

CORPORATE GOVERNANCE REPORT

STOCK CODE : 1171
COMPANY NAME : Malaysia Building Society Berhad
FINANCIAL YEAR : December 31, 2019

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

Application	: Applied
Explanation on application of the practice	<p>The Board of Directors (the "Board") sets the tone from the top and is ultimately responsible for overseeing the conduct of Malaysia Building Society Berhad ("MBSB") and its subsidiaries' (together, the "Group") business and the Management's implementation of the Group's strategic objectives as well as its conduct and performance.</p> <p>The Board is guided by its Board Charter which clearly identifies the Board's role, duties and responsibilities. The Board Charter of MBSB is available on its website at: https://www.mbsb.com.my/board_charter.html</p> <p>Further, the Board of MBSB's major subsidiary i.e. MBSB Bank Berhad ("MBSB Bank") had also established its own Board Charter, which clearly identified the roles and responsibilities of the Board of Directors of MBSB Bank ("the Bank Board").</p> <p>The Board Charter of MBSB Bank is available on its website at: https://www.mbsbbank.com/storage/misc/MBSB_Bank_Board_Charter.pdf</p> <p>The Board Charter of MBSB and MBSB Bank also outlines the processes and procedures to ensure the effectiveness and efficiency of the respective Boards and their Committees. The Board of MBSB and MBSB Bank (together, the "Boards") are supported by various Board Committees and Management-led Committees (together, the "Committees") and the roles and responsibilities of the respective Committees are clearly outlined in Terms of Reference ("TOR") and the Approving Authority Manual ("AA Manual") which require regular review and approval by the respective Boards from time to time. Any decisions which are not within the Committees' authority would be escalated to the respective Boards with the Committees' recommendation.</p> <p>In 2019, the Boards reviewed their respective Board Charters to ensure uniformity of the policies and guidelines applied across the Group. From</p>

	<p>the review, enhancements were made to provide clarity on the definition of “Executive Director” which is aligned to Bank Negara Malaysia (“BNM”)’s Corporate Governance Guide. In addition, enhancements were also made on the Criteria for Independent Directors, restriction on directorship and standardisation of some of the terms. The TOR of the Board and Management-led Committees as well as the Policies and Procedures were also reviewed and revised during the year to reflect the necessary changes in the internal process and regulatory requirement for better operational efficiency and readiness.</p> <p>The Boards have entrusted their Committees with specific responsibilities to oversee the Group’s affairs in accordance with the respective Committees’ TOR.</p> <p>The Board Committees established to support the Boards in executing their duties are as follows:</p> <p><u>MBSB Board Committees</u></p> <p>1. Audit Committee (“AC”)</p> <p>The principal function of the AC is to assist the Board in fulfilling its fiduciary responsibilities particularly in the areas of accounting and management controls and financial reporting and to ensure financial statements comply with applicable financial reporting standards; to reinforce the independence and objectivity of the Internal Audit Division (“IAD”); to provide the focal point for communication between external auditors, internal auditors, risk managers, Directors and the Management on matters in connection with accounting, reporting, risks and controls and providing a forum for discussion independent of the Management; and to undertake additional duties as may be deemed appropriate and necessary to assist the Board.</p> <p>2. Risk Management Committee (“RMC”)</p> <p>The primary objectives of RMC are to assist the Board with the risk oversight within the Group which includes reviewing the risk management policies, risk exposure and limits as well as ensuring that all risks are well managed within the Group’s risk appetite by providing adequate infrastructure and resources in place to support the risk management activities.</p> <p>3. Nominating and Remuneration Committee (“NRC”)</p> <p>The primary responsibilities of the NRC are to assist the Board to maintain a formal and transparent procedure for the appointment of Directors, Board assessment, policy setting on Directors' remuneration and to determine an appropriate remuneration packages for all Directors.</p> <p>The NRC is also responsible to review, appoint, remove and determine the remuneration package for the Group President and Chief Executive Officer (“Group PCEO”), key senior management with the “C” Suites position, Company Secretary, and members of the Shariah Advisory Committee (“SAC”). With effect from 7 February 2018, all matters</p>
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concerning the Shariah members are discussed and decided at MBSB Bank's Board Nominating and Remuneration Committee ("BNRC"). In addition, the NRC also reviews the remuneration framework for the Group.

The activities of NRC in 2019 includes the following:

- Reviewed and recommended the appointment of Non-Independent Non-Executive Director.
- Reviewed and recommended the appointment of Members of Option Committee.
- Reviewed and recommended the appointment of Senior Independent Director.
- Reviewed and recommended the re-election of Directors who retired by rotation in 2019
- Reviewed and recommended the proposed Directors' Fees and Remuneration.
- Reviewed and recommended the proposed appointment of Consultants for the review of Non-Executive Directors' and PCEO's Remuneration.
- Conducted the Annual Board Evaluation.
- Reviewed and recommended the Directors Annual Training Plan 2019.
- Reviewed and recommended the Performance and Reward for Year 2018.
- Reviewed and recommended the C-Suites and Control Function 2018 Performance Assessments, 2018/2019 Fit and Proper Assessments 2018 Rewards.
- Reviewed and recommended the Group PCEO 2018 Performance Assessments, 2018/2019 Fit and Proper Assessments and 2018 Rewards.
- Conducted Remuneration Review of the Directors and Group PCEO.
- Reviewed and recommended the Board Composition and proposed appointment of additional Independent Non-Executive Director.
- Reviewed and recommended the appointment of external consultant to facilitate the Annual Board Evaluations.

4. Option Committee

The Option Committee was established on 27 May 2010. The principal function of this Option Committee is to administer the Company's Employees' Share Option Scheme ("ESOS") in accordance with the ESOS Scheme's by-laws.

MBSB Bank Board Committees

- 1. Board Audit Committee ("BAC")** – Same function as the AC
- 2. Board Risk Management & Compliance Committee ("BRMCC")** – Same function as the RMC
- 3. Board Nominating and Remuneration Committee ("BNRC")** – Same function as the NRC
- 4. Board Investment and Credit Committee ("BICC")** – The BICC is responsible for the consideration and approval of all credit and

	<p>investment proposals subject to the limits and policies approved by the Board.</p> <p>In 2020, prior to the issuance of this Report, the Board Information Technology Oversight Committee (“BITC”) was established at MBSB Bank level in conformance with the requirements of Risk Management in Technology (“RMiT”) Guidelines issued by BNM. The BITC was established to provide oversight function on Technology Risk.</p> <p><u>Board responsibility</u></p> <p>Although the Boards have entrusted their Committees with specific responsibilities to oversee the Group’s affairs in accordance with the respective Committees’ TOR, the Boards remain responsible and keep abreast with the key issues and decisions made by the respective Committees through the reports escalated to the Boards as well as the minutes of meetings which capture the detailed deliberations, and which were subsequently tabled to the Boards for notation.</p> <p>The matters reserved for the Boards include, amongst others, the following:</p> <ul style="list-style-type: none"> • Reviewing and approving strategic and business plan and other initiatives which would have material impact to the Group; • Overseeing the Management’s implementation of the Group’s strategic objectives and its conduct and performance; • Identifying principal risks affecting the Group and ensuring the implementation of appropriate governance framework and internal controls framework and to periodically review its appropriateness in light of the material changes to the size, nature and complexity of the Group’s operations; • Reviewing and approving annual financial statements and quarterly financial results prior to release to Bursa Malaysia Securities Berhad (“Bursa Malaysia”) and the relevant regulators; • Reviewing and adopting the strategies on promotion of sustainability through appropriate environmental, social and governance (“ESG”) consideration in the Group’s businesses; • Overseeing and approving the recovery and resolution as well as business continuity plans for the Group to restore its strength and maintain or preserve critical operations and critical services when it comes under stress; • Promoting, together with senior management, a sound corporate culture within the Group which reinforces ethical, prudent and professional behaviour; • Promoting Shariah Compliance as set out in the MBSB Shariah Governance Framework and to ensure its integration with the Group’s business and risk strategies; • Serving as the ultimate approving authority for all significant financial expenditure; • Approving related party transactions; and • Overseeing the selection, performance, remuneration and succession plans of the Group PCEO/CEO, key senior management with the “C” Suites position and Company Secretary.
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	<p>The Boards play an active role in developing, evaluating and monitoring the Group’s strategic direction by providing valuable advice to the Management based on their collective competency and knowledge of its members.</p> <p>In early first quarter of 2019, the Boards deliberated the short and long-term budget of the Group. At the meeting, the Business Plan and Budget Projection for 2019 were presented. The performance scorecard 2019 for the Group PCEO was also presented to the Boards on the same day. The detailed implementation plans for various business initiatives, operations and manpower planning requirements were also presented to the Boards.</p> <p>The Boards are also responsible to ensure that the Group is responsive to changes in the business and economic environment when pursuing and achieving the planned goal and objectives. The Boards monitor the performance of the Bank from time to time through the presentation of the various reports submitted by Finance, Risk Management, Compliance and Internal Audit Division. The scorecard achievement and progress of Business Plan initiatives were also monitored by the Board.</p> <p>The sustainability reporting framework was also put in place for the MBSB Group to promote sustainability through appropriate ESG consideration in the Group’s businesses. A Sustainable Steering Committee reporting to the Management Committee was established to develop the sustainability reporting framework for the Group.</p> <p>In 2019, the Group performed a comprehensive materiality assessment to identify matters or issues which reflect the Group’s significant economic, environmental and social impacts, as well as the interests or concerns of MBSB’s stakeholders. The outcome from the assessment was prioritised and presented in the Materiality Matrix which was validated and endorsed by the Boards during the year. The Group’s publishes its annual Sustainability Report which outlines in detail the efforts and initiatives undertaken by the Group and the value created for its stakeholders. The Sustainability Report of the Group is published and circulated together with Annual Report 2019.</p> <p><u>Group PCEO Responsibility</u></p> <p>The Group PCEO is entrusted by the Boards for developing and ensuring the MBSB Group’s strategies and Corporate Policies are effectively implemented. The Group PCEO is responsible to keep the Boards fully informed of all important aspects of the Group’s operations and ensuring that sufficient information is distributed to the Boards.</p> <p>The Group PCEO is supported by a group of experienced senior management and staff. The performance of the Management and respective Divisions and Departments are closely monitored through the monthly performance review meetings. Various Management Committees have been established to oversee the day to day business affairs of the Group and to ensure that the Board’s decisions are implemented</p>
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	<p>effectively. The roles and responsibilities of the Management Committees are clearly defined in the TOR of the respective Management Committees.</p> <p>To ensure effective oversight and monitoring of the Group’s business, the Risk Management Division (“RMD”) and Compliance Division are required to submit the various reports to the RMC and BRMCC and subsequently the same reports would be escalated to the respective Boards for deliberation and notation.</p> <p>IAD also plays a vital role in overseeing the conduct of the MBSB Group operations. IAD performs systematic and regular reviews on key processes to assess the efficiency and adequacy of the internal processes. The IAD reports on the periodic review are submitted to the AC and BAC for review and deliberations.</p> <p>The detailed functions of the RMD, Compliance Division and IAD are detailed out in the Statement on Risk Management and Internal Control section as well as the Report of the Audit Committee section of the Annual Report 2019.</p> <p>The Boards are also kept informed of the significant operational issues and Group’s performance during the Board/Board Committees’ meetings.</p>
<p>Explanation for departure :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure :</p>	
<p>Timeframe :</p>	

Intended Outcome

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

Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

Application	:	Applied
Explanation on application of the practice	:	<p>Tan Sri Abdul Halim Bin Ali helms the Boards as the Chairman. The Chairman ensures smooth functioning of the Board, the governance structure and indicating positive culture in the Board. The Chairman also ensures that the guidelines and procedures are in place to govern the Board's operation and conduct.</p> <p>The Chairman, in consultation with the Group PCEO and the Company Secretary, sets out the agenda for the matters to be considered by the Board. The meeting agenda should be aligned with the overall Group's context, including its starting situation, aspirations and priorities. The Chairman leads the meeting pace and discussions to ensure the Board as a whole to work to its maximum effectiveness.</p> <p>The Chairman actively engages Board members and encouraging their contribution to Board deliberations. The Chairman also facilitates open and constructive communications amongst Board members and ensures full and balanced discussion of every issue on the agenda.</p> <p>The Chairman ensures that the Board has the opportunity to maintain adequate understanding of the Group's financial position, strategic performance, operations and the opportunities and challenges facing the Group. The good leadership of the Chairman is acknowledged by the high rating received from the Peer Assessment of the Board members in the annual Board Effectiveness Evaluation.</p> <p>The roles and responsibilities of the Chairman are clearly specified in Section 3.1 of the Board Charter which is available on MBSB's website.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
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Intended Outcome

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>There is a clear division of responsibility between the Chairman and Group PCEO to ensure a proper balance of power and authority and promotes check and balance. The distinct and separate roles and responsibilities of the Chairman and Group PCEO are distinguished in the Board Charter. The roles and responsibilities of the Group PCEO are provided in Section 3.2 of the Board Charter which is available on MBSB's website.</p> <p>The positions of Chairman and Group PCEO are held by two different individuals. The Chairman, Tan Sri Abdul Halim bin Ali leads and manages the Board by focusing on board leadership, whereas the Group PCEO, Datuk Seri Ahmad Zaini Othman focuses on the business, operations and organizational issues and implementing Board's decision.</p> <p>The Chairman together with the rest of the Board members, is responsible for setting the policy framework within which the Management is to work. The Chairman also leads the collective effort of the Board in monitoring the performance of Management in meeting the corporate goals and objectives. He also guides the Board on all issues presented before them at meetings or at such other forums where the consensus of the Board is required.</p> <p>The Group PCEO is primarily responsible for overseeing the day to day management to ensure the smooth and effective running of the Group and MBSB Bank. The Group PCEO is entrusted by the Boards with making sure that all decisions, directions, policies and/or instructions approved by the Board are carried out by Management in a timely and efficient manner. The Group PCEO carries the primary responsibility in ensuring management competency including the emplacement of an effective succession plan to sustain continuity. The Group PCEO is responsible to keep the Board fully informed of all important aspects of the Group's operations and ensuring that sufficient information is distributed to the Board.</p>
Explanation for departure	:	

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

Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application	: Applied
Explanation on application of the practice	<p>Ms. Koh Ai Hoon, the Company Secretary and Ms. Tong Lee Mee, the Joint Company Secretary are qualified to act as Company Secretary under Section 235 of the Companies Act, 2016 and they are Associate members of Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA").</p> <p>The Company Secretary, Ms. Tina Koh also possesses legal qualification which allows her to execute her responsibilities effectively.</p> <p>The Company Secretaries constantly keep themselves updated with the changes to regulatory requirements through attendance at relevant conferences and training programmes. The Company Secretaries have fulfilled the Mandatory Continuing Professional Development requirements imposed by MAICSA and Companies Commission of Malaysia.</p> <p><u>Company Secretaries Responsibility</u></p> <p>The Company Secretaries demonstrates ongoing support in advising and assisting the Board on matters relating to the affairs of the Company, including issues pertaining to compliance, corporate governance and best practices, boardroom effectiveness and Directors' duties and responsibilities including disclosure of their interest in securities, disclosure of conflict of interest in transactions, prohibition on dealing in securities and restrictions on disclosure of price sensitive information.</p> <p>The Company Secretaries advise the Board on compliance and best practices with the relevant changes to the laws, rules and regulations, which include the enforcement of Companies Act 2016, Bursa Malaysia's Main Market Listing Requirements ("MMLR"), The Malaysian Code on Corporate Governance ("MCCG") 2017 and the BNM Corporate Governance Guidelines.</p> <p>The responsibilities of the Company Secretaries include ensuring that the Directors have access to knowledge and training they need. The Company Secretaries assist the NRC in assessing and evaluate the training needs of the Board members on annual basis to ensure the</p>

Board members are equipped with the necessary knowledge and updated with the evolving market, regulatory changes and development.

The Company Secretaries are also involved in organising general meetings and ensuring all due processes and proceedings are in place and properly managed. The Company Secretaries will assist the Chairman and the Board to conduct the meeting and ensure the minutes are properly recorded, particularly the questions raised by the shareholders.

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

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

MBSB:

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

MBSB Bank:

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

The responsibilities of the ITSC were collapsed and taken over by the MANCO in March 2020 with the establishment of the BITC.

The CMC was established by MBSB Bank in September 2019. The roles and responsibilities of CMC is to monitor the capital adequacy of MBSB Bank, review the internal control measures, stress test results to ensure optimisation of the economic performance of MBSB Bank’s assets and liabilities through managing the allocation of capital.

2019 activities

The Company Secretaries had in October 2019 facilitated the orientation/induction programmes for the new directors of MBSB and MBSB Bank who were appointed on 1 October 2019 and 14 October 2019, respectively. The Company Secretary and the relevant Management team members gave briefings, to familiarise the new Directors with the business and operations of the Group.

The Company Secretaries had also arranged for the Directors of MBSB

	<p>and MBSB Bank to attend the Financial Institutions Directors Education Programme ("FIDE") and Islamic Finance for Board of Directors Training Programme ("IF4BOD") organised by International Shari'ah Research Academy for Islamic Finance ("ISRA") training as required by BNM.</p> <p>The Company Secretaries had also arranged for the newly appointed Director of MBSB, to attend the Mandatory Accreditation Programme ("MAP") in November 2019, which was within 4 months from the date of appointment.</p> <p>All Board members have full access to the advice and services of the Company Secretaries. The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging its functions.</p>
<p>Explanation for departure :</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure :</p>	
<p>Timeframe :</p>	

Intended Outcome

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

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application	:	Applied
Explanation on application of the practice	:	<p>To facilitate the Directors' time planning, the annual meeting calendar is prepared and circulated in advance of each new year. The Board Charter of MBSB and MBSB Bank require the agenda and the meeting papers relevant to the business of the meeting are circulated to all Directors on a timely basis to allow Directors to have ample time to review matters to be deliberated at the meeting and to facilitate informed decision-making. For proposals not fulfilling the agreed timeline for submission of papers, the Directors have the discretion to decide whether to deliberate on the papers, based on the importance and urgency of the proposals.</p> <p>The Boards are conscious on our environmental impact and have agreed to go paperless for all Board and Board Committee meetings and the same applies to the meetings for the Management Committees as well. To this end, digital copies of the meeting papers are circulated to the Board, Board Committees and Management Committees instead of hard copies. The digital copies of the meeting papers are uploaded to a secured system to allow easy access of documents in a timely and more efficient manner.</p> <p>Deliberation and decision of the Boards and Board Committees are well documented in the minutes, including matters where Directors which are required to abstain from voting and deliberation. Decisions by the Boards are communicated to the Management after the meeting for appropriate actions.</p> <p>The Company Secretaries will follow up on the status of actions and update the Boards and Board Committees at the subsequent meetings until the matter is eventually resolved.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

Measure	:		
Timeframe	:		

Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Application	:	Applied
Explanation on application of the practice	:	<p>The Boards are guided by the Board Charter which clearly identifies the Board's role, duties and responsibilities, as well as the processes and procedures to ensure the effectiveness and efficiency of the Board and its Committees.</p> <p>The Board Charter of MBSB clearly identifies the respective roles and responsibilities of the Board, individual directors, Senior Independent Director, Chairman and Group PCEO. Matters reserved for the Board have been clearly specified in Paragraph 2.1.3 of the Board Charter.</p> <p>The Board Charter is a dynamic document and will be updated from time to time to reflect changes to the Company's policies, procedures and processes as well as amended rules and regulations of the relevant authorities. In 2019, the Boards had reviewed their respective Board Charters to ensure uniformity of the policies and guidelines applied across MBSB Group. The Board Charter contains practices, policies and procedures that are in line with the market practices and adhere to the requirements as stated in the BNM Governance Guide and MCCG 2017.</p> <p>The roles and responsibilities for the Board Committees and Management Committees are set out in the respective TOR. The TOR for the NRC and AC is available on MBSB's website.</p> <p>The Approving Authority ("AA") Manual for MBSB and MBSB Bank are reviewed from time to time to reflect the necessary changes in the internal process and regulatory requirement to ensure operational efficiency and readiness.</p>
Explanation for departure	:	

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

Measure :		
Timeframe :		

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application	: Applied
Explanation on application of the practice	<p>The Directors are always required to act honestly and use reasonable care and diligence in discharging their duties and avoiding any conflict of interest. The Boards have established the Directors' Code of Ethics in line with the practices in the MCCG. The Directors observe the Code of Ethics in performance of their duties and are fully subscribed to highly ethical standards considering the interest of all stakeholders. The Code of Ethics for Directors of MBSB is available on MBSB's website at https://www.mbsb.com.my/code_ethics.html.</p> <p>A Conflict of Interest Policy to provide a systematic mechanism for disclosing potential and actual conflict of interest has been established. The Directors interested in certain transactions are required to abstain from any reporting, discussion or vote on issue that give rise to the conflict. The interested Director is required to be absent from the meeting during such deliberations and the Company Secretary shall record each Director's conflict of interest disclosed at the meeting in the minutes of meeting.</p> <p>The Group has also established the Code of Ethics and Conduct for Employees, the Complaint Handling and Management Policies and Procedures as well as the Whistle Blowing Policies and Procedures to set the standards of behaviour expected of our employees and encourage them to report on suspected fraud, misconduct behaviour and/or violations of the Code of Conduct and Ethics as well as any other directives or policies issued by the Group from time to time. This is to support the Group's values in upholding the highest standard of personal and professional integrity, ensure employees can raise concerns without fear of reprisals; and provide a transparent and confidential process for dealing with genuine concerns pertaining to safeguarding the MBSB Groups interests.</p> <p>To ensure adherence to the guidelines, the Management of MBSB and MBSB Bank had taken steps to establish effective monitoring process.</p>

All staff are required to observe the principles and uphold the corresponding conduct to achieve a high standard of professionalism and ethics in the conduct of the Bank's business and professional activities. The Code is divided into two (2) areas:

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

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

The Group does not tolerate any form of bribery, corruption and abuse of power. The Fraud and Corruption Control Policies and Procedures was implemented to manage the risk of fraud and corruption within the Group. The Fraud and Corruption Control Policies and Procedures should be read together with the Complaint Handling and Management Policies and Procedures as well as the Whistle Blowing Policies and Procedures. All employees are entrusted with the responsibility to stay alert for preventing and detecting defalcations, misappropriations and other irregularities. The policy sets out the specific roles of employees in prevention and detection of fraud and fraud discovery reporting as well as the procedures and processes the Company will take in respect of employees involved in fraudulent acts. The Fraud and Corruption Control Policies and Procedures are accessible to all employees via Group's intranet and the employees had been notified on how to access it.

The Boards had in 2019 approved the establishment of the Integrity Governance Unit ("IGU") for MBSB and MBSB Bank. The main purpose of IGU is to ensure honest work culture amongst the employees including members of Senior Management and the Board and to combat bribery, corruption and abuse of power. The Integrity and Anti-Bribery, Corruption and Abuse of Power Policy was approved by MBSB and MBSB Bank in February 2020 and April 2020 respectively.

The Group has also established the Anti-Money Laundering and Counter Financing of Terrorism ("AML/CFT") Framework which is part of the Group's Compliance policy. The Group is committed to fully cooperate with the relevant local and international competent authorities and law enforcement agencies in combating Anti-Money Laundering and Counter Financing of Terrorism. Appropriate internal controls and procedures for money laundering prevention are in place. The Compliance Division carries out regular checks and training to ensure that the employees are fully aware and committed in discharging their obligations. The framework was last reviewed in

	<p>January 2019 for consolidation of current AML/CFT Framework and SOP documents as well as revision of the policy and procedures based on BNM’s requirements and latest industry practices.</p> <p>In February 2019, the Group introduced the Related Party Transactions Policies that outlines the roles and responsibilities expected of the Management and the Board of Directors, as well as other relevant divisions or departments within the Group. It provides the guidance on transactions that involve related parties and ensuring that such transactions are conducted at arm’s length basis and in accordance with good governance, as well as with appropriate disclosures.</p> <p>Corporate Disclosure Policy was established to ensure fair and orderly trading of securities. The officers and personnel privy to confidential information are strictly prohibited from dealing directly or indirectly in the Company’s securities unless the information had been publicly disclosed at least one (1) full market day form the date of the announcement.</p> <p>The Group has since established a guideline on handling confidential and sensitive information / documents in February 2018. Officers and personnel privy to the confidential material information are required to sign a Non-Disclosure Agreement to ensure that they keep the confidential information secret and avoid any misappropriation or misuse of such confidential information.</p>	
<p>Explanation for departure</p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	<p>:</p>	
<p>Timeframe</p>	<p>:</p>	

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	: Applied						
Explanation on application of the practice	<p>As highlighted in Practice 3.1, the Group has in place the Complaint Handling and Management Policies and Procedures as well as the Whistle Blowing Policies and Procedures to provide an avenue for the employees and members of the public or any external party to raise concerns without fear of reprisal and to promote highest possible standards of ethical and level business conduct. The said policy clearly spells out the process flow to guide the employees to raise their concerns and the assurance that the whistle blower will not be at the risk of reprisal as a result of raising the concerns. The policy also provides a channel that is secured, convenient and protects the confidentiality of the employees who make the report. The Whistle Blowing Policies and Procedures was last reviewed on 26 November 2019.</p> <p>According to the Whistle Blowing Policies and Procedures, the whistle blowing reports shall be forwarded in the following manner:</p> <table border="1" style="width: 100%;"> <thead> <tr> <th style="text-align: center;">Complaint against</th> <th style="text-align: center;">Report to</th> </tr> </thead> <tbody> <tr> <td> <ol style="list-style-type: none"> 1. Chairman of MBSB 2. Members of the Board of MBSB (other than Chairman of the AC) 3. PCEO 4. Employee </td> <td style="text-align: center; vertical-align: top;">Chairman of MBSB AC</td> </tr> <tr> <td> <ol style="list-style-type: none"> 1. Chairman of MBSB AC </td> <td style="text-align: center; vertical-align: top;">Chairman of MBSB</td> </tr> </tbody> </table> <p>Whistle blowing by members of the public or any external party (including those received via Customer Experience Management Department) will be channelled to the Chairman of MBSB or Chairman of the AC. The investigation/ deliberation process would be completed within one (1) month from the day the report is received. The Chairman of the AC may inform the whistle blower on the result of the investigation at his discretion.</p>	Complaint against	Report to	<ol style="list-style-type: none"> 1. Chairman of MBSB 2. Members of the Board of MBSB (other than Chairman of the AC) 3. PCEO 4. Employee 	Chairman of MBSB AC	<ol style="list-style-type: none"> 1. Chairman of MBSB AC 	Chairman of MBSB
Complaint against	Report to						
<ol style="list-style-type: none"> 1. Chairman of MBSB 2. Members of the Board of MBSB (other than Chairman of the AC) 3. PCEO 4. Employee 	Chairman of MBSB AC						
<ol style="list-style-type: none"> 1. Chairman of MBSB AC 	Chairman of MBSB						

	Similar policies have been established at MBSB Bank level.	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 4.1

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

Application	: Applied
Explanation on application of the practice	<p>Having a majority of Independent Directors in the Board can bring expertise and objectivity which would assure that the Group is effectively managed and in the best interest of stakeholders. As at 31 December 2019, the Board of MBSB and MBSB Bank was made up of 60.0% and 66.67% Independent Directors respectively.</p> <p>The Independent Non-Executive Directors are independent of Management and free from any business or other relationship with the Company and the Group which could materially affect the exercise of their independent judgment. The number of Independent Directors not only fulfils the requirement of Bursa Malaysia for one-third of Board membership to be independent but also contributes towards greater impartiality and objectivity in the Board's decision-making process.</p> <p>Each Independent Director is required to submit an annual declaration on their independence. The Board through the NRC will assess the Independent Directors annually. The following are considered when assessing the independence:</p> <ul style="list-style-type: none">• Fulfilment of all criteria under definition of Independent Director as stated in Bursa Malaysia's MMLR;• Ability to function as a check and balance and bring an element of objectivity to the Board;• Ability to constantly challenge the Management in an effective and constructive manner;• Actively participate and provide independent advice in all Board/Board Committees discussion; and• Ability to act in the best interests of the Company and the Group. <p>The tenure of Encik Lim Tian Huat as Independent Director has reached 9 years on April 2020 and MBSB will be seeking shareholders' approval to retain Encik Lim Tian Huat as Senior Independent Non-Executive Director of MBSB.</p> <p>Encik Lim Tian Huat has fulfilled all the above-mentioned criteria for Independent Director and the assessment had been conducted by the Nominating and Remuneration Committee.</p> <p>The Board of MBSB is satisfied with the results of the assessment on the Independent Directors and was of the view that all Independent Directors are independent of management and free of any interest,</p>

position, association or other relationship that might materially influence the Independent Director’s capacity to bring an independent judgment and to act in the best interests of the Group and its stakeholders.

A similar process is also carried out at the Bank level.

MBSB

As at 31 December 2019, the composition of the Board of MBSB was as follows:

#	Name of Director	Designation
1	Tan Sri Abdul Halim bin Ali	Chairman, Non-Independent Non-Executive Director
2	Encik Lim Tian Huat	Senior Independent Non-Executive Director
3	Ir. Moslim bin Othman	Independent Non-Executive Director
4	Puan Lynette Yeow Su-Yin	Independent Non-Executive Director
5	Puan Zaidatul Mazwin binti Idrus*	Non-Independent Executive Director

*** Note:**

Puan Zaidatul Mazwin binti Idrus was appointed on 14 October 2019. She does not hold any executive position in MBSB and does not have any management responsibilities in MBSB. Her designation as Non-Independent Executive Director of MBSB is pursuant to the definition of “Executive Director” in BNM’s Guidelines on Corporate Governance which defines “Executive Director” as a director of a financial institution who has management responsibilities in the financial institution or any of its affiliates. EPF is an affiliate of MBSB and Puan Zaidatul Mazwin binti Idrus has management responsibilities in EPF.

The Board of MBSB comprises five (5) Directors of whom, three (3) are Independent Non-Executive Directors; one (1) Non-Independent Non-Executive Director; and one (1) Non-Independent Executive Director.

The Independent Directors at MBSB constitute 60.0% of the Board, exceeding Bursa Malaysia’s MMLR of one third (33.3%) and MCCG requirement of at least half (50.0%).

Remarks:

Encik Mohamad Abdul Halim bin Ahmad was appointed as an Independent Non-Executive Director of MBSB on 2 March 2020.

MBSB Bank

The following is the composition of the Board members as at 31

December 2019 at MBSB Bank:

#	Name of Director	Designation
1	Tan Sri Abdul Halim bin Ali	Chairman, Non-Independent Non-Executive Director
2	Encik Szaliza Bin Zainuddin*	Non-Independent Executive Director
3	Encik Aw Hong Boo	Independent Non-Executive Director
4	Datuk Johar bin Che Mat	Independent Non-Executive Director
5	Puan Lynette Yeow Su-Yin	Independent Non-Executive Director
6	Tunku Alina Binti Raja Muhd Alias	Non-Independent Non-Executive Director
7	Datuk Azrulnizam bin Abdul Aziz	Independent Non-Executive Director
8	Dr. Loh Leong Hua	Independent Non-Executive Director
9	Encik Kamarulzaman Ahmad (<i>appointed on 1 October 2019</i>)	Independent Non-Executive Director

*** Note:**

Encik Szaliza bin Zainuddin does not hold any executive position in MBSB Bank and does not have any management responsibilities in MBSB Bank. His designation as Non-Independent Executive Director (“NIED”) of MBSB Bank is pursuant to the definition of “executive director” in Bank Negara Malaysia’s Guidelines on Corporate Governance which define “executive director” as a director of a financial institution who has management responsibilities in the financial institution or any of its affiliates. EPF is an affiliate of MBSB Bank and Encik Szaliza bin Zainuddin has management responsibilities in EPF.

The Board of MBSB Bank comprises nine (9) Directors of whom, six (6) are Independent Non-Executive Directors; two (2) Non-Independent Non-Executive Director; and one (1) Non-Independent Executive Director.

The Independent Directors at MBSB Bank Level constitute 66.7% of the Board, exceeding both the MCG recommendation and Bursa Malaysia’s MMLR.

Explanation for departure :

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

Intended Outcome

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

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application	:	Not applicable - No independent director(s) serving beyond 9 years	
Explanation on application of the practice	:		
Explanation for departure	:	Please provide an explanation for the departure.	
		-	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Others	

Intended Outcome

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

Practice 4.3 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years.

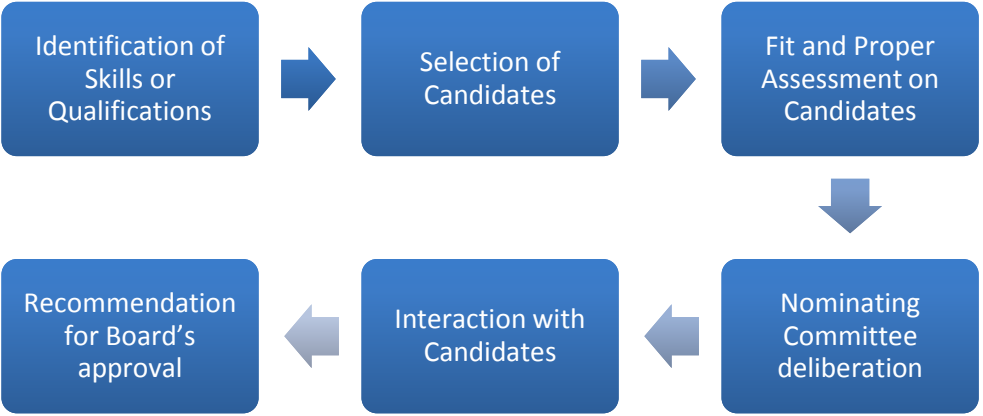
Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

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

Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

<p>Application :</p>	<p>Applied</p>
<p>Explanation on application of the practice</p>	<p>The Boards recognise and embrace the benefits of having a diverse Board to ensure that the Board can perform effectively by providing the necessary range of perspectives, experience and expertise. The Boards are committed to Board diversity and at the same time will ensure that all appointments to the respective Boards are made based on merits while considering the needs and circumstances, present size of the Board, suitability for the role, skills, experience, knowledge, experience and diversity.</p> <p>The Boards had adopted the Boardroom Diversity Policy which covers diversity in terms of professional experience, skills, knowledge, education and background, age, ethnicity, culture and gender. The diversity of skill, experience and knowledge of Board members in various disciplines and profession allows the Boards to address and/or to resolve the various issues in an effective and efficient manner. The brief description of the background and experience of both MBSB and MBSB Bank’s Board members is disclosed in the Directors Profile section of the Annual Report 2019.</p> <p><u>Board appointment</u></p> <p>A formal and transparent procedure has been established by the Board for the appointment of new directors. The process of appointment is detailed out is as follows:</p>  <pre> graph TD A[Identification of Skills or Qualifications] --> B[Selection of Candidates] B --> C[Fit and Proper Assessment on Candidates] C --> D[Nominating Committee deliberation] D --> E[Interaction with Candidates] E --> F[Recommendation for Board’s approval] </pre> <p>A Board Skill Matrix was used to understand the capabilities and personal attributes of the existing Board members and use as a reference when considering a new appointment of directors. The NRC and BNRC have carried out fit and proper assessment on the candidates prior to recommendation to the Board for approval.</p>

The Boards has adopted a Fit and Proper Policy which outlined the following criteria for assessment of the suitability of the candidates for Directorship, re-election of Directors and appointment/renewal of contract for the Group PCEO, the C-Suite and the Company Secretary:

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

In February 2019, the NRC and BNRC had conducted a Fit and Proper Review and Assessment on the Group PCEO, “C” Suites and the Company Secretary of the Group and were satisfied that all of them fulfilled the abovesaid requirement under the Fit and Proper Policy.

Board Composition

The Boards through its respective NRC and BNRC review the composition of the Board and Board Committees on a yearly basis or as and when required, and the same is tabled to the respective Boards, to ensure the optimum size and composition of the Board and Board Committees which enable effective oversight and delegation of responsibilities to encourage the active participation of all Directors in the respective Boards and Board committees. The Board reviewed the composition of the Board and Board Committees for MBSB twice during the year, once in January 2019 and again in September 2019.

In 2019, the NRC has conducted an annual review on the Board’s mix of skills and experience, diversity and other qualities. The review highlighted the need to appoint additional female director to MBSB Board. Following the review, the Board appointed Puan Zaidatul Mazwin binti Idrus as a Non-Independent Executive Director in October 2019, which increased the composition of women Directors at MBSB to 40%, exceeding the 30% women directors on the Board as recommended by the MCCG 2017.

In MBSB Bank, the BNRC had conducted an annual review on the Board’s mix of skills and experience, diversity and other qualities as well. The review highlighted the need to appoint a director who possess Information Technology or Accounting and/or Auditing experiences to the MBSB Bank Board. Following the review, MBSB Bank Board had appointed Encik Kamarulzaman bin Ahmad in October 2019 as an Independent Non-Executive Director of MBSB Bank to fulfil the need of an IT specialist at board level. Encik Kamarulzaman bring along with him 23 years of experience from the IT Industry.

Both NRC and BNRC had also agreed that additional directors are needed as part of the succession planning of the Board especially for Directors with Accounting and/or Auditing experiences.

On 2 March 2020, the MBSB Board had appointed Encik Mohamad Abdul Halim bin Ahmad as Independent Non-Executive Director of MBSB. Encik Mohamad

	<p>Abdul Halim is an Associate Member of the Institute of Chartered Accountants, England and Wales and a member of the Malaysia Institute of Accountants.</p> <p>The NRC and BNRC has also during the year proposed changes to the Board and Board Committees composition in tandem with the appointment of the new directors at MBSB and MBSB Bank. The BNRC of the Bank has also recommended candidates for the appointment of Shariah Advisory Committee Members of MBSB Bank.</p>	
Explanation for departure :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

Application	:	Applied
Explanation on application of the practice	:	<p>The Boards recognise the importance of gender diversity. However, the Board believes that the selection criteria based on effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board should remain a priority. On that end, MBSB and MBSB Bank are guided by the Boardroom Diversity Policy in which the selection of Board candidates is based on merits and contributions that the selected candidate will bring to the Board. The NRC/BNRC is responsible in ensuring that gender diversity objectives are adopted in board recruitment and succession planning process.</p> <p>As at 31 December 2019, the Board of MBSB has two (2) women Directors – Puan Lynette Yeow Su-Yin and Puan Zaidatul Mazwin binti Idrus – which constitute 40% of the Board.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application	:	Applied
Explanation on application of the practice	:	<p>The Boards of MBSB and MBSB Bank have in the past obtained the curriculum vitae of the potential director candidates through various sources including recommendation from existing board members, industry talent pool, independent search firms and independent directors' network.</p> <p>The shortlisted candidates would be recommended to the NRC/BNRC for evaluation. The NRC/BNRC would also carry out fit and proper assessment on the candidates. An interaction session with the identified candidates was also carried out by the members of the NRC/BNRC prior to making the recommendation to the Boards for approval.</p> <p>The candidates are expected to commit sufficient time to carry out his or her role as a Director and also where applicable as a member of the Board Committees. As stated in the Board Charter, the Directors must not hold more than five (5) directorships in listed companies, listed collective investment schemes and issuers of any other listed securities.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 4.7

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

Application	:	Applied	
Explanation on application of the practice	:	The NRC is chaired by Ir. Moslim Bin Othman since 6 February 2018. He is an Independent Non-Executive Director of MBSB. At MBSB Bank level, the BNRC is chaired by Datuk Johar bin Che Mat, who is also an Independent Non-Executive Director.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application :	Departure
Explanation on application of the practice :	
Explanation for departure :	<p>The Board did not engage any independent experts for board evaluation in 2019.</p> <p>The Boards through the NRC and BNRC undertakes a formal and comprehensive annual assessment on its own performance, individual Directors and its Committees.</p> <p>On an annual basis, the NRC and BNRC review the effectiveness of the Board and the Board Committees as well as the performance of individual Directors.</p> <p>The individual Directors assessment forms are distributed to all the Directors and are compiled. The assessments on the individual Directors are based on both quantitative and qualitative parameters which comprise the Directors' contribution to interaction, the quality of their input, understanding of the Directors' roles as well as the Chairman's role.</p> <p>The assessments of the Board and Board Committees are also carried out by the NRC and BNRC. The assessment comprises the evaluation on the Board Structure, Board Operations, the roles and responsibilities of the Board, Chairman's roles and responsibilities as well as the compositions, roles and responsibilities of the respective Board Committees.</p> <p>Upon the completion of the Individual Directors and Board Effectiveness Assessments and identification of the Board improvement plan, the results are presented to the NRC and BNRC during the Board evaluation process. The results of the assessment are also presented to the Board which will include the identification of key areas for improvement, training needs and Board improvement plan.</p> <p>The fit and proper assessments were also conducted annually to ensure that the Directors fulfil the fit and proper criteria at all times.</p>

The Boards are satisfied with the level of commitment given by the Directors during the year towards fulfilling their roles and responsibilities as Directors of MBSB. None of the Directors hold more than 5 directorships in listed issuers and the Directors attendance in the Meeting during the financial year 2019 was commendable.

In 2019, there were 22 and 20 Board meetings convened at MBSB's and MBSB Bank's Board respectively. All the Directors have complied with the minimum Board meeting attendance of 75% under BNM's Corporate Governance and as adopted by the Group.

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

MBSB:

#	Name of Director	Attendance at Meetings				
		Board	AC	RMC	NRC	Option Committee
1	Tan Sri Abdul bin Halim bin Ali	22/22 (100%)				No Option Committee Meeting was held during the financial year 2019
2	Encik Lim Tian Huat	22/22 (100%)	16/16 (100%)	12/12 (100%)	10/10 (100%)	
3	Ir. Moslim bin Othman	22/22 (100%)	16/16 (100%)	12/12 (100%)	10/10 (100%)	
4	Puan Lynette Yeow Su-Yin	22/22 (100%)	16/16 (100%)	12/12 (100%)	10/10 (100%)	
5	Puan Zaidatul Mazwin Idrus <i>(Appointed on 14 October 2019)</i>	3/4 (75%)				

MBSB Bank:

#	Name of Director	Attendance at Meetings				
		Board	BAC	BRMCC	BNRC	BICC
1	Tan Sri Abdul bin Halim bin Ali	20/20 (100%)				
2	Encik Aw Hong Boo	20/20 (100%)	15/15 (100%)	20/20 (100%)	13/13 (100%)	
3	Encik Szaliza bin Zainuddin	19/20 (95%)				18/19 (95%)
4	Datuk Johar bin Che Mat	20/20 (100%)			13/13 (100%)	19/19 (100%)
5	Puan Lynette Yeow Su-Yin	20/20 (100%)			13/13 (100%)	19/19 (100%)
6	Tunku Alina Binti Raja Muhd Alias	19/20 (95%)	15/15 (100%)	20/20 (100%)		

7	Datuk Azrulnizam bin Abdul Aziz	20/20 (100%)				19/19 (100%)
8	Dr. Loh Leong Hua	20/20 (100%)	15/15 (100%)	20/20 (100%)		
9	Encik Kamarulzaman bin Ahmad (<i>Appointed on 1 October 2019</i>)	4/4 (100%)		4/4 (100%)		

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

The provision on rotation and retirement of Directors are provided in Clause 100 and 101 of the Constitution for MBSB as follows:

Clause No.	Description
100	At each AGM, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to one third, shall retire from office at the conclusion of the meeting PROVIDED ALWAYS that all Directors shall retire from office once at least in each three (3) years. A Director retiring at a meeting shall retain office until the close or adjournment of the meeting.
101	An election of Directors shall take place each year and a retiring Director shall be eligible for re-election.

The NRC has assessed the performance of Tan Sri Abdul Halim bin Ali, Encik Lim Tian Huat and Puan Lynette Yeow Su-Yin who are subject to re-election at the forthcoming AGM. The NRC is satisfied with the performance and the contribution by Tan Sri Abdul Halim bin Ali, Encik Lim Tian Huat and Puan Lynette Yeow Su-Yin to the Board and had recommended the Board for decision on the proposed re-election of the Directors concerned for shareholders' approval at the forthcoming AGM.

Puan Zaidatul Mazwin binti Idrus, and Encik Mohamad Abdul Halim bin Ahmad who were appointed by the Board in October 2019 and March 2020 respectively are also subject to re-election at the forthcoming AGM in accordance with Clause 90 of the Company's Constitution.

Encik Lim Tian Huat's tenure of service as Independent Director has reached 9 years on April 2020. MBSB has recommended to the shareholders at the upcoming AGM to retain Encik Lim Tian Huat as Senior Independent Director until the conclusion of the next AGM, based on the following justifications:-

- i. He has fulfilled the criteria under definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and therefore would be able to function as a check and balance and bring an element of objectivity to the Board of Directors;
- ii. He has vast experience in accounting, finance and insolvency fields

- and was able to provide constructive and independent judgment for the benefits of the business;
- iii. He constantly challenges the Management in an effective and constructive manner; and
 - iv. He actively participated in board discussions and provided an independent voice on the Board.

The Boards through NRC and BNRC have also evaluated and identified the training needs of each Director and approve the training needs for 2019. The Boards have established a Directors Orientation and Training Guidelines to encourage the Board members to attend continuous training to enable the directors to discharge their duties effectively.

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

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

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

Tan Sri Abdul Halim bin Ali		Organiser
1.	The Islamic Finance for Board of Directors Programme (ISRA)	ISRA Consultancy Sdn. Bhd.
2.	Rethinking Strategy	FIDE Forum
3.	Launch of the SC's Corporate Governance Monitor 2019	Securities Commission ("SC")
4.	MyFintech Week 2019	BNM
5.	SAC, BOARD & MANCO Session 2019	MBSB Bank Berhad
6.	Climate Change Risk and Opportunities: Respond, Not react	BNM
7.	Session on Corporate Governance & Anti-Corruption	Bursa Malaysia

Encik Lim Tian Huat		Organiser
1.	FIDE – Module A & B	ICLIF
2.	MIA Conference 2019	Malaysian Institute of Accountants ("MIA")
3.	MFRS 17: Overview and Implementation	MIA
4.	Audit Oversight Board Conversation with Audit Committees	SC

Ir. Moslim bin Othman		Organiser
1.	“Breakfast talk” Digital Ethics and Sustainability In A New Economy of Privacy	Business Council for Sustainability & Responsibility Malaysia (“BCSDM”)
2.	Ring the Bell for Gender Equality 2019	Bursa Malaysia
3.	BEE Thought Leadership Launch Event	KPMG
4.	Addressing Climate Change Through Capital Markets	SC
5.	Bursa Malaysia Diversity Xperience	Bursa Malaysia
6.	International Directors Summit 2019	Institute of Corporate Directors Malaysia (“ICDM”)
7.	Session on Corporate Governance & Anti-Corruption	Bursa Malaysia
Puan Lynette Yeow Su-Yin		Organiser
1.	FIDE FORUM Dinner Talk – Digital Assets: Global Trends, Legal Requirements and Opportunities for Financial Institutions	FIDE Forum
2.	BNM-FIDE FORUM Dialogue with the Deputy Governor on the Draft Risk Management in Technology Policy	FIDE Forum
3.	2nd Distinguished Board Leadership Series: Rethinking Strategy	FIDE Forum
4.	BNM-FIDE FORUM Masterclass on Cybersecurity	FIDE Forum
5.	MyFintech Week 2019	BNM
6.	Bursa Malaysia Sustainability Advocacy Programme	Bursa Malaysia
7.	Value Based Intermediation: Directors Role	FIDE Forum
8.	SAC, BOARD & MANCO Session 2019	MBSB Bank Berhad
9.	Raising Defences – Section 17A, MACC Act	ICLIF
Puan Zaidatul Mazwin binti Idrus		Organiser
1.	Mandatory Accreditation Programme (“MAP”)	ICLIF (MAP)
Encik Aw Hong Boo		Organiser
1.	SAC, BOARD & MANCO Session 2019	MBSB Bank Berhad
2.	MIA Conference 2019	MIA

Encik Sazaliza bin Zainuddin		Organiser
1.	SAC, BOARD & MANCO Session 2019	MBSB Bank Berhad
2.	MyFintech Week 2019	BNM

Datuk Johar bin Che Mat		Organiser
1.	SAC, BOARD & MANCO Session 2019	MBSB Bank Berhad

Tunku Alina binti Raja Muhd Alias		Organiser
1.	Dialogue with BNM Deputy Governor on the draft Risk Management in Technology Policy	FIDE Forum
2.	MyFintech Week 2019	BNM
3.	FIDE FORUM-ISRA Programme - Value Based Intermediation: Directors Role	FIDE Forum
4.	SAC, BOARD & MANCO Session 2019	MBSB Bank Berhad
5.	Climate Change Risk and Opportunities: Respond, Not react	BNM
6.	Risk Management in Banking	INSEAD
7.	International Directors Summit 2019	ICDM
8.	IIC-SIDC – Governance Convention 2019	Securities Industry Development Corporation{"SIDC"}

Datuk Azrulnizam bin Abdul Aziz		Organiser
1.	The Driving Digital Strategy	Harvard Business School
2.	Value Based Intermediation: Directors Role	FIDE Forum
3.	SAC, BOARD & MANCO Session 2019	MBSB Bank Berhad

Dr. Loh Leong Hua		Organiser
1.	FIDE Forum Dinner Talk-Digital Assets: Global Trends Legal Requirements and Opportunities for Financial Institutions	FIDE Forum
2.	Dialogue with BNM Deputy Governor on the draft Risk Management in Technology Policy	FIDE Forum
3.	Resolving Conflict in the Boardroom	ICLIF
4.	Rethinking Strategy	FIDE Forum
5.	MyFintech Week 2019	BNM
6.	2nd PIDM –FIDE Forum Dialogue	FIDE Forum

	7.	SAC, BOARD & MANCO Session 2019	MBSB Bank Berhad
	8.	International Directors Summit 2019	ICDM
	9.	Leadership in a Disruptive World: The Changing Role of Boards	FIDE Forum
	Encik Kamarulzaman bin Ahmad		Organiser
	1.	Islamic Finance for Board of Directors Training	ISRA
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The Board has appointed external consultants to undertake the Board Evaluation Exercise to evaluate the performance of the directors of MBSB and MBSB Bank for the year 2020.	
Timeframe	:	Within 1 year	

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>The Boards have established a formal Directors Remuneration Framework. It is designed to support the strategies and long-term vision of MBSB as well as to provide adequate motivational incentive for Directors to pursue long-term growth and success of the Group.</p> <p>The NRC and BNRC are responsible to ensure that the Director's remuneration is competitive and align with the industry benchmark. The level of remuneration for the Directors shall be determined and recommended by the NRC and BNRC to the Boards after giving due consideration all relevant factors including the Directors fiduciary duties, time commitments expected of the Directors, Company's performance, market conditions as well as the compensation level for comparable positions among other similar Malaysian public listed companies and similar sized financial institutions.</p> <p>The structure of the Directors' Remuneration is reviewed by the NRC and BNRC on an annual basis prior to making its recommendations to the Board for further recommendation to the shareholders for approval.</p> <p>The NRC and BNRC may obtain advice from independent professional or other advice on the remuneration packages for the Board members, Shariah Advisory Committee members (at MBSB Bank level) or employees in similar industry on an annual basis as provided in the TOR.</p> <p>To ensure that the current remuneration structure commensurate with the respective Directors' responsibilities and within industry benchmark, MBSB and MBSB Bank had appointed an external consultant, KPMG Management & Risk Consulting Sdn Bhd to review the remuneration structure of the Directors of MBSB and MBSB Bank.</p> <p>The Boards of both MBSB and MBSB Bank took note of the recommendations by the Consultants on the remuneration gap. The</p>

	<p>Boards decided not to recommend any increase in the fee structure for Directors in view of the economic challenges which could be affected by the external factors.</p> <p>The remuneration and benefits payable to Directors are determined by the shareholders resolution in accordance with the Companies Act, 2016 and the Company's Constitution.</p> <p>As for the Management, the remuneration packages of the Group PCEO, the "C" Suites and the Company Secretary of the Group will be reviewed by the NRC and BNRC and the same will be recommended by the Boards for decision. The remuneration of the Group PCEO, the "C" Suites and the Company Secretary are based on their achievement of strategic initiatives established and approved by the Boards.</p> <p>The BNRC also reviews the remuneration package for the SAC.</p> <p>The Directors Remuneration Framework is available on MBSB's website at https://www.mbsb.com.my/remuneration_policies.html.</p>	
<p>Explanation for departure</p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	<p>:</p>	
<p>Timeframe</p>	<p>:</p>	

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>As at 31 December 2019, The NRC comprises of three (3) Independent Non-Executive Directors. The TOR of the NRC outlines the roles and responsibilities in relation to the nominating and remuneration matters and is on MBSB's website at https://www.mbsb.com.my/nominating_remuneration.html.</p> <p>The NRC and BNRC had deliberated on the Directors' fees and the benefits payable to the Directors of MBSB and MBSB Bank. The NRC and BNRC have recommended the same to the respective Boards for consideration.</p> <p>The Board has agreed to seek shareholders' approval at the forthcoming 50th AGM on the Directors' remuneration of the Group in three (3) separate resolutions as follows:</p> <ul style="list-style-type: none">• Ordinary Resolution 2 - on payment of Directors' fees in respect of the financial year ended 31 December 2019; a• Ordinary Resolution 3 - on the payment of Directors' fees payable to Directors for the period from January 2020 until the next AGM of the Company in 2021; and• Ordinary Resolution 4 – on the payment of benefits (excluding Director' fees) payable to Directors from the 50th AGM to the 51st AGM. <p><u>Directors' fees</u></p> <p>There was no change to the proposed Directors' fee structure as compared to financial year 2018. The proposed Directors' fees for MBSB and MBSB Bank for the financial year ended 31 December 2019 are as follows:</p>

	Director / Board Committee	Proposed Directors' Fees for FY2019 (RM)													
		Chairman	Member												
	Directors	140,000	100,000												
	AC / BAC	30,000	20,000												
	BICC (at MBSB Bank)	30,000	20,000												
	RMC / BRMCC	30,000	20,000												
	NRC / BNRC	25,000	15,000												
	Option Committee	-	-												
<p>Note:- Board Information Technology Oversight Committee ("BITC") was established in 2020 and will have the following fee structure:-</p> <p>i) Chairman: RM25,000</p> <p>ii) Member: RM15,000</p> <p>The details of the benefits payable to Directors are as follows:</p> <table border="1"> <tbody> <tr> <td>Board Meeting Allowance</td> <td>RM3,000.00 per meeting</td> </tr> <tr> <td>General Meeting Allowance</td> <td>RM3,000.00 per meeting</td> </tr> <tr> <td>Board Committee Meeting Allowance</td> <td>RM2,000.00 per meeting</td> </tr> <tr> <td>Any other meeting allowances (where the Directors are invited to attend)</td> <td>RM2,000.00 per meeting</td> </tr> <tr> <td>Chairman's Car allowance</td> <td>RM10,000.00 per month</td> </tr> <tr> <td>Other benefits</td> <td>medical coverage, travel, communication and other claimable benefits</td> </tr> </tbody> </table> <p><u>Group PCEO</u> The Group PCEO's remuneration package is structured so as to link to corporate and individual performance which comprises fixed and variable components, determined based on the Key Performance Indicators, as approved by the Board. The Group PCEO's performance bonus and employees' performance bonus in respect of financial year 2018 performance were reviewed by the NRC and the BNRC in February 2019, after which they were approved by the Boards.</p>				Board Meeting Allowance	RM3,000.00 per meeting	General Meeting Allowance	RM3,000.00 per meeting	Board Committee Meeting Allowance	RM2,000.00 per meeting	Any other meeting allowances (where the Directors are invited to attend)	RM2,000.00 per meeting	Chairman's Car allowance	RM10,000.00 per month	Other benefits	medical coverage, travel, communication and other claimable benefits
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Explanation for departure	:														
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>															

Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application	Applied																																																						
Explanation on application of the practice	<p>In line with best corporate governance practice, the disclosure of the Directors' remuneration on a named basis has been made in the Annual Audited Financial Statements over the years.</p> <p>The remuneration received by each of the directors in 2019 is set out in the tables below:</p> <p>MBSB:</p> <table border="1"> <thead> <tr> <th>Name of Director</th> <th>Directors' Fees (RM)</th> <th>Allowance (RM)</th> <th>Total (RM)</th> </tr> </thead> <tbody> <tr> <td>YBhg Tan Sri Abdul Halim bin Ali</td> <td>140,000</td> <td>73,000</td> <td>213,000</td> </tr> <tr> <td>Encik Lim Tian Huat</td> <td>175,000</td> <td>153,000</td> <td>328,000</td> </tr> <tr> <td>Ir. Moslim bin Othman</td> <td>165,000</td> <td>145,000</td> <td>310,000</td> </tr> <tr> <td>Puan Lynette Yeow Su-Yin</td> <td>155,000</td> <td>145,000</td> <td>300,000</td> </tr> <tr> <td>Puan Zaidatul Mazwin binti Idrus* (Appointed on 14 October 2019)</td> <td>25,000</td> <td>9,000</td> <td>34,000</td> </tr> <tr> <td>Total</td> <td>660,000</td> <td>525,000</td> <td>1,185,000</td> </tr> </tbody> </table> <p><i>*50% of the directors' fees is paid to the organisation to whom the director represents</i></p> <p>MBSB Bank</p> <table border="1"> <thead> <tr> <th>Name of Director</th> <th>Directors' Fees (RM)</th> <th>Allowance (RM)</th> <th>Total (RM)</th> </tr> </thead> <tbody> <tr> <td>YBhg Tan Sri Abdul Halim bin Ali</td> <td>140,000</td> <td>120,000[^] + 67,000 [^]car allowance</td> <td>327,000</td> </tr> <tr> <td>Datuk Azrulnizam bin Abdul Aziz</td> <td>120,000</td> <td>105,000</td> <td>225,000</td> </tr> <tr> <td>Encik Aw Hong Boo</td> <td>165,000</td> <td>163,000</td> <td>328,000</td> </tr> <tr> <td>Datuk Johar bin Che Mat</td> <td>155,000</td> <td>129,000</td> <td>284,000</td> </tr> <tr> <td>Puan Lynette Yeow Su-Yin</td> <td>135,000</td> <td>133,000</td> <td>268,000</td> </tr> </tbody> </table>			Name of Director	Directors' Fees (RM)	Allowance (RM)	Total (RM)	YBhg Tan Sri Abdul Halim bin Ali	140,000	73,000	213,000	Encik Lim Tian Huat	175,000	153,000	328,000	Ir. Moslim bin Othman	165,000	145,000	310,000	Puan Lynette Yeow Su-Yin	155,000	145,000	300,000	Puan Zaidatul Mazwin binti Idrus* (Appointed on 14 October 2019)	25,000	9,000	34,000	Total	660,000	525,000	1,185,000	Name of Director	Directors' Fees (RM)	Allowance (RM)	Total (RM)	YBhg Tan Sri Abdul Halim bin Ali	140,000	120,000 [^] + 67,000 [^] car allowance	327,000	Datuk Azrulnizam bin Abdul Aziz	120,000	105,000	225,000	Encik Aw Hong Boo	165,000	163,000	328,000	Datuk Johar bin Che Mat	155,000	129,000	284,000	Puan Lynette Yeow Su-Yin	135,000	133,000	268,000
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	Encik Sazaliza Bin Zainuddin*	120,000	98,000	218,000
	Dr. Tunku Alina binti Raja Muhd Alias	140,000	132,000	272,000
	Dr. Loh Leong Hua	150,000	135,000	285,000
	Encik Kamarulzaman bin Ahmad <i>(Appointed on 1 October 2019)</i>	30,000	20,000	50,000
	Total	1,155,000	1,102,000	2,257,000
	<p><i>*50% of the directors' fees is paid to the organisation to whom the director represents</i></p> <p>The detailed disclosure of remuneration breakdown for MBSB Group's Directors is set out in Note 39 of the Audited Financial Statements for the financial year ended 31 December 2019.</p>			
Explanation for departure :				
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>				
Measure :				
Timeframe :				

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application	:	Departure												
Explanation on application of the practice	:													
Explanation for departure	:	<p>The Board is of the opinion that the remuneration of employees (including senior management) are strictly confidential and disclosure of remuneration would encourage internal comparison and affect the employees' morale. In addition, disclosure of senior management's remuneration may give rise of the possibility of poaching by other competitors, given the highly competitive conditions in the banking industry.</p> <p>As an alternative to the recommended practice, the Board has opted to disclose the aggregate remuneration for the top 5 senior management as follows:</p> <table border="1"> <thead> <tr> <th>Total value of remuneration for FY2019</th> <th>RM</th> </tr> </thead> <tbody> <tr> <td>Fixed Remuneration</td> <td></td> </tr> <tr> <td>- Cash-Based</td> <td>5,424,000 (Top 5 headcount)</td> </tr> <tr> <td>Variable remuneration</td> <td></td> </tr> <tr> <td>- Cash-Based</td> <td>5,584,724 (Top 5 headcount)</td> </tr> <tr> <td>- ESOS[^]</td> <td>Nil</td> </tr> </tbody> </table> <p>Definition: Senior management (including Group PCEO) comprises MBSB Bank Senior Officers in the category of C-Suites positions and the Company Secretary of MBSB Group.</p> <p>[^] Share value is based on statutory guidelines for taxable gains calculation.</p>	Total value of remuneration for FY2019	RM	Fixed Remuneration		- Cash-Based	5,424,000 (Top 5 headcount)	Variable remuneration		- Cash-Based	5,584,724 (Top 5 headcount)	- ESOS [^]	Nil
Total value of remuneration for FY2019	RM													
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- ESOS [^]	Nil													
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>														
Measure	:	The Board will closely monitor the developments in the market in respect of such disclosure for future consideration.												

Timeframe	:	Others	5 years
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Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>Both the AC and BAC are chaired by Independent Directors who possess the relevant qualifications and have extensive experience in accounting and finance.</p> <p>The AC is chaired by Encik Lim Tian Huat who is a Council Member of the Insolvency Practitioners Association of Malaysia, a Fellow of Association of Chartered Certified Accountants ("ACCA"), a member of the MIA and the Malaysian Institute of Certified Public Accountants ("MICPA"). Encik Lim Tian Huat is not the Chairman of the Board.</p> <p>The BAC is chaired by Encik Aw Hong Boo, a Fellow of Institute of Chartered Accountants in England & Wales ("ICAEW"), a member of the MIA and MICPA. Encik Aw Hong Boo is not the Chairman of the Board of MBSB Bank.</p> <p>The brief description of the background and experience of the Chairman of AC and BAC are disclosed in the Directors Profile section of the Annual Report 2019.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee’s findings and recommendations. The company’s financial statement is a reliable source of information.

Practice 8.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>None of the AC and BAC members were former key audit partner in the past 2 years.</p> <p>The Boards have adopted a stricter policy in the Board Charter which applies to the appointment of new Director as well. The Board Charter states that “any candidate/Director directly involved in the engagement and any partner of the external auditor firm must not serve or to be appointed as Director until at least 2 years after he ceases to be an officer and/or partner of that firm and the firm last served as an auditor of the Group.”</p> <p>The requirement to observe cooling off period of 2 years is also stated in the External Auditor Policy and Procedures.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application	:	Applied
Explanation on application of the practice	:	<p>The procedures to assess the suitability, objectivity and independence of the External Auditor have been established via the External Auditor Policy and Procedures, in line with BNM's External Auditor Policy and MCGG.</p> <p>The AC and the BAC are responsible to review and monitor the independence and objectivity of the external auditor annually. The External Auditor Policy is to provide guidance to the MBSB Group on the processes and procedures to review the independence of the External Auditors. The review encompasses an assessment of the qualifications and performance of the auditors, the quality and the auditor's communication with the AC and the BAC, the auditor's independence, objectivity and professional scepticism.</p> <p>The External Auditor appointed by the Group shall meet the qualification criteria as set out in the External Auditor Policy and Procedures particularly on the audit engagement team involved in making key decisions on significant matters. The AC and BAC shall also ensure that the provision of non-audit services by the External Auditor does not impair, either in fact or appearance, the auditor's objectivity, judgment or independence.</p> <p>The AC and BAC are satisfied with the performance of Messrs KPMG PLT, based on the quality of service and sufficiency of resources which they provided to the Group and MBSB Bank respectively. The performance of the external auditors is assessed on a yearly basis and the External Auditor is required to meet the criteria as set out in BNM Guidelines. The performance of Messrs. KPMG PLT was assessed on an annual basis and was submitted to BNM for approval for the proposed re-appointment of Messrs. KPMG PLT as External Auditors of MBSB and MBSB Bank. The re-appointment of Messrs KPMG PLT as External Auditors of MBSB and MBSB Bank, is subject to the regulator and shareholders' approval.</p> <p>The roles of the AC and BAC in relation to the internal and external auditor are described in the Report of the Audit Committee section of the Annual Report 2019.</p>

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

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The AC Members of MBSB comprise solely of Independent Directors, as follows:</p> <ul style="list-style-type: none">• Encik Lim Tian Huat (AC Chairman) – Independent Non-Executive Director• Ir. Moslim bin Othman – Independent Non-Executive Director (retired as AC member on 2 March 2020)• Puan Lynette Yeow Su-Yin – Independent Non-Executive Director.• Encik Mohamad Abdul Halim bin Ahmad – Independent Non-Executive Director (appointed as AC member on 2 March 2020)

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	: Applied								
Explanation on application of the practice	: The composition of the AC and BAC as at 31 December 2019 were as follows: <table border="1"><thead><tr><th>AC</th><th>BAC</th></tr></thead><tbody><tr><td>Encik Lim Tian Huat (Chairman) <i>(Senior Independent Non-Executive Director)</i></td><td>Encik Aw Hong Boo (Chairman) <i>(Senior Independent Non-Executive Director)</i></td></tr><tr><td>Ir Moslim Othman (Member) <i>(Independent Non-Executive Director)</i></td><td>Tunku Alina Raja Muhd Alias (Member) <i>(Non-Independent Non-Executive Director)</i></td></tr><tr><td>Puan Lynette Yeow Su-Yin (Member) <i>(Independent Non-Executive Director)</i></td><td>Dr Loh Leong Hua (Member) <i>(Independent Non-Executive Director)</i></td></tr></tbody></table> <p><i>Note:-</i> <i>Encik Mohamad Abdul Halim Ahmad, an Independent Non-Executive Director has been appointed as AC Member on 2 March 2020 to replace Ir Moslim Othman who retired on same date.</i></p> <p>All the AC and BAC members are financially literate, possess adequate knowledge and experience to understand and deliberate matters under the purview of the Audit Committee including the financial reporting process.</p> <p>Further information on the background and experience of the AC and BAC members are disclosed in the Directors Profile section of the Annual Report 2019.</p> <p>The AC and BAC members have attended various conferences and training programmes in 2019 to keep themselves abreast of relevant developments in accounting and auditing standards, practices and</p>	AC	BAC	Encik Lim Tian Huat (Chairman) <i>(Senior Independent Non-Executive Director)</i>	Encik Aw Hong Boo (Chairman) <i>(Senior Independent Non-Executive Director)</i>	Ir Moslim Othman (Member) <i>(Independent Non-Executive Director)</i>	Tunku Alina Raja Muhd Alias (Member) <i>(Non-Independent Non-Executive Director)</i>	Puan Lynette Yeow Su-Yin (Member) <i>(Independent Non-Executive Director)</i>	Dr Loh Leong Hua (Member) <i>(Independent Non-Executive Director)</i>
AC	BAC								
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	<p>rules. The particulars of the conferences and trainings are disclosed in the explanation on Practice 5.1.</p> <p>The NRC and BNRC have assessed the performance of the AC and BAC and its members through an annual Board Committee effectiveness evaluation. The NRC and BNRC as well as the Boards are satisfied with the overall effectiveness and performance of the AC and BAC. The AC and BAC members have carried out their duties in accordance with the TOR which is available on MBSB's website at https://www.mbsb.com.my/TOR AC.pdf.</p> <p>A summary of the work of the AC and BAC in discharging their functions and duties for the financial year 31 December 2019 is described in the Report of the Audit Committee section of the Annual Report 2019.</p>	
<p>Explanation for departure</p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	<p>:</p>	
<p>Timeframe</p>	<p>:</p>	

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Boards are fully aware of their overall responsibility and recognise the importance of maintaining a sound risk management and internal control system, including regular review of the adequacy, integrity and effectiveness of the system so as to safeguard shareholders' investments and the Group's assets.</p> <p>The Boards oversee the risk management and internal controls of the Group and endeavour to ensure that principal risks are identified, and appropriate internal controls and mitigation measures are being implemented.</p> <p>The Boards remain committed towards operating a sound risk management and internal control system and, therefore, recognises that the system must continuously evolve to support MBSB and MBSB Bank's businesses and operations in a dynamic business environment.</p> <p>The Group has in place a risk management framework, which is approved by the Board, for identifying, measuring, monitoring and reporting of significant risks as well as emerging risks faced by the Group in the achievement of the Group's business objectives and strategies considering changes in the business environment and regulatory requirements. The Group's risk management framework ensures that there is an effective ongoing process to identify, evaluate and manage risk across the Group. The outcome of this process is closely monitored and reported in a timely manner to the Boards for deliberation.</p> <p>The Boards regularly receive and review reports relating to the compliance status of the internal and regulatory requirements imposed on the Group. The Boards deliberate on any gaps and deficiencies reported and will direct Management to take all the necessary actions including remedial plans and follow-up actions to ensure that the gaps and deficiencies are addressed.</p> <p>The risk management and internal control framework is disclosed further in the Statement on Risk Management and Internal Control section of the Annual Report 2019.</p>

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

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company’s objectives is mitigated and managed.

Practice 9.2

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

Application	:	Applied	
Explanation on application of the practice	:	The details and features of MBSB’s risk management and internal control framework, and adequacy and effectiveness of the key risk management internal control processes are disclosed in the Statement on Risk Management and Internal Control section of the Annual Report 2019.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application	:	Adopted										
Explanation on adoption of the practice	:	<p>The RMC comprises wholly of Independent Directors while the BRMCC comprises a majority of Independent Directors. The composition of RMC and BRMCC as at 31 December 2019 were as follows:</p> <table border="1"><thead><tr><th>RMC</th><th>BRMCC</th></tr></thead><tbody><tr><td>Encik Lim Tian Huat (Chairman) <i>(Senior Independent Non-Executive Director)</i></td><td>Dr Loh Leong Hua (Chairman) <i>(Independent Non-Executive Director)</i></td></tr><tr><td>Ir Moslim Othman (Member) <i>(Independent Non-Executive Director)</i></td><td>Tunku Alina Raja Muhd Alias (Member) <i>(Non-Independent Non-Executive Director)</i></td></tr><tr><td>Puan Lynette Yeow Su-Yin (Member) <i>(Independent Non-Executive Director)</i></td><td>Encik Aw Hong Boo (Member) <i>(Senior Independent Non-Executive Director)</i></td></tr><tr><td>-</td><td>Encik Kamarulzaman bin Ahmad (Appointed as BRMCC member on 1 October 2019) <i>(Independent Non-Executive Director)</i></td></tr></tbody></table> <p><i>Note:- Encik Mohamad Abdul Halim Ahmad, an Independent Non-Executive Director has been appointed as RMC Member on 2 March 2020 to replace Puan Lynette Yeow Su-Yin who retired on same date.</i></p>	RMC	BRMCC	Encik Lim Tian Huat (Chairman) <i>(Senior Independent Non-Executive Director)</i>	Dr Loh Leong Hua (Chairman) <i>(Independent Non-Executive Director)</i>	Ir Moslim Othman (Member) <i>(Independent Non-Executive Director)</i>	Tunku Alina Raja Muhd Alias (Member) <i>(Non-Independent Non-Executive Director)</i>	Puan Lynette Yeow Su-Yin (Member) <i>(Independent Non-Executive Director)</i>	Encik Aw Hong Boo (Member) <i>(Senior Independent Non-Executive Director)</i>	-	Encik Kamarulzaman bin Ahmad (Appointed as BRMCC member on 1 October 2019) <i>(Independent Non-Executive Director)</i>
RMC	BRMCC											
Encik Lim Tian Huat (Chairman) <i>(Senior Independent Non-Executive Director)</i>	Dr Loh Leong Hua (Chairman) <i>(Independent Non-Executive Director)</i>											
Ir Moslim Othman (Member) <i>(Independent Non-Executive Director)</i>	Tunku Alina Raja Muhd Alias (Member) <i>(Non-Independent Non-Executive Director)</i>											
Puan Lynette Yeow Su-Yin (Member) <i>(Independent Non-Executive Director)</i>	Encik Aw Hong Boo (Member) <i>(Senior Independent Non-Executive Director)</i>											
-	Encik Kamarulzaman bin Ahmad (Appointed as BRMCC member on 1 October 2019) <i>(Independent Non-Executive Director)</i>											

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.1

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

Application	: Applied
Explanation on application of the practice	<p>The Boards have the overall responsibility in maintaining a sound system of internal controls to safeguard shareholders' investment and the Company's assets. The Boards have established an in-house internal audit function for MBSB and MBSB Bank who reports directly to the AC and BAC respectively and administratively to the Group PCEO.</p> <p>The AC and BAC through the Internal Audit Division ("IAD") reviews the effectiveness of the system of internal controls, risk management and governance of the Group based on risk-based audit plan. The review covers the financial, operational and compliance controls. In addition, IAD also provides consultancy services in relation to the review of policies and procedures.</p> <p>The IAD is independent of activities and processes to ensure that they are able to perform its duties in an objective manner. The IAD operates under an Audit Charter mandated by the AC and BAC that gives them unrestricted access to review all activities of the Group. The Audit Charter is required to be reviewed once every 2 years or as and when is necessary. The Audit Charter was last reviewed in January 2018.</p> <p>The IAD activities were carried out based on the Audit Plan 2019 as approved by the AC and BAC. The audit reports were reviewed by the AC and BAC. The respective management members are responsible to ensure that corrective actions were taken on the reported weaknesses within a set timeframe. The IAD will carry out follow up audits and the same will be reported to the AC accordingly.</p> <p>The AC and BAC had during the year reviewed the TOR and had recommended changes to the Board. The TOR of AC is available at https://www.mbsb.com.my/TOR_AC.pdf.</p> <p>The IAD personnel constantly keep themselves abreast with development in the relevant industry and regulations through attendance at Conference and trainings. The certifications obtained by IAD personnel is summarised below: -</p>

	Certification	No. of Staff
	Associate Qualification in Islamic Finance (AQIF)	6
	Intermediate Qualification in Islamic Finance (IQIF)	1
	Fundamental Certificate in Islamic Banking (FCIB)	4
	Shariah Audit Certificate	6
	Masters in in Islamic Finance Practice (INCEIF)	2
	Professional Certificate in Islamic Finance (INCEIF)	1
	Certified Lead Auditor (ISO27001)	1
	Certified Credit Professional (Business)	1
	Certified Credit Professional Islamic (Business)	1
	Certificate of SAP Material Management (Procurement)	1
	Certificate Professional in Requirements Engineering (CPRE)	1
	HUAWEI Certified Datacom Associate (HCDA)	1
	Certified Bank Auditor (CBA)	13
	Certified Information System Auditor (CISA)	1
	ICA International Advanced Certificate in Anti Money Laundering	2
	<p>The appointment, remuneration, performance, appraisal, transfer and dismissal of Chief Internal Auditor must be decided by the AC and BAC.</p> <p>Further information on the IAD and the activities conducted during the year is disclosed in the Report of the Audit Committee section of the Annual Report 2019.</p>	
Explanation for departure :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure :		
Timeframe :		

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	<p>The IAD is independent from the business and undertakes activities as disclosed in the Report of the Audit Committee section of the Annual Report 2019.</p> <p>The IAD is headed by the Group Chief Internal Auditor (“GCI A”), Cik Aniza binti Zakaria. She is an Associate Member of The Institute of Internal Auditors Malaysia (“IIAM”), Senior Associate Member of Chartered Institute of Islamic Finance Professionals and Associate of Asian Institute of Chartered Bankers. She has acquired over 20 years of industry experience from various banking institutions in Malaysia. A summary of her profile and background is disclosed in the Annual Report 2019.</p> <p>IAD personnel do not have any authority or responsibility for the activities they audit. They are required to report to the GCI A on any situation in which a conflict of interest or bias is present or may reasonably be inferred. Assignments are allocated so that potential and actual conflicts and bias are avoided.</p> <p>The IAD adopts the International Professional Practice Framework issued by the Institute of Internal Auditors (“IIA”) and is guided by the Internal Audit Charter, Internal Audit Manual and the AC’s TOR. The Internal Audit Manual documents audit processes, methodology, roles, duties and responsibilities of internal auditors.</p> <p>The IAD has provided the AC and BAC reports highlighting the observations, recommendations and management action plans to improve the system of internal controls. The AC and BAC, on behalf of the Board, regularly review and deliberates on internal control issues identified in reports prepared by the internal auditors and the related actions taken by Senior Management.</p> <p>A brief statement on the Internal Audit Function and its key activities for the year are disclosed in the Report of the Audit Committee section of the Annual Report 2019.</p>

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

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the importance of communication and proper dissemination of information to its shareholders, investors and all other stakeholders including the general public. The Directors ensure that the Group keeps the shareholders informed via announcements and timely release of quarterly financial reports, press releases, annual reports and circulars to shareholders.</p> <p>The quarterly financial results are announced via Bursa LINK after the Board's approval. This is important in ensuring equal and fair access to information is provided to the investing public, so that they can make informed decisions.</p> <p>As part of the Group's initiatives, the Group PCEO together with the Chief Financial Officer and Chief Corporate Officer conduct discussions, dialogues and briefings with fund managers, financial analyst and media, as and when necessary and/or after the Group's quarterly financial results are released to Bursa Malaysia. This is to promote better understanding of the Group's financial performance, operations and other matters affecting shareholders' interest.</p> <p>MBSB's website provides updated information on the corporate and business aspect of the Group. Press releases, announcements to Bursa Malaysia, analysts' briefings presentation slides and quarterly results of the group are also made available on the website and this helps to promote accessibility of information to the company's shareholders and all other market participants. All details of the Corporate events carried out by the Company are also available on MBSB's website.</p> <p>A Corporate Disclosure Policy has set out the policies and procedures for disclosure of all material information to be released to the public. Clear roles and responsibilities of the Directors, Management and employees are provided in the Corporate Disclosure Policy and the designated spokesperson responsible to communicate with all audience of the material information/announcement to internal and external stakeholders had been identified.</p>

	<p>The Board, Management and employees of the Group are required to observe this Corporate Disclosure policy. The Group is mindful and will ensure timely disclosure of material information in accordance with the Bursa Malaysia's and other applicable legislation.</p> <p>The compilation of stakeholders' engagements, together with the summary of concerns or interests are disclosed in the 2019 Sustainability Report.</p> <p>Stakeholders are welcomed and encouraged to reach out to us via email at enquiry@mbsbbank.com if they have any inquiries.</p>	
Explanation for departure :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure :		
Timeframe :		

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.2

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

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>MBSB has not fully adopted the integrated reporting based on globally recognised framework. However, MBSB has appointed a consultant to carry out a current state assessment against the International Integrated Reporting Council ("IIRC")'s International <IR> Framework to identify areas for improvement and assist MBSB in developing an integrated reporting roadmap.</p> <p>For this year, MBSB has performed a thorough materiality assessment to identify and prioritise material matters affecting MBSB's ability to create value for stakeholders. MBSB has included certain elements of the International <IR> Framework in the 2019 Sustainability Report such as MBSB's value creation model and comprehensive discussions on the material matters while making cross reference of information between the Annual Report 2019 and Sustainability Report.</p> <p>We will continuously improve our annual reporting on our journey towards effective adoption of the International <IR> Framework.</p> <p>Notwithstanding the departure, the information disclosed in the 2019 Sustainability Report is comprehensive and provides a holistic view of MBSB Group's operations and commitments, enabling stakeholders to understand the business of MBSB Group, its policies on governance and management approach on the material matters including key initiatives and performance for the year.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	MBSB is in the process of planning and laying out the foundation for integrated reporting.
Timeframe	:	Within 3 years

Intended Outcome

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

Practice 12.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Notice of AGM and Annual Report 2018 was despatched to the shareholders on 30 April 2019. The AGM was held on 11 June 2019. The requirement for at least 28 days' notice is fulfilled in adherence to the MCCG 2017.</p> <p>In addition, MBSB also distributes an Administrative Guide together with the notice of the AGM, which provides information to the shareholders regarding the details of the AGM, their entitlement to attend the AGM and their right to appoint a proxy.</p> <p>The notes in the Notice provide detailed explanations on each resolution proposed to enable shareholders to make informed decisions in exercising their voting rights.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 12.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The AGM of MBSB is the primary forum for dialogue and interaction with its shareholders.</p> <p>All shareholders have direct access to the Board members at the AGM. All four (4) Directors were present at the last AGM which was held on 11 June 2019 to respond to the shareholders' queries. Puan Zaidatul Mazwin binti Idrus was only appointed after the AGM on 14 October 2019.</p> <p>In addition, the senior management, external auditors and other advisors were present at the AGM to provide answers and clarifications to shareholders.</p> <p>During the 49th AGM, the Group PCEO presented the Group's financial performance to the shareholders before proceeding with the business of the meeting. The Group PCEO also shared the responses to questions submitted in advance of the AGM by the Minority Shareholder Watchdog Group.</p> <p>During the meeting, the Chairman invited the shareholders to raise questions pertaining to MBSB's financial statements, proposed resolutions and other items during the Questions and Answers session before putting a resolution to vote.</p> <p>The queries from the shareholders and/or appointed proxies were being responded meaningfully and sufficiently by the Directors, Group PCEO and External Auditors at the last AGM. Officers of MBSB were also present to handle other face to-face enquiries from shareholders.</p> <p>There was no question directed to the Chair of the AC, NRC and RMC by the shareholders at the last AGM.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The voting in absentia and remote shareholders' participation at general meeting were not adopted in 2019 as the number of vendors who has the expertise and infrastructure to provide the technology for voting in absentia and remote participation by shareholders was limited in the market in 2019.</p> <p>MBSB had explored with the Share Registrar in 2019 to facilitate the voting in absentia and remote participation by the shareholders.</p>
		Please provide an alternative practice and explain how the alternative practice meets the intended outcome.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	<p>MBSB will be conducting fully virtual Annual General Meeting in June 2020 in line with the Guideline and FAQ on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 18 April 2020 as a measure to curb the spread of the Coronavirus Disease ("Covid-19") infection in Malaysia.</p> <p>The fully virtual AGM will be conducted using the Remote Participation and Voting ("RPV") facilities to be provided by the Share Registrar. The Shareholders may exercise their right to attend, participate (including pose questions to the Board/Management of the Company) and vote at the 50th AGM remotely by using the RPV facilities.</p>
Timeframe	:	Within 1 year

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

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

BOARD OF DIRECTORS OF MBSB

Explanation on application of the practice:

The key personal and detail background of the Directors are disclosed in the Annual Report 2019 and are available on MBSB's website at www.mbsb.com.my

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

The records of attendance at Board Meeting held in the financial year ended 31 December 2019 are as follows:

#	Member	Attendance	Percentage
1	Tan Sri Abdul Halim bin Ali <i>Chairman / Non-Independent Non-Executive Director</i>	22/22	100%
2	Encik Lim Tian Huat <i>Senior Independent Non-Executive Director</i>	22/22	100%
3	Ir. Moslim bin Othman <i>Independent Non-Executive Director</i>	22/22	100%
4	Puan Lynette Yeow Su-Yin <i>Independent Non-Executive Director</i>	22/22	100%
5	<i>Puan Zaidatul Mazwin binti Idrus Non-Independent Executive Director (appointed on 14 October 2019)</i>	3/4	75%

Board Committee

(i) **Audit Committee**

The principal function of the AC is to assist the Board in fulfilling its fiduciary responsibilities particularly in the areas of accounting and management controls and financial reporting and to ensure financial statements comply with applicable financial reporting standards; to reinforce the independence and objectivity of the IAD; to provide the focal point for communication between external auditors, internal auditors, risk managers, Directors and the Management on matters in connection with accounting, reporting, risks and controls and providing a forum for discussion independent of the Management; and to undertake additional duties as may be deemed appropriate and necessary to assist the Board.

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

#	Member	Attendance	Percentage
1	Encik Lim Tian Huat (AC Chairman) <i>Senior Independent Non-Executive Director</i>	16/16	100%
2	Ir. Moslim bin Othman (Member) <i>Independent Non-Executive Director</i>	16/16	100%
3	Puan Lynette Yeow Su-Yin (Member) <i>Independent Non-Executive Director</i>	16/16	100%

(ii) Risk Management Committee

The primary objectives of RMC are to assist the Board with the risk oversight within the Group which includes reviewing the risk management policies, risk exposure and limits as well as ensuring that all risks are well managed within the Group's risk appetite by providing adequate infrastructure and resources in place to support the risk management activities.

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

#	Member	Attendance	Percentage
1	Encik Lim Tian Huat (Chairman) <i>Senior Independent Non-Executive Director</i>	12/12	100%
2	Ir. Moslim bin Othman (Appointed as RMC Member on 6 February 2019) <i>Independent Non-Executive Director</i>	12/12	100%
3	Puan Lynette Yeow Su-Yin (Appointed as RMC Member on 6 February 2019) <i>Independent Non-Executive Director</i>	12/12	100%

(iii) Nominating and Remuneration Committee

The primary responsibilities of the NRC are to assist the Board of Directors to maintain a formal and transparent procedure for the appointment of directors, Board assessment, policy setting on directors' remuneration and to determine an appropriate remuneration packages for all directors. The NRC is also responsible to review, appoint, remove and determine the remuneration package for the Group PCEO, key senior management with the "C" Suites position, Company Secretary and also members of the Shariah Advisory Committee. In addition, the NRC also reviews the remuneration framework for the Group.

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

#	Member	Attendance	Percentage
1	Ir. Moslim bin Othman (Chairman) <i>Independent Non-Executive Director</i>	10/10	100%
2	Encik Lim Tian Huat (Member) <i>Senior Independent Non-Executive Director</i>	10/10	100%
3	Puan Lynette Yeow Su-Yin (Member) <i>Independent Non-Executive Director</i>	10/10	100%

(iv) Option Committee

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

#	Member	Attendance	Percentage
1	Puan Lynette Yeow Su-Yin (Chairman) <i>Independent Non-Executive Director</i>	There was no Option Committee meeting held during the financial year 2019.	
2	Encik Lim Tian Huat (Member) <i>Senior Independent Non-Executive Director</i>		
3	Ir. Moslim bin Othman (Member) <i>Independent Non-Executive Director</i>		

Board Training

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

Tan Sri Abdul Halim bin Ali		Organiser
1.	The Islamic Finance for Board of Directors Programme (ISRA)	ISRA Consultancy Sdn. Bhd.
2.	Rethinking Strategy	FIDE Forum
3.	Launch of the SC's Corporate Governance Monitor 2019	SC
4.	MyFintech Week 2019	BNM
5.	SAC, BOARD & MANCO Session 2019	MBSB Bank Berhad
6.	Climate Change Risk and Opportunities: Respond, Not react	BNM
7.	Session on Corporate Governance & Anti-Corruption	Bursa Malaysia

Encik Lim Tian Huat		Organiser
1.	FIDE – Module A & B	ICLIF
2.	MIA Conference 2019	MIA
3.	MFRS 17: Overview and Implementation	MIA
4.	Audit Oversight Board Conversation with Audit Committees	SC

Ir. Moslim bin Othman		Organiser
1.	"Breakfast talk" Digital Ethics and Sustainability in A New Economy of Privacy	Business Council for Sustainability & Responsibility Malaysia ("BCSDM")
2.	Ring the Bell for Gender Equality 2019	Bursa Malaysia
3.	BEE Thought Leadership Launch Event	KPMG
4.	Addressing Climate Change Through Capital Markets	SC
5.	Bursa Malaysia Diversity Xperience	Bursa Malaysia
6.	International Directors Summit 2019	Institute of Corporate Directors Malaysia ("ICDM")
7.	Session on Corporate Governance & Anti-Corruption	Bursa Malaysia

Puan Lynette Yeow Su-Yin		Organiser
1.	FIDE FORUM Dinner Talk – Digital Assets: Global Trends, Legal Requirements and Opportunities for Financial Institutions	FIDE Forum
2.	BNM-FIDE FORUM Dialogue with the Deputy Governor on the Draft Risk Management in Technology Policy	FIDE Forum
3.	2nd Distinguished Board Leadership Series: Rethinking Strategy	FIDE Forum
4.	BNM-FIDE FORUM Masterclass on Cybersecurity	FIDE Forum
5.	MyFintech Week 2019	BNM
6.	Bursa Malaysia Sustainability Advocacy Programme	Bursa Malaysia
7.	Value Based Intermediation: Directors Role	FIDE Forum
8.	SAC, BOARD & MANCO Session 2019	MBSB Bank Berhad
9.	Raising Defences – Section 17A, MACC Act	ICLIF

Puan Zaidatul Mazwin binti Idrus		Organiser
1.	Mandatory Accreditation Programme (“MAP”)	ICLIF (MAP)

INTERNAL FRAMEWORK

Explanation on application of the practice:

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

The details of features of MBSB’s risk management and internal control framework, and adequacy and effectiveness of the key risk management internal control processes are disclosed in the Statement on Risk Management and Internal Control section of the Annual Report 2019.

REMUNERATION

Explanation on application of the practice:

The Board has established a Directors Remuneration Framework which is tailored to support the strategies and long-term vision of the Company as well as provide adequate motivational incentive for directors to pursue long-term growth and success of the Company. The NRC is responsible to review the Directors’ remuneration on an annual basis prior to making its recommendations to the Board for approval. The revision to the Directors Remuneration Framework was approved by the Board in January 2019.

The NRC is responsible to ensure that the Director’s remuneration is competitive and align with the industry benchmark. The level of remuneration for the Directors shall be determined and recommended by the NRC to the Board after giving due consideration all relevant factors including the Directors fiduciary duties, time commitments expected of the Directors, Company’s performance, market conditions as well as the compensation level for comparable positions among other similar Malaysian public listed companies and similar sized financial institutions.

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

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

In line with best corporate governance practice, the disclosure of the Directors' remuneration on a named basis has been made in the Annual Audited Financial Statements over the years. The details of the proposed Directors' fees structure and benefits payable to the Directors are as follows:

MBSB:

Name of Director	Directors' Fees (RM)	Allowance (RM)	Total (RM)
YBhg Tan Sri Abdul Halim bin Ali	140,000	73,000	213,000
Encik Lim Tian Huat	175,000	153,000	328,000
Ir. Moslim bin Othman	165,000	145,000	310,000
Puan Lynette Yeow Su-Yin	155,000	145,000	300,000
Puan Zaidatul Mazwin binti Idrus* (Appointed on 14 October 2019)	25,000	9,000	34,000
Total	660,000	525,000	1,185,000

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

MBSB Bank:

Name of Director	Directors' Fees (RM)	Allowance (RM)	Total (RM)
YBhg Tan Sri Abdul Halim bin Ali	140,000	120,000 [^] + 67,000 <i>^car allowance</i>	327,000
Datuk Azrulnizam bin Abdul Aziz	120,000	105,000	225,000
Encik Aw Hong Boo	165,000	163,000	328,000
Datuk Johar bin Che Mat	155,000	129,000	284,000
Puan Lynette Yeow Su-Yin	135,000	133,000	268,000
Encik Sazaliza Bin Zainuddin*	120,000	98,000	218,000
Dr. Tunku Alina binti Raja Muhd Alias	140,000	132,000	272,000
Dr. Loh Leong Hua	150,000	135,000	285,000
Encik Kamarulzaman bin Ahmad (Appointed on 1 October 2019)	30,000	20,000	50,000
Total	1,155,000	1,102,000	2,257,000

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

In 2019, MBSB and MBSB Bank have also engaged with the external consultant; KPMG Management & Risk Consulting Sdn Bhd, to review the remuneration structure. The Boards of both MBSB and MBSB Bank took note of the recommendations by the Consultants on the remuneration gap. The Boards decided not to recommend any increase in the fee structure for Directors in view of the economic challenges which could be affected by the external factors.

The remuneration packages of the Group PCEO, the “C” Suites and the Company Secretary of MBSB Group will be reviewed by the NRC and BNRC and the same will be recommended to the Boards for decision. The remuneration of the Group PCEO, the “C” Suites and the Company Secretary are based on their achievement of strategic initiatives established and approved by the Boards.

The remuneration package for the SAC is reviewed by BNRC.

Remuneration Framework of MBSB Bank

MBSB Bank’s Remuneration Policy sets out the steps involved in setting and assessing performance of employees through MBSB Bank’s performance as a whole and how it ties with the remuneration paid. The Remuneration Policy - designed based on comparison against other financial institution’s practices and BNM’s Corporate Governance Policy and Procedures - also sets out the requirements and standards in ensuring performance excellence and governing remuneration for all employees as part of MBSB Bank’s effort in ensuring proper governance exercise.

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

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

1. PCEO
2. Senior management which is composed of MBSB Bank’s Senior Officers as defined under MBSB Bank’s Fit and Proper Requirements Policies & Procedures.
3. MBSB Bank employees who are identified as “other material risk takers” (“OMRT”) which refers to an officer who is not a member of senior management and who can materially commit or control significant amounts of MBSB Bank’s resources or whose actions are likely to have a significant impact on its risk profile. The list of OMRT must be maintained and reviewed regularly by MBSB Bank.
4. All other employees of MBSB Bank.

However, for all non-executive employees who are governed by the Union, they shall follow the terms and conditions as stipulated in the Collective Agreement (“CA”).

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

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

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

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

This approach is also in line with BNM’s Corporate Governance Policy where Remuneration Payout schedule must reflect the time horizon of risks and take into account the potential for financial risks to crystalize over a longer period of time.

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

The total value of remuneration awards for the period ended 31 December 2019 for Senior Management including the Group PCEO and the Other Material Risk Takers are being reviewed on annual basis and deliberated at the BNRC and Board for approval.

Total value of remuneration awards for the financial year 2019	RM’000			
	Senior Management		Other Material Risk Takers (OMRT)	
	Unrestricted	Deferred	Unrestricted	Deferred
Fixed Remuneration				
• Cash-Based	8,316 (10 headcounts)	-	11,501 (54 headcounts)	-
• Shares and share-linked instruments	-	-	-	-
• Other	-	-	-	-
Variable remuneration				
• Cash-Based	10,319 (10 headcounts)	-	8,987 (54 headcounts)	-
• Shares and share-linked instruments	-	-	-	-
• Other	-	-	-	-
Definition	Senior Management (including Group PCEO) are defined as MBSB Bank Senior Officers in category of the ‘C-Suites’ positions and the Company Secretary of MBSB Group.		OMRTs are defined as employees who can materially commit or control significant amounts of the financial institution’s resources or whose actions are likely to have a significant impact on its risk profile or those among the most highly remunerated officers.	

The breakdown of the total amount of remuneration awarded to the Group PCEO for the financial year 2019 is as follows:

	RM'000	
Total value of remuneration awards for the financial year 2019	Unrestricted	Deferred
Fixed Remuneration		
• Cash-Based	1,620	-
• Shares and share-linked instruments	-	-
• Other	-	-
Variable remuneration		
• Cash-Based	3,354	-
• Shares and share-linked instruments	-	-
• Other	-	-
Total remuneration for FY2019	4,974	

Additional remuneration data disclosure

The following is the mean and median employees remuneration of MBSB Group for financial year 2019:-

Remuneration data disclosure (Annual pay)	Employee
Mean pay (RM)	129,234
Median pay (RM)	80,444
Lowest total pay (RM)	27,152
Highest total pay (RM)	4,974,000

