

Indicator	FY2018	FY2019	FY2020	FY2021
Total number of respondents	400	400	400	400
Overall customer satisfaction index (%)	78.3	82.0	84.4	81.5
Overall dissatisfied customers (%)	29.0	16.0	21.0	20.0
Overall Customer Loyalty (%)	33.0	54.0	39.0	45.0

Post Transaction Survey (“PTS”)

We continue to utilise the PTS tool to obtain immediate customer feedback for specific experiences that require interaction with a MBSB Bank representative. Since its launch in 2020, PTS was mainly focused on our retail products, namely personal and property financing products, and over-the-counter transactions such as opening of an account, deposit placement and remittance. This year, two new products were added to the PTS, i.e. Personal Accident and Motor Takaful coverage. The PTS survey is disseminated through text messages to customers and aims to:

- Receive actionable feedback from customers as it provides insights which can be used to improve products and services
- Pinpoint specific areas of the business that need to be improved whether it is TAT, customer service or quality of products
- Immediately pass the feedback to respective departments for further improvement

Throughout FY2021, CEMD managed to disperse 18,249 surveys via SMS with an average response rate of 8%, which is typical response rate for surveys of this nature. Results of the PTS show that 81% of customers are satisfied with our services and have rated our service as excellent with a maximum rating of 5, while 2% of customers rated us 2 and below.

We continue to collate valuable customer feedback and have identified several areas of improvements highlighted by our customers. We are committed to ensuring that effective measures are implemented to address customer concerns so that future grievances in these identified areas are avoided. We believe our digitalisation efforts and technological investments will contribute to ensuring a smoother customer experience.

Service Improvement Measures	Description
Reduce customer waiting time	Ensure sufficient service counters at branch and competent staff.
Ensure quality of query resolution	Conduct a regular engagement session with stakeholder to understand the query resolution process.
Improve accessibility at branches	Increase awareness on online/ mobile banking.
Improve product knowledge among staff	Provide product training with product information through infographics or videos.



MARKET PRESENCE

In our journey to becoming one of the top progressive Islamic banks in Malaysia, expanding our presence while upholding our reputational brand is crucial to our success.

Our marketing and branding initiatives are guided by our Global Markets Procedures and Shariah Governance Framework. Our marketing strategy this year is focused on enhancing our digital presence. Despite challenges brought on by the COVID-19 pandemic hindering physical marketing and promotional activities, we have managed to increase product awareness.

We initiated our social media presence in 2018 by launching MBSB Bank’s YouTube Channel which has garnered over 15 million views to date. We continue to produce our annual festive videos to engage with our customers and spread joy during the festive season. Our Hari Raya Aidilfitri and Chinese New Year videos have collectively generated over 5 million views.

To further build our online presence, we launched MBSB Bank’s Facebook and Instagram accounts in 2020. This year, we launched MBSB Bank’s account on LinkedIn to broaden our customer reach and boost visibility among potential customers. We saw an increase in customer reach across our social media accounts with 2,436,486 on Facebook, 63,448 on Instagram and 53,063 on LinkedIn. We ran several social media campaigns across our various platforms to further engage with customers and creatively market our products and services.



Simpan Berganda Menang Bergaya (“SBMB”) CASA-I Campaign commenced in June 2021 and will run through May 2022.

To be eligible, customers are required to open an account, maintain or make additional deposits in the PrimeWin Account-i during the Deposit Period to achieve the minimum monthly average balance for each respective Draw Category. Each RM100 (Individual) and RM500 (Non-individual) gives customers one entry point. Through this campaign, we were able to reach over 100,000 customers across our social media platforms.

Personal Financing-i 2021 Campaign

Gaya Hidup Paling Masquik...

Get Cash Back* and a Samsung Galaxy A52* on top of your Personal Financing-i. Apply now!

SAMSUNG GALAXY A52*

- Total financing amount up to RM400,000
- Online application through **MFASST**
- Total interest financing of RM2305
- No guarantor required
- 24-hour approval
- Easy document submission via **MFASST**

Personal Financing-i 2022

Enjoy as low as **BR* +1.75%** p.a. equivalent to Fixed Rate of 2.38%**

Deferred payment for 3 MONTHS!

APPLY FOR PERSONAL FINANCING-i TODAY!

- Total financing amount up to RM400,000
- No guarantor required
- 24-hour approval
- Easy document submission via **MFASST**

The Personal Financing-i campaign offers customers attractive gifts and payment plans. The campaign social media posts have generated reach of over 500k through content sharing.

In 2021, MBSB Bank spent RM12.03 million on advertising (online and offline) and marketing which has resulted in over RM215.78 million in ads value return with a public relation (“PR”) value of RM11.09 million. Based on analysis of our brand survey, our customer profile is shifting towards a younger and professional group and moving forward, we are planning to implement targeted marketing strategies that appeal to this group to ensure our presence remains strategic and relevant to the market.

MyDebit Cross Border Acceptance Programme

In our bid to provide flexibility and convenience for travelling customers, we continue to integrate the MyDebit Cross Border Acceptance programme which is an initiative between Malaysia and Singapore that allows MBSB Bank debit card holders to use the debit card at payment channels in Singapore without incurring additional transaction fees while enjoying a lower currency conversion rate. However, due to travel restrictions imposed by both the governments, we have yet to see our customers utilising this service. As travel restrictions ease between Malaysia and Singapore with the introduction of the Vaccinated Travel Lane (“VTL”), we hope our customers can enjoy the benefits offered by this programme.

RM1 MEPS Waiver Fee

We adhered to BNM’s directive to continue the RM1 MEPS Waiver Fee throughout 2021 to accommodate customers who may face difficulties accessing any MBSB Bank facilities due to travel restrictions imposed by the government considering the COVID-19 pandemic. This initiative enables interbank withdrawals for MBSB Bank Debit Cardholders at any MEPS self-service terminals or cash recycling machines with the RM1 fee waived.

M Journey Retail Internet Banking ("M Journey")

Our M Journey Retail Internet Banking platform was launched in 2019 as a part of our digitalisation efforts to improve accessibility for customers by enabling them to perform transactions online. Since the launch of the platform, 95% of new customers have registered for this online channel. An online survey on the M Journey platform is currently being developed to assess customer experience and identify areas of improvements to further ensure a smooth online experience for our customers.

We conduct an annual online brand audit to gauge brand awareness among our customers and gain insight on the effectiveness of our initiatives to boost our market presence. This year, we recorded brand awareness of 46% based on 1146 respondents.

**Anugerah
Pembayar
Cukai Terbaik
2021**

Majlis Sambutan Hari Hasil
Ke-26 Lembaga Hasil Dalam
Negeri

**Sustainability &
CSR Malaysia
Award 2021**

(Company of The Year Award for
Excellence In Environmental &
Community Support- Banking
and Financial Institution)

**Cambridge IFA
Islamic Retail
Banking
Awards 2021**

(Best Islamic Retail Banking
Campaign CASA-i Campaign)

**Cambridge IFA
Islamic Retail
Banking
Awards 2021**

(Upcoming Best Retail Bank
Malaysia)

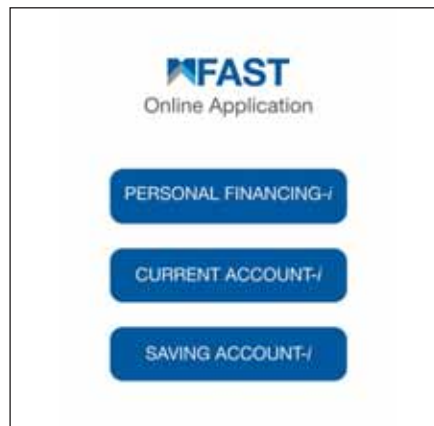
**Gold Excellence Awards
Companies with RM2 Billion
to RM10 Billion in
Market Capitalisation
National Annual
Corporate Report
Awards (Nacra) 2021**



Branch Transformation

We have a total of 47 branches nationwide including the newly opened branch in Kota Bahru, Kelantan in FY2021. In addition, the previous headquarters office in Wisma MBSB, Damansara Heights has now relocated to the new Menara MBSB Bank in Petaling Jaya. As of 31 December 2021, 32% out of 47 branches have undergone a branch transformation which is an initiative that started back in FY2018. The Branch Transformation Plan focuses on reshaping and transforming four essential areas of our areas of our branches, which are operations and delivery, infrastructure, system and processes, and people.

Most of our plans for branch transformation were put on hold due to the pandemic. Despite the setbacks, we managed to provide 33 branches with tablets this year, enabling customers with online account opening system following the launch of M-Fast. Moving forward, our Branch Transformation Plan will also consider implementation of energy efficiency initiatives for specific branches.



As part of the digitalisation plan, MBSB has also equipped 17 branches with 37 Cash Recycler Machines (“CRM”) and 17 Cheque Deposit Machines (“CDM”) in total. Our target is to install another 36 CRMs and 18 CDMs in the upcoming year to further enhance self-service terminals provided in our branches.

In FY2022, we are looking into a new transformation strategy where our physical branch will focus on customer acquisition, customer support, sales and marketing and non-virtual transactions whereas our virtual branch will function as

our customers’ main point of contact to perform their daily online banking transactions.

PHYSICAL BRANCH

70 (Sales) : 30 (Operations)

Single Branch Model
with sales-centric culture

.....
Digitalised and modern
branch look and feel

.....
Strategic branch
relocation and renovation

.....
Automation and simplified
processes

.....
People upskilling and improvement

VIRTUAL BRANCH

.....
Live Chat/Chatbot

.....
e-Remittance

.....
Virtual Cards

.....
Investment Products

.....
e-Commerce Integrations

.....
e-Wallet

.....
Online Application – CASA,

.....
PF-i, Mortgage

.....
e-KYC – online app & e-wallet

.....
M Journey Online Banking

.....
Wealth Products

.....
Promotions/Campaigns

CUSTOMER PRIVACY

Customer data and account security is our top priority, and we are constantly strengthening our systems and educating our community.

We handle a large amount of personal and confidential information about our customers and operations as a bank. Failure to appropriately manage our information security and privacy risks may result in data or other sensitive information loss, regulatory compliance violations, disruption to our company operations, and associated reputational harm, penalties, and licensing censorship.

As such, we understand the gravity of our responsibility in protecting our customers' data and we take all necessary measures to prevent any data loss, theft, or leak. We review our policies periodically to ensure they are relevant and effective in protecting and securing confidential information. Our policies include:

- Guidelines on Handling Confidential and Sensitive Information and Documents
- Personal Data Protection ("PDP") Policies and Procedures
- Outsourcing Policies & Procedures
- Record Management Procedures
- IT Risk Management Framework
- Whistleblowing Policy
- Code of Ethics

Throughout the year, continuous training and awareness activities were held to ensure that the standards for protecting sensitive data are met at all times. We continue to utilise the Consequence Management Matrix to ensure staff are cautious in preserving personal data as part of our endeavour to establish a high compliance culture among employees.

The Bank's senior governance and policy-making body for IT-related matters, the Board Information Technology Oversight Committee, oversees our IT Risk Management Framework. It guarantees that the organisation's IT planning and investment is consistent with the Bank's strategic goals. To protect and process customer data, our IT Risk Management Framework has comprehensive and thorough risk control procedures.

We continue to progress our initiatives introduced in past years to ensure our risk controls and data privacy infrastructure are effective and continue to comply with BNM's Risk Management in Technology ("RMiT") directives. These initiatives are:

Deployment of Automated Fraud Management System

Provides proactive fraud detection using heuristic analysis, registers probable fraud incidents, and manages the life cycle of retail online banking, e-wallet, and mobile internet banking from detection to closure.

Adoption of Multi-Factor Authentication to the Bank's Retail Internet Banking System

Integrates Retail Internet Banking and Mobile Internet Banking to include secure second-factor authentication that is more secure than SMS TAC, as well as enable transfer limits above RM10,000.



Additionally, we have also finalised the process to implement the Data Loss Prevention (“DLP”) technology, which is a technology for securing our network communications and enables effective data movement management to prevent leaking of sensitive information from the Bank’s network. Through the DLP, the enforcement of an email blocking mechanism will be enabled to block any unauthorised staff from handling and sending customer information to external parties. The DLP will be implemented in 2022.

Control Measures to Protect Customer Privacy

We have implemented the following control measures as part of our commitment to protecting client privacy and the data they have entrusted to us:

- Internal policies and procedures to protect customer’s data in line with BNM and PDPA requirements

- Undertaking Letter on Non-Disclosure of Customer Information by all employees
- Non-Disclosure Agreement or Undertaking Letter on Non-Disclosure of Customer Information by all Third Parties and Outsource Service Providers
- Reporting and escalation process to Board and BNM for any customer information breaches.
- System and physical access control to any customer information
- Continuous training and awareness to our stakeholders which includes employees and outsourced service providers handling customer information

This year, we implemented an additional surveillance mechanism to monitor the frequency of viewing of customers’ information by our employees. This mechanism detects any unusual viewing of customers’ information by our employees that may potentially

jeopardise customers’ data. We are also in the midst of establishing procedures relevant to the Management of Customer Information and Permitted Disclosure (“MCIPD”) and is targeted to be implemented this in FY2022.

In addition to strengthening our internal controls and raising employee awareness, we want to help our clients become more knowledgeable about safe banking habits. Our ongoing campaigns are targeted to raise fraud awareness in the community and educate our customers on how to conduct secure online transactions, identify phishing, and recognise scams to protect our customers from fraudulent activities.

Refer to our website for more information on our Privacy Notice and Fraud Awareness Campaigns.



We recorded 21 instances of customer information breaches in FY2021, 8 of which were detected through complaints lodged to the Complaints Handling Unit. These incidents were due to a breach in the outsourced collection agent’s network as well as staff negligence. Our robust response process ensures that any breaches are treated appropriately to prevent any consumer data leaks. The cases have been investigated by Internal Audit and escalated to Board Audit Committee as well as the Board of Directors prior to our reporting to BNM.

4

INNOVATING OUR PRODUCTS

Despite the challenging circumstances caused by COVID-19 and the economic slump, we are proud of our solid growth this year. One of our main business drivers is our product offering. As an Islamic bank, we thrive because of the responsible values we promote in our products to help the community's overall economic progress. In line with national and international sustainable development goals, we are also aware of the global climate issue and continue to reduce its effects through our green financing products.

Sustainable Development Goals:

Through our efforts in innovating value for our customers, we support the following UN SDGs:



Related Material Matters:

Economic Performance

Green Financing

OUR FY2021 PERFORMANCE

RM1.08 bil

total economic value distributed

RM99.16 mil

disbursed to finance green projects in FY2021

Approved and published the

Sustainability Sukuk Framework

10MW

total facilitated clean energy generation

99%

spent on local suppliers

ECONOMIC PERFORMANCE

We are committed to support the country's economic recovery from the disruption that the pandemic has caused to the world economy by expanding our value creation for our shareholders.

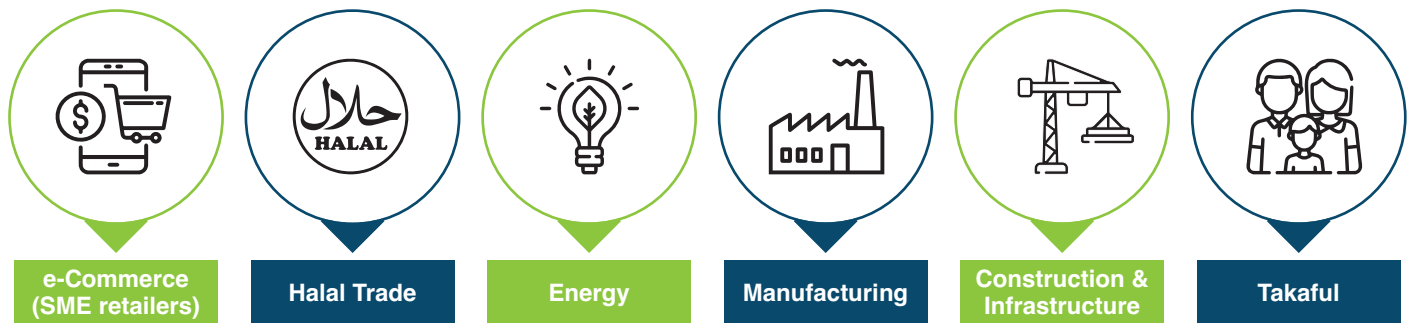
The nation is gradually recovering from the devastating impact of the pandemic since 2020, with various lockdown measures imposed by the government in the past year. Despite this major setback, MBSB managed to record a total income of RM1.65 billion. A more detailed information about our economic value can be found in the following sections of the Annual Report:

- Strategic Review
- Five-year Financial Highlights
- Financial Statement

Value Generated	FY2019 RM ('000)	FY2020 RM ('000)	FY2021 RM ('000)
Total Income	1, 412, 737	1, 791, 195	1,654,219

Value Distributed	Y2019 RM ('000)	FY2020 RM ('000)	FY2021 RM ('000)
Suppliers and Providers of Services	117, 703	81, 037	196, 548
Employees	240, 308	288, 251	258,982
Government	166, 042	181, 099	258,962
Providers of Capital	319, 475	201, 413	354, 653
Communities (excluding Zakat)	1, 461	1, 166	6, 610
Retained for Future Reinvestment Growth	567, 748	1, 038, 229	578,464

Moving forward, MBSB will be targeting certain business sectors with high growth potential and less vulnerable to risks arising from the pandemic as listed below. This has been outlined as part of our 2022-2023 Strategic Roadmap: Changing the Game Plan. We aim to create greater value in terms of Return of Equity ("ROE"), dividends and share price for our stakeholders by focusing on these sectors.





Local Supply Chain

These unprecedented times have shown us that it is even more crucial for local merchants to gain support to keep their businesses operating. In FY2021, we procured 99% of our vendors within Malaysia. We believe that local sourcing can promote local economic development, lowers supply chain costs and decreases environmental effect by reducing our transportation footprint. By taking all of these into account, our procurement strategy prioritises local contractors or suppliers whenever possible.

Additionally, our Procurement Procedures and Policies serve as guiding principles for all employees of the Bank on procurement procedures and the responsibilities of all parties involved in ensuring the relevant process and activities are in compliance. Our suppliers would first need to comply the requirements needed in the Vendor Rating assessment and once engaged will then be assessed annually based on their performance once engaged. This helps us identify the probabilities of engaging the same supplier for future services.

GREEN FINANCING

The climate crisis has resulted in devastating impact globally and locally. At MBSB Bank, we understand our responsibility to ensure our financing supports climate change adaptation and mitigation measures

Following the devastating flooding events faced by several states in Malaysia in December 2021, the effects of climate change continue to ravage communities, not just in Malaysia, but worldwide. Climate change is driven by rising greenhouse gas emissions and while it is a source of significant risk to our economy, environment, and communities, it also presents opportunities.

Malaysia submitted its updated nationally determined contribution (“NDC”) to the United Nations Framework Convention on Climate Change (“UNFCCC”) in 2021. The updated NDC includes the following increased ambition:

- a) The 45% of carbon intensity reduction is unconditional
- b) This target is an increase of 10% from the earlier submission
- c) The GHG coverage is expanded to seven (7) greenhouse gasses (GHG): Carbon dioxide (CO₂), Methane (CH₄), Nitrous oxide (N₂O), Hydrofluorocarbons (HFCs), Perfluorocarbon (PFCs), Sulphur hexafluoride (SF₆) and Nitrogen trifluoride (NF₃).

We recognise that financial institutions play a crucial role in achieving this ambition by aligning financing to support a sustainable and low carbon economy.

In our financing portfolio, we adopt a prudent policy to avoid financing negative areas. Our green financing products consider a project's environmental impact, with a focus on property development projects and renewable energy ventures involving large-scale rooftop solar, biogas, waste-to-energy and mini-hydro.

Additionally, our ESG Risk framework also incorporates environmental risk assessments when providing financing, which reduces the Bank's exposure to environmental risks and safeguards the Bank's reputation as well as its value. Property development and renewable energy projects are subject to assessment against this framework to ensure that these projects are financially sustainable prior to obtaining approval. Client Relationship Managers ("CRM") will also evaluate the climate risks and environmental impact of each project. Furthermore, renewable energy projects must also obtain the necessary approvals to comply with local authority conditions and requirements, as well as other regulations.

The Bank also imposes environmental restrictions wherein primary jungle clearing activities are prohibited at any stage of the project. In terms of technical requirements, customers must ensure that project equipment and materials comply with the approved green technology listing and have been duly certified or endorsed by relevant authorities such as Suruhanjaya Tenaga in order to be eligible for green financing.

Refer to our website for more information on our Privacy Notice and Fraud Awareness Campaigns.

We offer a variety of financing mechanisms for projects that are eligible for green financing upon project initiation and completion. Our product offerings at the early stages of a project include term financing, letter of credit, and bridging financing to help customers secure capital expenditure and ensure liquidity throughout the project. Upon completion, we continue our support and meet our customers' needs by offering syndication, club deals, and bilateral participation.

In FY2021, we approved RM99.16 million in green financing with a clean energy generation capacity of 10 MW and disbursed RM7.87 million to eligible projects.

This year, our approved green financing projects focused on Biomass utilisation. We are working towards diversifying our green financing portfolio by incorporating other renewable energy generation projects. We are also looking to expand our solar financing facility to individual customers who want to generate solar energy from the rooftop of their homes.

Facilitating Sustainable Finance

As the largest standalone Islamic bank in Malaysia, the Bank continually seeks opportunities to integrate sustainable finance in our financial services while upholding the pillars of Islamic banking and ensuring our products and services are Shariah-compliant. In 2021, we approved and published our Sustainability Sukuk Framework ("SSF"), which aims to facilitate the issuance of Sustainability Sukuk, where net proceeds will from the Sustainability Sukuk issued under the SSF will be used to finance and re-finance new and existing businesses or projects that are Shariah-compliant and provide clear environmental or social benefits. The SSF will come into effect in the second quarter of 2022 as planned.

The SSF adheres strictly to regulatory guidelines and standards of the Sustainable and Responsible Investment Sukuk Framework, issued by the Securities Commission Malaysia and the ASEAN Sustainability Bond Standards, ASEAN Green Bond Standards and ASEAN Social Bond Standards, issued by the ASEAN Capital Markets Forum ("ACMF"). Additionally, the Bank's Sustainability Sukuk also supports and contributes to 12 out of the 17 UN SDGs.

5 DIVERSIFYING OUR TECHNOLOGY

As we move towards the fourth industrial revolution, banking is converging towards digitalisation. This stimulates and influences innovation in our products and services. As we strive to be a top progressive Islamic bank, we use technology to stay competitive in the ever-changing digital banking landscape to meet the needs and expectations of our customers. We have continuous investments in digital banking and aim to deliver a technology-enabled future for stakeholders. We are focusing on strengthening our infrastructure and developing internal capabilities to increase resilience, agility, and efficiency.

Sustainable Development Goals:

Through our efforts in pursuing new technologies, we support the following UN SDGs:



Related Material Matters:

- Innovation
- Cyber Security

OUR FY2021 PERFORMANCE

83%

customers active on our digital platforms

130

total tech headcount

62%

of total CAPEX spent on technology improvement and upgrades Enhancement Project

RM17 mil

invested in Cyber Security

INNOVATION

Consumers' banking needs are evolving with the transformation of the digital world

Our consumers want their banking experience to be straightforward, convenient, and digitally enabled, allowing them to do what they need whenever and wherever. As a result, we have begun the process of digitally modernising the Bank, including how we conduct operations as well as the products and services we provide.

The evolution of financial technology has greatly impacted the way banking is conducted. Customers want to experience seamless, fast and convenient banking that is digitally enabled to cater to their constantly evolving needs. As we now live with the COVID-19 pandemic, many work arounds have been conducted to enable business to continue as usual. Hence, we have undertaken a five-year technology modernisation plan to transform our business into a digital enabled one which is aligned with our vision to become a Top Progressive Islamic Bank.

VISION


To become a Top Progressive Islamic Bank

Technology Objectives

<p>Keeping Lights On</p> <p>Maintaining existing services quality</p>	<p>New Growth</p> <p>New products or services and opportunities for growth</p>
--	---

Security – Secure network, data centres, data processing and devices

Regulatory – Upgrade infrastructure and security to meet regulatory requirements

Please refer to Cyber Security section on Page 74 

130 Total Tech Headcount
to support services and in-house development

Keeping Lights On

We continue to enhance our risk analysis and reporting procedures through usage of System for MBSB Analytics and Reporting ("SMART") system. This data warehouse uses big data analytics to improve business decision-making, provide predictive reporting to reduce Month-In-Arrears and conduct analysis on customer behaviour and trends to develop new offerings.

This year, we launched the Robotic Process Automation ("RPA") to optimise operational efficiency and drive revenue generation. Manual reporting from individual departments often results in data overlap and untimely delivery of reports. Manual reporting processes are also prone to a higher probability of human errors, affecting the accuracy of content delivered. RPA reduces repetitive work and reduces turnaround time on task completion. This results in greater accuracy and consistency in terms of reporting. In the long run, RPA will enable the Bank to minimise dependencies on external vendors. Moving forward, we have plans to extend the use of the RPA to a wide range of repetitive internal processes.

Innovative Products and Services

As we progress further into our digital transformation journey, we are working on several products and services to enhance our digital banking ecosystem. Some of these initiatives include collaboration with third party e-commerce platforms that provide electronic remittance services, development of virtual branches to increase accessibility and convenience, as well as online applications for property financing and hire purchases.

M Trade Mobile Application ("M Trade Mobile")

As part of MBSB's initiative to venture into digitalised trade finance, we have launched our M Trade mobile application, which is designed to simplify and ease customers' everyday business transactions. This application provides comprehensive product information including fees and charges, as well as facility information on outstanding financing, limit availability and transaction status. M Trade Mobile is a one stop solution that has a digitalised trade finance inquiry feature, which also offers trade document pick-up service for entrepreneurs with time constraints. Additionally, the user-friendly interface incorporates fingerprint and facial identification to ensure that our customers' business information is safe and secured.

Digital Transaction Banking ("DTB")

Formerly known as the Cash Management System, the DTB intends to completely integrate all aspects of transaction banking services that pertain to the working capital cycle and liquidity management of corporate clients. As a result, having the DTB system allows our corporate customers to fulfil their banking requirements on a single platform conveniently and efficiently. The system is expected to go live in the second quarter of 2023.

Halal Marketplace

Through the introduction of a Halal e-commerce platform, our customers will have virtual access to a variety of our products and service offerings, such as banking services, retail shopping and business support. The introduction of this platform further supports our ambition to create Halal Ecosystem – a one stop platform for all Halal service offerings. The initiation of integrating this platform as a part of our product line will begin in FY2022.

Electronic Know Your Customer ("e-KYC")

In line with the Bank's business strategy on digital banking, the Bank is embarking into implementing Electronic Know Your Customer as a new enabler to increase the reach for new customers and provide convenience for the customer to start a relationship with the Bank. e-KYC is a method that relies on artificial intelligence to perform customer identity verification during on-boarding process via online. It consist of four verification steps which are document verification, facial recognition, bureau file verification and knowledge-based verification. The e-KYC will be utilised for our Current Account-i and Savings Account-i Online Application to ensure customer have a smooth experience with their online application without ever having to the need to visit our branches to verify their identity. Most authorisation process will be conducted at their convenience throughout the application process. The e-KYC implementation for our Current Account-i and Savings Account-i Online Application is expected to go live by April 2022. We are planning to expand the use of the e-KYC for personal financing and e-wallet services later by FY2022.

ENHANCING EXISTING PRODUCTS OR SERVICES

M Journey Internet Banking (Retail & Corporate)



We continue to enhance our M Journey Internet Banking platforms to ensure customers have a seamless experience when performing online transactions. This year, we introduced a new security enhancement to the M Journey Internet Banking. This enhancement will provide M Journey users with an improved security surveillance to safeguard their accounts and customers will also be able to transfer funds with a higher limit with the introduction of Multifactor Authentication (“MFA”). This security enhancement has been implemented in our M Journey Mobile App. In FY2021, we have registered a total of 37,302 M Journey Individual users with over 400,000 transactions performed, valued at more than RM930 million. M Journey Corporate on the other hand registered 584 companies with over 250,000 transactions performed, amounting to a total of over RM3.7 billion.

Digital Branch



The Branch Transformation Plan has been driving our transformation to a Digital Branch since FY2018. We are nearing the end of this change by upgrading our branches with self-service touchpoints and an improved branch distribution system via information tablets and digital screens. The shift also entails improving systems and procedures, infrastructure, and our workers' digital skills.

Refer to the Market Presence section on page 63 for more information on our Branch Transformation plan



E-Wallet



Our e-wallet was the First Shariah “Concept” electronic money service via mobile application. As of December 2021, there were 109 merchants and 4,117 outlets across the country that are enabled for online payment transactions. Additionally, there was an increase in registered users from 3,612 in FY2020 to 7,406 in FY2021. A total of 8,805 transactions were performed on our e-wallet, amounting to more than RM620,000 in value. To suit the demands of our clients, we will continue to grow our application and reach by adding additional merchants and features to the e-wallet application.

Mobile Banking Application



Since the launch of our mobile banking application, we have seen a 113% increase in our users from 7,743 in FY2020 to 16,507 in FY2021. A total of 253,095 transactions have been performed with total transaction value at RM270 million. However, due to the severity of the pandemic in 2021 and its resulting restrictions, a few enhancement projects that were in the pipeline were delayed. As such we plan to implement this initiative in the FY2022. These include application for CASA and PF-i, TD-i placement, e-statement download, DuitNow QR, DuitNow Request, DuitNow Online, Real-Time Debit and live chat/chat bot.

CYBER SECURITY

As we move towards a digitalised society, an enhanced cyber security infrastructure is required to safeguard our processes, systems, and offerings.

This allows us to remain alert against threats and effectively manage our cyber security risk and processes for any potential breach, ensuring the stability and dependability of our IT infrastructure.

Our Information Technology Security Policies (“ITSP”) serve as a guideline to ensure compliance to internal, statutory and regulatory requirements. Our Cyber Risk policy guides the management of cyber risks and protects us against the threats before they occur. The Board of Information Technology Oversight Committee consists of three Independent Non-Executive Directors who have extensive experience and knowledge in areas such as information technology and risk management. To ensure all systems are up and running, the Cyber Security Working Group

conducts around the clock surveillance to address pressing issues and share knowledge concerning cyber security.

In FY2021, we successfully migrated our old data center in Wisma MBSB, Damansara Heights to the new data center in Cyberjaya. The Data Center provides us with the opportunity to remediate product obsolescence and carry out a technological refresh on outdated software and systems. The state of the art new data centre, complies with BNM’s Risk Management in Technology (“RMiT”) and Tier III Data Centre Requirements. Therefore, the system is available 99.95% of the time, ensuring that customers can enjoy seamless use of the bank’s digital platforms and services.

Furthermore, we have setup and enhanced a Security Operation Centre (“SOC”) which is used to monitor the network for external and internal attacks twenty-four hours a day. Via the SOC, the technology security team can take real time precautionary and containment measures. As the pandemic continued through FY2021, measures that were previously implemented were maintained to facilitate work from home arrangements, allowing employees to carry out their activities without having to worry about cyber security issues.

Internal competencies are essential in establishing a strong cybersecurity culture and staying on top of evolving cyber threats. To manage this, all employees must complete compulsory e-learning modules on cyber security and take a self-assessment test to determine their level of understanding on cyber security. Additionally, the technology security team also creates awareness via their weekly email and bulletin for industry practices and scams.

This year, there have been over 300 million unsuccessful attempts to breach the Bank’s network. Having a good cyber defense enabled early detection and prevention of these cyberattacks.



DEPLOYING DIGITAL TOOLS TO FACILITATE REMOTE WORKING

As we adapt to the new normal, we continue to provide flexible working arrangements for our employees in FY2021 in light of movement restriction orders imposed by the government. We continue our hybrid working arrangement from the previous year and enhanced our employees' working experience via the following:

Enhancement on our VPN services to host more users and avoid network overload as employees access our internal network

Introduced collaboration and communication tools

Technology upskilling to increase employees' knowledge on how to effectively use digital collaboration tools

Migrating working files from our server to SharePoint which can be accessed remotely and securely. Employees can easily retrieve relevant documents

Guidelines to access web mail from home via bank asset

Guidelines on effective internal communications on working arrangements such as registering working hours through messaging tools





**OPERATING
SUSTAINABLY
AND
RESPONSIBLY**

6 SAFEGUARDING OUR COMMUNITY

The pandemic has shown us that the road to economy recovery relies on the financial well-being of communities especially small businesses that were most impacted due to COVID-19. To promote the financial well-being of the communities we serve and to make a constructive contribution to society, we embrace our building society history. Through our responsible practises and financially inclusive products and services, we hope to empower our community by encouraging shared prosperity and equitable socio-economic growth.

Sustainable Development Goals:

Through our work in engaging and supporting our communities, we support the following UN SDGs:



Related Material Matters:

- Responsible Financing
- Financial Inclusion
- Local Communities

OUR FY2021 PERFORMANCE

RM9.38 mil
of community investment

RM1.15bil
total approved financing for low-income groups

RM2.37 bil
total financing disbursed to SMEs

RESPONSIBLE FINANCING

We are committed to ensuring that the products and services we offer are attainable and suitable to meet the needs of our customers while enabling them to meet their financing obligations throughout their tenure without significant hardship.

We continue to uphold responsible and transparent financing practices for our customers while simultaneously protecting the Bank from incurring material credit losses by minimising non-performing accounts.

Our existing credit risk policy embeds social and environmental considerations in our risk assessment criteria and ensures our financing decisions' do not incur negative impact to the Bank. Our list of general and industry-specific exclusions for non-individual customers' financing guides our decision-making process and mitigates the Bank's exposure to adverse environmental and social risks. Some key areas we refrain from providing financing to:

- Companies where there is strong evidence that they employ child or forced labour, or have been party to human rights abuses
- Projects involving the resettlement of indigenous and/or vulnerable groups without first obtaining their free prior and informed consent
- Projects that generate a negative impact on areas including those on UNESCO World Heritage list, wetlands registered by the Ramsar Convention or tropical rainforests
- Companies that apply the extraction or mining method of Mountain Top Removal ("MTR")
- Companies located in areas actively embroiled in armed conflict
- Companies that dump waste into coastal or other shallow waters
- Companies that clear land by burning, which causes a significant environmental impact
- Companies that use or produce goods using wood sourced from or located at illegal operations
- Companies involved in construction, development or expansion of nuclear power plants or uranium enrichment facilities

Commitment to No Coal

We are committed in phasing out coal in our portfolio and will not be financing any of the following:

- Companies involved in the mining of coal (new or existing mines)
- Companies involved in the construction, development or expansion of coal-fired power plants

We are conscious that certain industries present higher risks than others and have accordingly developed industry-specific exclusion lists for the palm oil and renewable energy sector. The exclusions apply to the following activities:

- New estates or plants that convert or degrade High Biodiversity ("HCV")/ High Conservation Value ("HBV") and High Carbon Stock ("HCS") forests, primary forests, forest reserves and peatland
- Banned and/or harmful planting practices such as indiscriminate open burning for the purpose of land clearing
- Exploitation of people and communities including activities that are against national labour laws and indigenous people's rights

During application for financing or prior to purchase of Sukuk, our policy requires customers/sukuk issuers to complete a declaration form. Existing customers or issuers that are involved in these areas are subject to a case-by-case review by our relationship managers. The relationship managers will then be required to provide adequate justification and mitigation plans to the approving authority, who will ultimately assess if the Bank will continue or exit the relationship.

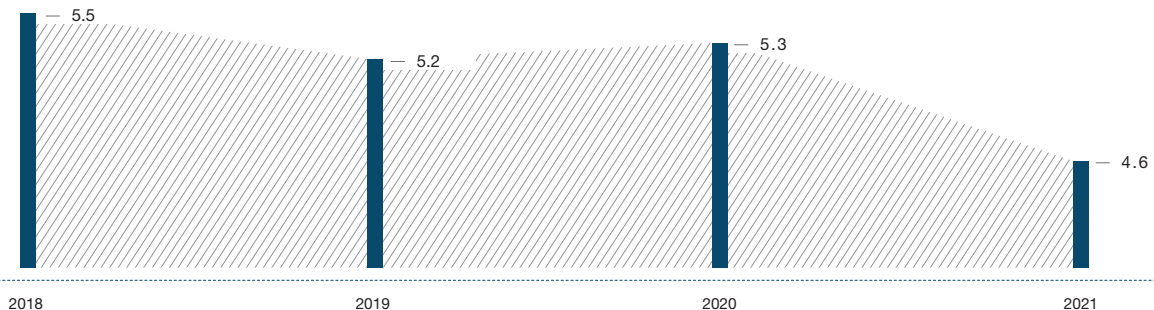
This year, we introduced our ESG Risk Framework for Corporate Financing and Sukuk Issuers, which incorporates additional and comprehensive social and environmental considerations in our corporate financing and sukuk issuance. In light of the growing impact of climate change, we acknowledge that it is our duty as responsible corporate citizens to integrate climate change considerations in our financing activities. We hope to achieve this with our ESG Risk Framework, which will guide our financing and sukuk purchases hereinafter.

The ESG Risk Framework outlines the process of ESG identification, assessment and classification for corporate financing customers and sukuk issuers, which is to be conducted by the Business Division.



We monitor the effectiveness of our Responsible Financing management by observing our non-performing financing rate as well as the complaints received.

Non-Performing Financing Rate (%)



Empowering society through Responsible Financing

We believe in creating positive social impact by offering a broad range of financial products and services. As the COVID-19 pandemic continues to inflict hardships on our communities, we continue to offer products and services that aim to empower individuals, businesses, and communities as a whole in these trying times. A selection of our products and services are provided below:

CAKNA SME Scheme

The CAKNA SME scheme is an initiative spearheaded by BNM in collaboration with the Ministry of Finance (“MOF”) and Islamic Banks to provide financial assistance in the form of quick liquidity to SMEs who supply or provide services to the government of Malaysia. To further integrate this scheme within our operations, we have dedicated one personnel to oversee client coverage by communicating with relevant ministries and agencies under the purview of such ministries, collating information on vendors, suppliers, and appointed contractors of the ministries. We aim to establish a database of SMEs through this process and plan to set up a dedicated team that will be in charge of contacting these SMEs to further explain the benefits of this scheme to enroll this SME into appropriate financing scheme.

RM 1 Billion Cashline-i

The RM1 Billion Cashline-i Special Program adds to our existing Cashline-i programme, which uses a simplified credit evaluation and documentation process based on a guarantee agreement rather than a more onerous security agreement. The RM 1 billion allocation to this program aims to provide short-term Shariah-compliant financing assistance to existing SME and non-SME customers in order to sustain business operations, protect jobs, and encourage domestic investment the impact of COVID-19. The RM1 Billion Cashline-I Special Program has disbursed RM11.5 million to 11 customers as of year-end.

Takaful Solution Offering

Borrowers have been relieved by the three- or six-month loan repayment deferments announced by BNM as part of COVID-19 relief efforts, which comes at a time when job security is unclear, and businesses are fighting to stay afloat. To assist customers during the repayment deferment period, MBSB Bank offered a takaful protection coverage to cover the additional financing tenure due to financing repayment deferment. Customers may opt to ensure their financing is covered until the end of their financing tenure.

Financial Management and Resilience Program (“URUS”)

Following the URUS assistance programme announced by the Government of Malaysia on 13 October 2021, we offer personalised financial plans that sets out a monthly debt repayment amount and schedule for a period of up to 24 months. The personalised financial plan will include a profit waiver for a period of 3 months. Through deferred payments, and a reduction in monthly payments, we hope to help manage the overall debt burden. We also provide education and advisory support to help manage customer finances and increase financial resiliency. Customers applying for the URUS programme will be subject to a screening process to ensure that they meet the eligibility criteria as follows:

- Household income does not exceed RM5,880 per month
- Have experienced loss of employment and remain unemployed at time of application, OR Lost \geq 50% of their income in 2020/2021
- Under an existing repayment assistance program (including bank’s own customised R&R and AKPK DMP participants) as of 30 September 2021
- Existing financing is performing (i.e., less than 90 days past due) at the time of application

FINANCIAL INCLUSION

We continuously strive to improve society's livelihoods by understanding the value of shared prosperity and contributing to equitable economic growth.

We adhere to our core values of promoting inclusivity and enabling fair participation by tailoring our financial services for small businesses, low-income groups, and underserved communities and seek to further empower these communities through financial literacy programmes.

Assisting Low-Income Groups

Our approach to tailoring our services for the lower-income groups is guided by BNM's directive and requirements. This includes lowering the risk acceptance criteria, scheduled payment plans and exemption of ancillary costs. Concurrently, we ensure the products and services we offer to these targeted groups achieve the intended outcomes through a thorough market study.

We continue to offer the My First Home Scheme-i – First Time House Buyer (for Lower Income Groups) which aims to provide 100% financing for first time house buyers from the lower-income (B40) group. Through this scheme, first time house buyers earning less than RM5,000 a month will have access to affordable house ownership without incurring any ancillary costs for houses valued RM300,000 and below.

Cultivating Entrepreneurial Growth

We believe that SMEs and micro-enterprises play a crucial role in supporting the country's economy and

we continue to participate in BNM's initiatives to assist entrepreneurial growth for these groups. Among BNM's initiatives that we participate in is the Special Fund Scheme for SMEs, which intends to improve access to financing for SMEs and micro-enterprises by raising funds for capital expenditures and working capital. Through this initiative, we offer financing services for SMEs to address their short-term cash-flow problems under our financing to increase food production for both domestic consumption and exports. Additionally, we encourage SMEs to digitalise operations and automate processes by incentivising these initiatives through our Automation and Digitalisation Facility ("ADF"). Through our Micro Enterprises Facility ("MEF"), our financing services include an affordable financing mechanism for micro-enterprises.

This year, as a part of BNM's initiatives, we introduced the Targeted Relief and Recovery Facility ("TRRF") which aims to support financing for SMEs that have been impacted by the COVID-19 pandemic.

Promoting Financial Literacy

In our bid to equip SMEs with financial capabilities to sustain their business in the long run, our financial inclusion initiatives also focus on building financial literacy through capacity building and knowledge sharing. We conducted a webinar session for corporate customers,

with focus on SMEs in 2021 titled entitled "Of Lockdown and Recovery: Where are we heading". A total of 138 corporate customers participated in this session.

Supporting the Most Vulnerable Groups

The devastating impact of the COVID-19 pandemic continues to disproportionately affect vulnerable communities, namely those in the lower income bracket who are more likely to face financial hardships due to loss of income. We remain attentive to regulators' calls to mobilise stimulus measures to ease the financial burden of those affected by offering accessible loans at lower costs as well as loan repayments and deferment assistance.

This year, we approved 144,257 applications for repayment assistance under a three or six-month moratorium and reduced monthly payments for eligible customers facing financial hardships due to loss or reduction of income with a total gross balance of RM 18 billion. We have also provided the options for customers to restructure or reschedule their financing by extending the tenure, so customers need not defer their loan repayments. We also approved 50% reduction in monthly loan repayments over a period of six months for three corporate customers registered in the Bantuan Prihatin Nasional ("BPN") database under our Flexibility Payment Assistance initiative, which was carried forward from last year. Additionally, we

have also provided referrals of customers to AKPK, CGC and other relevant agencies for financial consultations and alternative relief assistance.

Improving financial accessibility with technology – Personal Financing-I (“PF-i”)

We understand that bridging the technological gap greatly improves accessibility to financial services and products. Underserved, underbanked and unbanked communities often lack access to technology, which puts them at a disadvantage when attempting to acquire our services. By embracing innovation, we hope to improve access of these communities to our products and services offered online, such as our e-wallet, mobile banking applications, and online customer service platforms.

This year, we introduced the PF-i campaign to improve customer access to our financial services and products. This includes a cashback programme where customers will be eligible for cashback from financing equivalent to six months instalment. We also introduced a three-month payment deferment option, which will end in May 2022. Through the PF-i campaign, we have disbursed over RM670 million to 4,163 eligible accounts.

Corporate Portfolios by size (%)				
Enterprise Type	FY2018	FY2019	FY2020	FY2021
Micro	8.8	4.9	1.6	1.9
Small	14.0	9.5	7.2	24.6
Medium	10.9	8.5	29.2	15.6
Large	66.3	77.1	62.0	57.8

Corporate Portfolios by Sector (%)				
Sector	FY2018	FY2019	FY2020	FY2021
Accommodation and Food Service Activities	0.0	1.7	0.0	0.9
Administrative and Support Service Activities	3.5	2.6	5.1	4.7
Agriculture, Forestry and Fishing	0.0	5.7	1.1	0.2
Construction	46.3	51.6	37.3	40.6
Education	0.3	2.3	0.0	0.0
Electricity, Gas, Steam and Air Conditioning Supply	1.8	1.3	0.4	0.1
Financial and Insurance/ Takaful Activities	6.8	0.6	13.7	2.0
Human Health and Social Work Activities	0.0	0.3	0.7	0.3
Information and Communication	0.0	2.5	0.0	2.0
Manufacturing	2.7	12.0	14.9	22.1
Mining and Quarrying	0.6	6.2	1.2	3.3
Professional, Scientific and Technical Activities	1.4	0.1	6.2	7.1
Real Estate Activities	3.9	3.4	1.6	0.5
Transportation and Storage	11.9	6.2	7.0	4.3
Water Supply, Sewerage, Waste Management and Remediation Activities	0.3	0.5	0.0	3.9
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	6.7	3.0	10.8	8.0
Public Administration and Defence; Compulsory Social Security	13.6	0	0	0

Total approved corporate financing by category (%)				
Categories	FY2018	FY2019	FY2020	FY2021
Affordable Homes	16.0	0.0	4.8	7.9
Green Financing / Renewable Energy	1.8	3.7	0.4	6.7
Industrial Hire Purchase	17.0	15.8	12.6	18.7
Sukuk	18.5	0.0	0.0	0.0
Plantation	0.0	0.5	0.5	0.0
PRIMA	0.0	1.4	0.2	0.0
Syndication	0.0	8.1	10.2	7.1
Telekom Vendor	0.0	0.4	0.0	1.9
Trade Business	0.0	13.7	29.9	23.9
Others	46.7	56.4	41.4	33.9

LOCAL COMMUNITIES

Guided by our core values of empathy and humility, we firmly believe in uplifting the community through initiatives that positively impact social and economic quality of life.

Our investments in our Corporate Social Responsibility ("CSR") programmes aim to deliver meaningful change to better the lives of our community. Our CSR programmes strategically focus on four key areas: community development, education, environment, and workplace.

We identified credible non-governmental organisations ("NGOs") for partnership and tailored our CSR programmes towards enriching underprivileged communities. We believe in giving back to the community and strongly encourage all our staff to participate and advocate for community growth and empowerment. Due to challenges brought on by the COVID-19 pandemic which restricted movement, our initiatives that require physical involvement were disrupted. Nonetheless, we registered an increase in volunteering hours from 8 to 38 hours in FY2021 as we remain committed to empowering the community.

School Adoption Programme

Our school adoption programme is among our flagship initiatives that aims to improve access to quality education and enhance learning conditions. We strongly believe that access to education is an important component of sustainable development and community enrichment. As schools remained closed for the most part of 2021 due to the pandemic, we focused our efforts in enhancing schools' infrastructure and equipment to further mobilise online learning. We adopted a total of 6 schools in FY2021. We contributed 18 units of Smart Televisions, 12 laptops and provided two years internet subscription for our adopted schools to facilitate digital learning and improve online teaching efforts. We also contributed 7 printers and 3,900 reams of A4 paper to our adopted schools.

Flood Relief

Several states in the East of Malaysia faced devastating flooding at the end of the year due to continuous and heavy monsoonal rains. The flooding displaced over 60,000 families across eight states and with an estimate of total losses of between RM5.3 billion to RM6.5 billion. We at MBSB Bank empathise with those affected by the floods and have mobilised financial assistance as well as community contributions to support those in need. 100 of our employees volunteered to clean flood victims' houses in Selangor, which included MBSB Bank's own employees' houses. Additionally, we contributed and distributed food packs, cleaning equipment at flood relief centres and electrical goods to flood victims. To ease the financial burdens of our customers who were affected, we provided repayment restructuring and rescheduling options.

COVID-19 Response

The COVID-19 pandemic continues to affect our livelihoods and we recognise that vulnerable communities are disproportionately affected. It is our shared responsibility to uplift the community and relieve socio-economic impact during these turbulent times. Therefore, we have contributed over RM2.73 million towards COVID-19 relief efforts to aid local communities, including frontliners. We have contributed over RM9.38 million this year through our CSR programmes and we will continue to identify areas where we can further serve the community.

ENVIRONMENT

Amount Contributed

RM32,592



Tree Planting (Gerik, Perak & Kuala Selangor) Mangrove Conservation (Perak)

Employees of MBSB Bank who volunteered for the programme managed to plant 100 trees in an effort to increase the biodiversity in the area and support the UN SDG's ambition to create a more sustainable environment for all.

Amount Contributed

RM9,900



Fabric Recycling Campaign

This initiative encourages not only employees but the community also to dispose unwanted fabric in the most sustainable manner and to repurpose or recycle them usefully.

COMMUNITY

Amount Contributed

RM100,000

Soup Kitchen

MBSB Bank Soup Kitchen continues to provide food to the urban poor at Pusat Khidmat Gelandangan at Jalan Medan Tuanku in KL.



COMMUNITY

Amount Contributed **RM2,729,398**

COVID-19 Relief

Recognising that the COVID-19 pandemic continues to affect the livelihoods of many, the Bank contributed to relief efforts to aid communities, including frontliners, to weather the impact brought on by this pandemic.

Amount Contributed **RM952,383.86**

Flood Relief and Aid

The Bank provided much needed aid to families and communities that were devastated by the floods in the form of cleaning equipment, food packs and monetary aid.

Amount Contributed **RM50,000**

Water Pump for Kg Danglang, Sik, Kedah

Financial assistance to construct boring water pump for the villagers' usage.

Amount Contributed **RM5,000,000**



CERDIK

In ensuring students from lower income families are given proper learning tools as the nation continues with home learning, MBSB Bank contributed 3,600 digital devices worth RM5 million to the CERDIK foundation.

Amount Contributed **RM98,300**



MBSB Bank Box of Care for Adopted Schools

This initiative aims to provide care packages consisting of basic necessities such as rice, cooking oil, flour, sugar, sardine, milo, salt, cream crackers and stationery to asnaf, B40 group students and their families.

WORKPLACE

Amount Contributed

RM28,000



Virtual Run

Employees register and submit their run record to receive a medal. Proceeds from registration fees go to Pertubuhan Pembangunan Orang Buta Malaysia.

Amount Contributed

RM14,000



Multicultural Virtual Hunt

In conjunction with Malaysia Day, the Bank organised a virtual treasure hunt for employees.

Amount Contributed

RM17,200



Webinar - Stress Management

In supporting the well-being of its employees, the Bank organised a webinar on how to cope with stress.

Amount Contributed

RM6,500



Workshop for employee's children - Youtube

The Bank organised an online workshop for the staff's children to provide tips and tricks on becoming a content developer in these current times

WORKPLACE



Amount Contributed

RM25,800

High Achievement & Education Excellent Awards

High Achievement Award:

Rewarding employees who have successfully completed their studies in higher level

Education Excellent Award:

Rewarding employees' children who excelled in their national exams.

EDUCATION

Amount Contributed

RM86,160

Contribute Smart TVs and laptops to MBSB Bank's adopted schools

This contribution is aimed at providing students with a more efficient and interactive learning experience. This is also to the teachers in improving their teaching methodology.

Amount Contributed

RM99,226

Provide two-years internet subscription for MBSB Bank's adopted schools

This initiative is aimed at enhancing internet access throughout the school'. It also allows teachers to maximise and enhance their source of reference materials and teaching methodology and skills to provide better guidance to students.

Amount Contributed

RM58,000

Reward to MBSB Bank's adopted schools' excellent STPM and SPM students

Gave monetary reward to MBSB Bank's adopted schools' excellent STPM and SPM students. This initiative is also to inspire other students to strive in obtaining excellent results.

Amount Contributed

RM75,470

Contribute printers and A4 paper to MBSB Bank's adopted schools

This contribution is aimed at assisting teachers' efforts to provide reference materials and questions to underprivileged students.

7 PROTECTING OUR PLANET

We believe that climate change and its consequences are disastrous. Thus, it is critical that we recognise the associated risks and opportunities, including both physical and transitional concerns, and take action to address climate change and its catastrophic consequences. We are improving our efforts to mitigate and minimise our GHG emissions and environmental effects as a responsible business entity by reducing our electricity, water, and paper consumption and also quantities of waste disposed to the landfill. We use our comprehensive digitalisation efforts to go paperless wherever possible and use energy-efficient fixtures and fittings in our facilities. We intend to continue reviewing our direct environmental footprint and refine our strategies moving forward.

Sustainable Development Goals:

Through our efforts in minimising our environmental footprint, we support the following UN SDGs:



Related Material Matters:

Direct Environment Footprint

OUR FY2021 PERFORMANCE

4,018 tCO₂e

indirect energy (scope 2) greenhouse as emitted

7,126 MWh

in electricity consumption

52,477 m³

in water consumption

5.4%

reduction in paper used in comparison to FY2020

Sustainability Working Group

established in September 2021

DIRECT ENVIRONMENTAL FOOTPRINT

At MBSB Bank, we are conscious of the environmental footprint of our operations. Our aim is to continuously reduce our impact and we have started to monitor our consumption of electricity, water and paper. Since FY2019, we have recorded our indirect energy (Scope 2) Greenhouse Gas (“GHG”) emissions for each office and branch nationwide. The total consumption for FY2021 is at 7,126 MWh which results in 4,018 tCO2e of carbon emissions.

Energy consumption, energy intensity, (Scope 2) carbon emission and carbon intensity for core operations – MBSB Bank												
Location of branches	Energy consumption (MWh)			Energy intensity (MWh/employee)			Carbon emission (tCO2e)			Carbon intensity per Full-Time Employee (tCO2e/employee)		
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Central region (including HQ)	3,436	3,433	5,466	2.4	2.4	3.4	2,010	2,008	3,198	1.4	1.4	2.0
Northern region	538	535	546	3.9	3.9	3.7	315	313	319	2.3	2.3	2.2
Southern region	478	550	518	3.3	3.6	3.4	279	322	303	1.9	2.1	2.0
East Coast region	163	179	225	3.4	3.4	3.3	95	105	132	2.0	2.0	1.9
Sabah region	185	183	169	2.8	2.6	2.2	97	96	89	1.5	1.4	1.2
Sarawak region	186	190	202	3.3	3.0	2.9	62	63	67	1.1	1.1	1.0

Note:

- Carbon emission from purchased electricity (Scope 2) is calculated based on the emission factors from the 2017 CDM Electricity Baseline For Malaysia report by Malaysian Green Technology Corporation
- Scope 2 emission has been selected for limited assurance in FY2020
- Data has been restated for FY2019 due to errata

Total Electricity Consumption, Water Consumption and Paper Usage			
	2019	2020	2021
Electricity (MWh)	4,985	5,069	7,126
Electricity (MWh/employee)	2.64	2.61	3.39
Water (m ³)	35,568	36,092	52,477
Water (m ³ /employee)	18.8	18.6	25.0
Paper (reams) **	15,487	13,475*	12,753

* Data has been restated due to errata

** Paper usage data is only for Wisma MBSB and Menara MBSB Bank

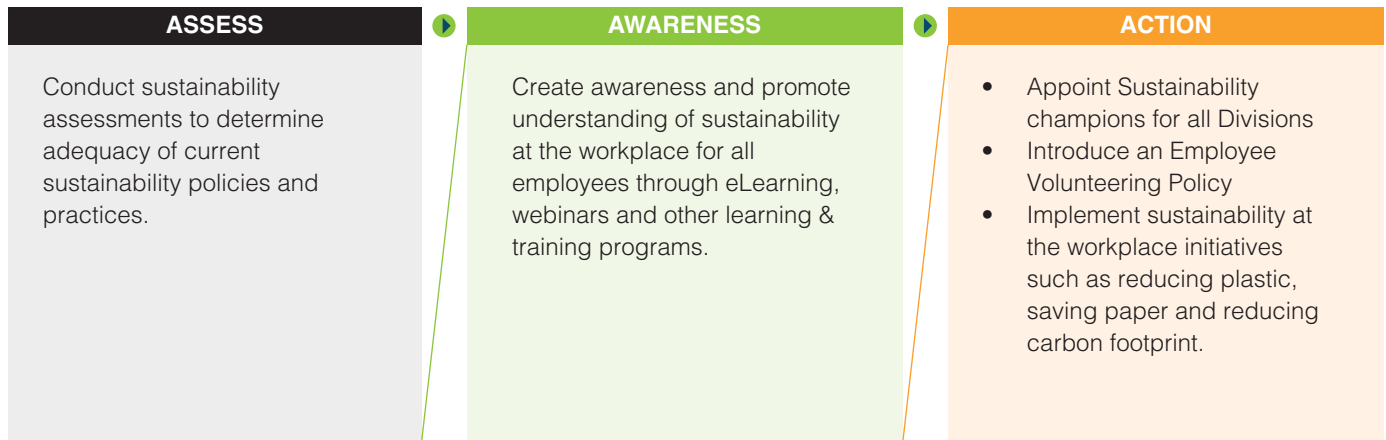
In our efforts to continuously improve our operations to be more environment-friendly, we will be upgrading our lighting fittings in all our offices and branches to LED lights gradually. We are also looking into installing new inverter type air-condition systems which will help us reduce our electricity consumption and carbon emissions.

Our new headquarters has achieved Gold certification by US Green Building Council (“USGBC”) under its Leadership in Energy and Environmental Design (“LEED”) rating system that has been fully operational since 2021. We are currently working on refining our data collection process for energy consumption, water use and waste disposal especially for the branches. Once we have adequate data, we will commence with analysis of trends, setting up reduction targets and key performance indicators. This process is critical as it will help us to create a baseline on how we should operate efficiently in the future.

Sustainability@Workplace

MBSB has integrated sustainability into our workplace through the Assess, Awareness, and Action (“AAA”) strategy. A Sustainability Working Group was established in September 2021, chaired by our CEO with the following objective:

- Ensuring compliance with ESG obligations
- Driving Sustainability@Workplace initiatives
- Reporting monthly to the Board Risk Management & Compliance Committee (“BRMCC”)



The Sustainability@Workplace campaign is an internal campaign to instill a sustainability culture among MBSB employees. Some of the initiatives carried out in FY2021 are as follows:

INCREASE SUSTAINABILITY AWARENESS AMONG EMPLOYEES

MBSB Sustainability Survey 2021

The objective of the sustainability survey is to obtain a better understanding of employees' awareness on sustainability as well as what is important to them as stakeholders when it comes to ESG matters.

More than half of the employees considered sustainability & ESG to be HIGHLY IMPORTANT to the company's business success. This shows that our employees believe that the sustainability agenda is important.

E-waste Recycling Campaign

We have collaborated with Electronic Recycling Through Heroes ("ERTH") to encourage proper disposal of electronic items by purchasing recycling bins from ERTH, to be placed at the lobbies of Menara MBSB Bank and Wisma MBSB.

Fabric Recycling Campaign

We have located a fabric recycling bin at Wisma MBSB and another one is planned to be placed at the lobby of Menara MBSB Bank as part of our effort in reducing our material footprint.

360 Wellbeing Programme with Kitarr

We have collaborated with Kitarr, an NGO, to conduct a series of talks on Sustainability. This initiative was launched in December 2021 and the first talk from this series was titled "How do we start Sustainable Living through 7Rs?" The talk received encouraging feedback from participants.

ENERGY EFFICIENCY IMPROVEMENTS IN ALL OFFICE AND BRANCH LOCATIONS



Monitor office electricity usage

We monitor the office electricity usage monthly for Menara MBSB Bank, Wisma MBSB and all branches to identify trends in usage which will enable us to set reduction targets.

Limit minimum office air conditioning temperature to 22° Celcius

Our chilled water for air conditioning is sourced from an external supplier and by setting a temperature limit, we are contribute towards reducing carbon emissions of the supplier.

Gradually install LED lighting at all office and branch locations

We aim to lower electricity consumption and reduce our carbon footprint by gradually installing LED lighting at all our office and branch locations. We are also exploring other energy efficiency initiatives that can be rolled out under our Branch Transformation Plan.



TRACKING OUR PERFORMANCE



Item	Cost/Price	Margin	Total	Total	Total
Cost/Item	\$10.00	20.00%	\$12.50	75,000	\$937.50
Cost/Item	\$12.00	16.67%	\$14.40	20	\$288.00
Cost/Item	\$5.00	40.00%	\$8.33	10	\$83.33
Cost/Item	\$2.00	50.00%	\$4.00	50	\$200.00
Cost/Item	\$1.00	90.00%	\$1.10	5	\$5.50
				Shipping & Charge	\$500.00
				Total	\$1,964.33



FTSE4GOOD BURSA MALAYSIA INDEX

PILLARS AND THEMES	CODE	DISCLOSURE	PAGE(S) OR URL(S) REFERENCE	OMISSION, IF APPLICABLE (FY2021)
Economic				
Climate Change	ECC01	Climate change impact including CO2/GHG emissions - Policy or commitment statement	91	
	ECC12	Intensity of operational GHG emissions	91	
	ECC14	Three years of total operational GHG emissions data (Scope 1 & 2) is disclosed	91	
	ECC15	Three years of total energy consumption data is disclosed	91	
	ECC31	Energy use - Policy or commitment statement	92	
	ECC41	Independent verification of operational GHG emissions data	102	
	ECC43	Recognition of climate change	90	
Governance				
Anti-Corruption	GAC01	Bribery - Policy or commitment statement	37	
	GAC02	Anti-corruption - Policy or commitment statement	37	
	GAC03	Board has oversight of anti-corruption policy	36	
	GAC04	Due diligence of new business partners addresses corruption	35	
	GAC05	Confidential or anonymous whistle-blowing mechanism for staff	37	
	GAC07	Communication of anti-corruption policy to all employees	39	
	GAC09	Corruption risk assessment for company operations	36	
	GAC10	Procedures are in place to address corruption in operations that are assessed to be "high risk"	36	
	GAC11	Risk assessment process for intermediaries (including contractors or agents)	36	
	GAC12	Disclosure of total amount of political contributions	38	
	GAC13	Disclosure of number of staff disciplined or dismissed due to non-compliance with anti-corruption policy/policies	37	
	GAC14	Disclosure of cost of fines, penalties or settlements in relation to corruption	40	

PILLARS AND THEMES	CODE	DISCLOSURE	PAGE(S) OR URL(S) REFERENCE	OMISSION, IF APPLICABLE (FY2021)
Governance (continued)				
	GCG01	Separate Non-Executive Chair and CEO	Integrated Annual Report 2021 - Our Leadership & Practice 1.3 of Corporate Governance Report 2021	
	GCG02	Disclosure of details about Directors	Integrated Annual Report 2021 - Our Leadership	
	GCG03	Number of Board Directors	Integrated Annual Report 2021 - Our Leadership	
	GCG04	Number of independent Directors on the board	Integrated Annual Report 2021 - Our Leadership & Practice 5.2 of Corporate Governance Report 2021	
	GCG05	Number of women on the board	Integrated Annual Report 2021 - Our Leadership & Practice 5.9 of Corporate Governance Report 2021	
Corporate Governance	GCG06	Commitment to gender diversity on the board	Integrated Annual Report 2021 - Corporate Governance Overview & Practice 5.9 of Corporate Governance Report 2021	
	GCG07	Board addresses conflict of interest and related party transactions	Integrated Annual Report 2021 - Corporate Governance Overview & Practice 3.1 of Corporate Governance Report 2021	
	GCG08	Periodic evaluation of board effectiveness	Integrated Annual Report 2021 - Corporate Governance Overview	
	GCG09	Disclosure of Board Committee and their Charter	Part B of Corporate Governance Report 2021 & www.mbsb.com.my/corporate_governance.html	
	GCG010	Disclosure of number of times the board/each committee have/has met per annum	Practice 6.1 of Corporate Governance Report 2021	
	GCG011	Disclosure of the attendance rate	Practice 6.1 of Corporate Governance Report 2021	

PILLARS AND THEMES	CODE	DISCLOSURE	PAGE(S) OR URL(S) REFERENCE	OMISSION, IF APPLICABLE (FY2021)
Governance (continued)				
Corporate Governance	GCG014	Disclosure of fixed and variable remuneration	Practice 8.1 of Corporate Governance Report 2021	
	GCG019	Annual General Meeting: Number of days between the date of notice and date of meeting	Practice 13.1 of Corporate Governance Report 2021	
	GCG021	Shareholders have the right to vote on executive remuneration		Not Applicable
	GCG022	Shareholders have the right to vote on Director appointments and dismissals	Integrated Annual Report 2021 - Notice of AGM	
	GCG026	Disclosure of voting results	https://www.mbsb.com.my/newsroom.html	
	GCG027	Remuneration for senior executives included in the company's remuneration disclosures	Practice 8.2 and Section B of Corporate Governance Report 2021	
	GCG029	Variable compensation takes into account performance relative to risk	Section B of Corporate Governance Report 2021	
	GCG042	Does the company provide for one share one vote for all company meeting resolutions?	Integrated Annual Report 2021 - Stakeholder Information	
	GCG043	If the company does not have a separate Non-Executive Chair and CEO, does it have a Lead Director or Senior Independent Director?		Not Applicable
	GCG045	Financial expertise on the audit committee	Integrated Annual Report 2021 - Our Leadership & Practice 9.5 of Corporate Governance Report 2021	
	GCG046	There is a fully non-executive Audit Committee or Audit Board with at least half independent members	Integrated Annual Report 2021 - Report of the Audit Committee	
	GCG047	There is a fully non-executive Remuneration Committee with at least half independent members	Section B of Corporate Governance Report 2021	
	GCG049	Disclosure and Nature of fees paid to the auditor	Integrated Annual Report 2021 - Financial Statements & Additional Compliance Statement	
	GCG050	Percentage of women on the Executive committee or equivalent	50	

PILLARS AND THEMES	CODE	DISCLOSURE	PAGE(S) OR URL(S) REFERENCE	OMISSION, IF APPLICABLE (FY2021)
Governance (continued)				
Risk Management	GRM01	The Board has oversight of risk management and reviews effectiveness	Integrated Annual Report 2021 - Statement on Risk Management and Internal Control & Corporate Governance Overview Statement	
	GRM02	Senior responsibility for risk	Integrated Annual Report 2021 - Statement on Risk Management and Internal Control & Corporate Governance Overview Statement	
	GRM04	Reporting and Standards - Reference is made to external standards to inform the company's risk management system and reporting transparency	Integrated Annual Report 2021 - Statement on Risk Management and Internal Control & Corporate Governance Overview Statement	
	GRM05	Board specifically oversees Code of Conduct, Code of Ethics or equivalent or ESG risks	Integrated Annual Report 2021 - Statement on Risk Management and Internal Control	
	GRM07	The company's Codes/charters/policy documents or equivalent describes risk framework	Integrated Annual Report 2021 - Statement on Risk Management and Internal Control	
	GRM08	The company has a corporate-wide approach to non-compliance	Integrated Annual Report 2021 - Statement on Risk Management and Internal Control	
	GRM10	The company commits to regular rotation of auditors/audit partner	Practice 9.3 of Corporate Governance Report 2021	
	GRM12	The company reviews compliance with its Code of Conduct/Code of Ethics and identifies any non-compliance	Integrated Annual Report 2021 - Corporate Governance Overview Statement	
	GRM14	Provisions for fines and settlements specified for ESG issues in audited accounts		40
	GRM20	There is a confidential or anonymous whistle-blowing or equivalent mechanism to notify breaches of company codes or policies		37

PILLARS AND THEMES	CODE	DISCLOSURE	PAGE(S) OR URL(S) REFERENCE	OMISSION, IF APPLICABLE (FY2021)
Governance (continued)				
Risk Management	GRM21	Legal and compliance leads are on the board, on board committees or regularly report directly into board or board committee meeting	37	
	GRM22	The board oversees risk management	Integrated Annual Report 2021 - Statement on Risk Management and Internal Control & Corporate Governance Overview Statement	
	GRM23	There are non-executive directors with experience or knowledge in risk management	Integrated Annual Report 2021 - Our Leadership	
Social				
Human Rights	SHR03	Statement of principles or process by which community investments are made	85	
	SHR04	Policy addresses children's rights, other than child labour	38	
	SHR05	Commitment to local employment and/or sourcing	44	
	SHR15	Output/outcome of specific results, achievements or benefits of community investments	85-89	
	SHR16	Mechanisms to facilitate employee engagement and involvement with charitable partners	85	
	SHR17	Total Amount of corporate or group donations/ community investments made to registered not-for-profit organisations	85-89	
Labour Standard	SLS03	In relation to non-discrimination, company addresses non-discrimination/equal opportunity in general disclosures race, religion, gender, age, sexual orientation, disabilities, and nationality	50	
	SLS05	Policy or statement supporting the right to freedom of association that refers only to compliance with local law on freedom of association and covers the respect for or support of the right to freedom of association	43	
	SLS06	Policy or statement supporting the right to collective bargaining that refers only to compliance with local law on collective bargaining and covers the respect for or support of the right to collective bargaining	43	
	SLS07	Policy/Principles/Code addressing the elimination of excessive working hours which focuses on compliance with local law on working hours/ overtime and specifically reducing excessive working hours	45	

PILLARS AND THEMES	CODE	DISCLOSURE	PAGE(S) OR URL(S) REFERENCE	OMISSION, IF APPLICABLE (FY2021)	
Social (continued)					
Labour Standard	SLS08	Policy or statement supporting the right to a minimum or living wage which focuses on compliance with minimum wage and commits to exceed minimum wage/meet living wage	45		
	SLS11	Policy supporting the community addressing the employment of underprivileged groups, including those from deprived backgrounds, having poor social status and with no formal education or qualifications or youth unemployment initiatives, apprenticeships or graduate placements	44		
	SLS12	Company policy on labour standards communicated globally to employees	43		
	SLS21	In relation to instances of labour standards non-compliance, company discloses the number of incidents but not how they dealt with them, or states there were no incidents and specific action taken regarding non-compliance specifying the types of incidents, or states there were no incidents	43		
	SLS24	Full time staff voluntary turnover rates	44		
	SLS25	Percentage of employees that are contractors or temporary staff	43		
	SLS26	Amount of time spent on employee development training to enhance knowledge or individual skills	46		
	SLS29	Employee personal development training to enhance abilities or individual skills	46		
	SLS30	The company addresses bullying and/or harassment	37		
	SLS32	Percentage of global staff with a disability		Not Applicable	
	SLS33	Percentage of women in the global workforce	50		
	SLS34	Compliance with local laws on equal pay for equal work	45		
	Supply Chain (Social)	SSC52	Company has ESG lending policies	79	
		SSC57	Evidence of green or sustainable bond issuance and lending mechanism	68	

GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

GRI STANDARD	CODE	DISCLOSURE	PAGE(S) OR URL(S) REFERENCE	OMISSION, IF APPLICABLE (FY2021)
Organisational Profile				
GRI 102: General Disclosures 2016	102-1	Name of the organization	Integrated Annual Report 2021 - Front cover	
	102-2	Activities, brands, products, and services	Integrated Annual Report 2021 - Our Products and Services	
	102-3	Location of headquarters	Integrated Annual Report 2021 - Corporate Information	
	102-4	Location of operations	Integrated Annual Report 2021 - Where We Operate	
	102-5	Ownership and legal form	Integrated Annual Report 2021 - Overview of MBSB	
	102-6	Markets served	Integrated Annual Report 2021 - Where We Operate	
	102-7	Scale of the organization	Integrated Annual Report 2021 - Financial Statement	
	102-8	Information on employees and other workers	43-45, 50-51	
	102-9	Supply chain	68	
	102-10	Significant changes to the organization and its supply chain		Not applicable as there are no significant charges
	102-11	Precautionary Principle or approach	Integrated Annual Report 2021 - Statement on Risk Management and Internal Control	
	102-12	External initiatives	2, 17-19	
	102-13	Membership of associations	Integrated Annual Report 2021 - Corporate Governance Overview Statement	

GRI STANDARD	CODE	DISCLOSURE	PAGE(S) OR URL(S) REFERENCE	OMISSION, IF APPLICABLE (FY2021)
Strategy				
GRI 102: General Disclosures 2016	102-14	Statement from senior decision-maker	4-6	
	102-15	Key impacts, risks, and opportunities	29-31	
Ethics and Integrity				
GRI 102: General Disclosures 2016	102-16	Values, principles, standards, and norms of behavior	21, 35	
Governance				
GRI 102: General Disclosures 2016	102-18	Governance structure	Integrated Annual Report 2021 - Corporate Governance Overview Statement	
	102-21	Consulting stakeholders on economic, environmental, and social topics	22-25	
	102-22	Composition of the highest governance body and its committees	Integrated Annual Report 2021 - Our Leadership & Section B of Corporate Governance Report 2021	
	102-23	Chair of the highest governance body	Integrated Annual Report 2021 - Our Leadership	
	102-25	Conflicts of interest	Integrated Annual Report 2021 - Our Leadership & Practice 3.1 of Corporate Governance Report 2021	
	102-28	Evaluating the highest governance body's performance	Integrated Annual Report 2021 - Corporate Governance Overview Statement & Practice 6.1 of Corporate Governance Report 2021	
	102-30	Effectiveness of risk management processes	Integrated Annual Report 2021 - Statement on Risk Management and Internal Control	
	102-32	Highest governance body's role in sustainability reporting	20	

GRI STANDARD	CODE	DISCLOSURE	PAGE(S) OR URL(S) REFERENCE	OMISSION, IF APPLICABLE (FY2021)
Stakeholder Engagement				
GRI 102: General Disclosures 2016	102-40	List of stakeholder groups	22-25	
	102-41	Collective bargaining agreements	43	
	102-42	Identifying and selecting stakeholders	22-25	
	102-43	Approach to stakeholder engagement	22-25	
	102-44	Key topics and concerns raised	22-25	
Reporting Practices				
GRI 102: General Disclosures 2016	102-45	Entities included in the consolidated financial statements	Integrated Annual Report 2021 - Financial Statements	
	102-46	Defining report content and topic Boundaries	2	
	102-47	List of material topics	28-31	
	102-48	Restatements of information	43-46, 50-51, 56, 58, 67, 81, 84, 91-92	
	102-49	Changes in reporting	26-28	
	102-50	Reporting period	2-3	
	102-51	Date of most recent report	2-3	
	102-52	Reporting cycle	2-3	
	102-53	Contact point for questions regarding the report	2-3	
	102-54	Claims of reporting in accordance with the GRI Standards	2-3	
	102-55	GRI content index	102-108	
	102-56	External assurance	109-111	
Economic Performance				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	30, 67	
	103-2	The management approach and its components	67	
	103-3	Evaluation of the management approach	67	
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	67	

GRI STANDARD	CODE	DISCLOSURE	PAGE(S) OR URL(S) REFERENCE	OMISSION, IF APPLICABLE (FY2021)
Market Presence				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	30, 60	
	103-2	The management approach and its components	60-63	
	103-3	Evaluation of the management approach	60-63	
GRI 202: Market Presence 2016	202-2	Proportion of senior management hired from the local community	50	
Procurement Practices				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	30, 60	
	103-2	The management approach and its components	68	
	103-3	Evaluation of the management approach	68	
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	68	
Anti-corruption				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	29, 35-41	
	103-2	The management approach and its components	35-41	
	103-3	Evaluation of the management approach	35-41	
GRI 205: Anticorruption 2016	205-1	Operations assessed for risks related to corruption	35	
	205-2	Communication and training about anti-corruption policies and procedures	37-38	
	205-3	Confirmed incidents of corruption and actions taken	37	
Energy				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	31, 90-91	
	103-2	The management approach and its components	91-93	
	103-3	Evaluation of the management approach	91-93	
GRI 302: Energy 2016	302-1	Energy consumption within the organisation	91	
	302-3	Energy intensity	91	

GRI STANDARD	CODE	DISCLOSURE	PAGE(S) OR URL(S) REFERENCE	OMISSION, IF APPLICABLE (FY2021)
Water and Effluents				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	31, 90-91	
	103-2	The management approach and its components	91-92	
	103-3	Evaluation of the management approach	91-92	
GRI 303: Water and Effluents	303-5	Water consumption	92	
Waste				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	31, 90-91	
	103-2	The management approach and its components	91-92	
	103-3	Evaluation of the management approach	91-92	
GRI 306: Waste 2020	306-3	Waste generated	92	
	306-4	Waste recycled	92	
Environmental Compliance				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	31, 79-80	
	103-2	The management approach and its components	79-80	
	103-3	Evaluation of the management approach	79-80	
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	79-80	
Employment				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	29, 43	
	103-2	The management approach and its components	43-45	
	103-3	Evaluation of the management approach	43-45	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	44	
	401-3	Parental leave	44	

GRI STANDARD	CODE	DISCLOSURE	PAGE(S) OR URL(S) REFERENCE	OMISSION, IF APPLICABLE (FY2021)
Occupational Health and Safety				
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	29, 48	
	403-3	Occupational health services	48-49	
	403-4	Worker participation, consultation, and communication on occupational health and safety	48-49	
	403-5	Worker training on occupational health and safety	49	
	403-6	Promotion of worker health	49	
Training and Education				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	29, 46	
	103-2	The management approach and its components	46-47	
	103-3	Evaluation of the management approach	46-47	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	46	
	404-2	Programs for upgrading employee skills and transition assistance programs	47	
	404-3	Percentage of employees receiving regular performance and career development reviews	46	
Diversity and Equal Opportunity				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	29, 50	
	103-2	The management approach and its components	50-51	
	103-3	Evaluation of the management approach	50-51	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	51	
Local Communities				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	31, 85	
	103-2	The management approach and its components	85	
	103-3	Evaluation of the management approach	85	
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	85-89	

GRI STANDARD	CODE	DISCLOSURE	PAGE(S) OR URL(S) REFERENCE	OMISSION, IF APPLICABLE (FY2021)
Customer Privacy				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	30, 64	
	103-2	The management approach and its components	64-65	
	103-3	Evaluation of the management approach	64-65	
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	65	
Socioeconomic Compliance				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	29, 38	
	103-2	The management approach and its components	38-40	
	103-3	Evaluation of the management approach	38-40	
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	40	
GRI G4 Sector Disclosures: Financial Services				
Product Responsibility				
Product Service and Labelling	G4-DMA	Initiatives to enhance financial literacy by type of beneficiary	83	
Product Portfolio	FS6	Percentage of the portfolio for business lines by specific region, size (e.g. Micro/SME/Large) and by Sector	84	
	FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	78-84	
	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	68	
Society				
Local Communities	FS13	Access points in low-populated or economically disadvantaged areas by type	85-89	
	FS14	Initiatives to improve access to financial services for disadvantaged people	82-84	

LIMITED ASSURANCE STATEMENT

INDEPENDENT LIMITED ASSURANCE STATEMENT TO THE DIRECTORS OF MALAYSIA BUILDING SOCIETY BERHAD

Our Conclusion:

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Subject Matter as presented in Malaysia Building Society Berhad's 2021 Sustainability Report have not been prepared and presented fairly, in all material respects, in accordance with the Criteria defined below.

Scope of Work

Ernst & Young Consulting Sdn. Bhd. ("EY" or "we") was engaged by Malaysia Building Society Berhad ("MBSB") to performance a 'limited assurance engagement' as defined by the International Standard on Assurance Engagements ("ISAE") 3000 Revised, Assurance Engagement other than Audits or Review of Historical Financial Information, on selected subject matters ("Subject Matter") included in MBSB's 2021 Sustainability Report (the "SR2021") for the financial year ended 31 December 2021.

Subject Matter

Our limited assurance engagement was performed for the Subject Matter listed in the table below, as presented in the SR2021:

Material Matters	GRI Standards disclosures	Subject Matter	Scope
Customer Experience and Satisfaction	GRI 103-2	The total number of grievances/complaints filed through the mechanism during the reporting period	MBSB Bank Berhad
Training and Education	GRI 404-1	Average hours of training that employees have undertaken during the reporting period, by: - Gender - Employee category	MBSB Bank Berhad
Direct Environmental Footprint	GRI 305-2	Gross location-based energy indirect (Scope 2) GHG emissions in metric tons of CO ₂ equivalent during the reporting period	MBSB Bank Berhad

The scope of our work was limited to the Subject Matter presented in the SR2021 and did not include coverage of data sets or information unrelated to the data and information underlying the Subject Matter and related disclosures; nor did it include information reported outside of the SR2021, comparisons against historical data, or management's forward-looking statements.

Criteria applied by MBSB

In preparing subject matters mentioned above, MBSB applied the following criteria:

- The Global Reporting Initiative ("GRI") Sustainability Reporting Standards 2016
- MBSB's relevant policies and procedures

MBSB's Responsibility

MBSB's management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

EY's Responsibility

Our responsibility is to express our conclusion on whether anything has come to our attention that causes us to believe that the Subject Matter and related disclosures as presented in the SR2021 are not prepared, in all material respects, in accordance with the Criteria.

We have performed our limited assurance engagement in accordance with the terms of reference for this engagement agreed with MBSB, including performing the engagement in accordance with the ISAE 3000, issued by the International Auditing and Assurance Standards Board. This Standard requires that we plan and perform our engagement to obtain limited assurance about whether the Subject Matter and related disclosures as presented in the MBSB's Sustainability Report are free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 involves assessing the suitability in the circumstances of MBSB's use of the criteria specified as the basis of preparation used for the selected KPIs and related disclosures presented in the SR2021, assessing the risks of material misstatement thereof, whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Subject Matter and related disclosures in the SR2021. We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems. A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Gaining an understanding of MBSB's business, internal processes and approach to sustainability
- Conducting interviews with key personnel and collating evidence to understand MBSB's process for reporting performance metrics and disclosures, including inquiring regarding risks of misstatement and quality controls to address risks
- Conducting limited assurance procedures over the Subject Matter and disclosures, including:
 - Undertaking analytical procedures to support the reasonableness of the metric data
 - Checking that the calculation Criteria have been applied as per the methodologies for the Subject Matter within the report
 - Identifying and testing assumptions supporting calculations
 - Testing, on a sample basis, underlying source information to check accuracy of the metric data
 - Performing recalculations of performance metrics using input data
 - Checking that measurements made at the end of the reporting period are timely entered in the records and the sustainability report
- Obtaining appropriate representations from management, in the form of a management representation letter addressed to us to confirm that the management believes that it has fulfilled its responsibilities

We also performed such other procedures as we considered necessary in the circumstances.

Inherent Limitations

Inherent limitations of assurance engagements include use of judgement and selective testing of data, which means that it is possible that fraud, error or non-compliance may occur and not be detected in the course of performing the engagement. Accordingly, there is some risk that a material misstatement may remain undetected. Further, our limited assurance engagement is not designed to detect fraud or error that is immaterial.

There are additional inherent risks associated with assurance engagements performed for non-financial information given the characteristics of the subject matter and associated with the compilation of source data using definitions and methods for determining, calculating, and estimating such information that are developed internally by management. The absence of a significant body of established practice on which to draw, allows

for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. The precision of different measurement techniques may also vary. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements. In particular, where the information relies on factors derived by independent third parties, our assurance work has not included examination of the derivation of those factors and other third-party information.

Other Matters

Information relating to prior reporting periods has not been subject to assurance procedures. Our report does not extend to any disclosures or assertions relating to future performance plans and/or strategies disclosed in the SR2021. The maintenance and integrity of MBSB's website is the responsibility of MBSB's management. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to the Subject Matter and related disclosures, the SR2021 or to our independent limited assurance report that may have occurred since the initial date of presentation on the MBSB's website.

Restriction of Use

Our work has been undertaken to enable us to express a limited assurance conclusion on the matters stated above in our report provided to the directors of MBSB in accordance with the terms of our engagement, and for no other purpose.

Our report is intended solely for the directors of MBSB and should not be used by any other parties. To the fullest extent permitted by the law, we do not accept or assume liability to any party other than the directors of MBSB, for our work, for this report, or for the conclusion we have reached.

We agree to the publication of this assurance report in MBSB's SR2021 for the financial year ended 31 December 2021, provided it is clearly understood by recipients of the SR2021 that they enjoy such receipt for information only and that we accept no duty of care to them whatsoever in respect of this report.

Ernst & Young Consulting Sdn. Bhd.

20080101031 (811619-M)
Kuala Lumpur, Malaysia
29 April 2022

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