

BANKING ON TECHNOLOGY



MALAYSIA BUILDING SOCIETY BERHAD
Registration No. 197001000172 (941746)
A Subsidiary of the EPF

SUSTAINABILITY REPORT 2019



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About this Report

INTRODUCTION

Malaysia Building Society Berhad (“MBSB”) is proud to present its 2019 Sustainability Report, which marks its fourth year of annual reporting on its sustainability progress and performance. In our efforts to enhance our corporate reporting, we have started to prepare and lay the foundations and fundamental concepts of integrated reporting this year.

Our Reporting Suite

MBSB has developed a suite of reports to meet the evolving needs and concerns of stakeholders. This Sustainability Report complements the 2019 Annual Report which provides more information relating to corporate governance, risk and financial performance as a group. Our reports are available at www.mbsb.com.my.

Scope and Boundary

In line with the GRI Standards on boundary setting, this report covers only the core business activities of MBSB which is represented by MBSB Bank Berhad (“the Bank” or “MBSB Bank”), unless otherwise specified. The report boundaries of each material matters are further disclosed in their respective sections. This report covers the period from 1 January 2019 to 31 December 2019. We present comparative information on quantitative data for three years, where information is available.

Reporting Frameworks

This report has been developed based on recognised sustainability reporting frameworks to allow for a balanced reporting, as follows :

- Bursa Sustainability Reporting Guidelines
- Global Reporting Initiatives (“GRI”) Standards: Core Option

- FTSE4Good Bursa Malaysia (“F4GBM”)
- United Nations Sustainable Development Goals (“UN SDGs”)

The content index for F4GBM and GRI is presented on pages 70 to 79.

Assurance








The senior management of MBSB has put in their collective minds in preparing this report. This report is reviewed and approved by the Board of Directors. This year, we have obtained independent third-party limited assurance on selected information. The independent limited assurance report is presented on pages 80 to 82 of this report.

Feedback

We aspire to continuously evolve and improve our reporting and we welcome your feedback on this report at enquiry@mbsb.com.

Navigation icons

Our Sustainability Pursuits

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

Our Stakeholders

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

Navigation Icons



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



This icon directs to the Bank's website for further details.

Forward-Looking Statements

This Sustainability Report may contain forward-looking statements. Forward-looking statements are identified by their use of a date in the future or words such as “will”, “anticipates”, “aims”, “could”, “may”, “should”, “expects”, “believes”, “intends”, “plans” or “targets”. Despite management’s effort to realise these commitments, these forward-looking statements are based on assumptions which may be subject to risks and uncertainties influenced by factors beyond management’s control, including but are not limited to: future trends, economic conditions, overnight policy rate, pandemic such as COVID-19 and change in regulations. No assurance can be given that forward-looking statements will be correct and undue reliance should not be placed on such statements.

2019'S ACHIEVEMENTS

02

Creating a Fair, Safe and Inclusive Workplace



100%

of employees have been communicated on the Bank's anti-money laundering policies and procedures



1.6%

gross non-performing financing ratio for retail financing reflecting the effectiveness of our responsible lending management



287

new employees hired



80,002

total training hours



40%

women representation at MBSB Board level, 22.2% at MBSB Bank Board Level

Innovating Value Through Technology



15

branches transformed to enhance customer experience



RM **1.4**_{bil}

value generated for key stakeholders



RM **157.7**_{mil}

total green financing approved



8.9%

percentage of budget used to upgrade and improve IT infrastructure

Customer Satisfaction Index Score improved from

78.3%

satisfaction in 2018 to

82.0%

in 2019



Operating Sustainably and Responsibly



RM **8.9mil**

in community investment



Invested

RM **643,480**

in education programmes for

9 adopted schools



5,513.2_{mWh}

total energy consumption



RM **5.9mil**

approved and accepted financing qualified for programs designed to promote small businesses and community developments



3,826.2

tCO₂e in carbon emissions (scope 2)



69,370_{m³}

total water consumption



15,842

reams of paper purchased

PCEO's Message

Dear Stakeholders,

It is my pleasure to present to you MBSB's Sustainability Report for 2019. This year, our priority remains for MBSB Bank to be your top progressive Islamic Bank. In doing so, we are focused on growing our core business through building capabilities to enable expansion and capture new business opportunities. We believe that it is important to prepare for a future driven by innovation and technology and to build scalable, digitally enabled business models that will provide the Bank with a competitive advantage to weather the challenging market environment ahead.

We operate in a competitive environment across Malaysia with significant operations that may have social and environmental impacts. As a bank, we acknowledge our responsibility and the roles we can play in shaping a better world for all. It is essential for everyone to have better understanding of the sustainability issues we face and be engaged in responding to them.

Critical to the sustainability of our business, I believe it is urgent to address all of you in relation to the novel coronavirus ("COVID-19") pandemic, which is already having a damaging effect on people's lives and the global economy. During this time of crisis, we have a responsibility to step up and support our customers, employees as well as the wider society in the face of adversity. For MBSB Bank, we concentrate our efforts on three key areas: serving our customers and society, caring for our employees and managing the economic impact on the Bank.

Firstly, we have established a multi-disciplinary pandemic team ("MDPT") to manage and mitigate the associated COVID-19 risks and to respond immediately

to any developing situation. In addition, six sub-committee working groups were also formed to take proactive measures in addressing critical issues (such as cash flow, capital, business, communication, operations and human resources) for the purpose of business continuity. We have also activated the Business Continuity Plan and emplaced critical operations departments to split their operations arrangements and to operate from separate locations. As at 30 April 2020, we have 24% of employees on Work From Office ("WFO") and 76% on Work From Home ("WFH"), which we believe is the minimal level to ensure that the Bank remains in operation and is capable to provide the essential banking services to our customers.

In addition to the Financial Relief Programme by BNM relating to the six-month moratorium for our individual and Small and Medium-sized Enterprise ("SME") customers, we have so far contributed RM1.6mil up to 30 April 2020 to support the front-liners, underprivileged communities, orphanages and university students in various forms such as purchase of personal protective equipment, purchase of respiratory equipment and medical supplies, as well as distribution of packed foods, face masks and hand sanitisers, among others.

We also wish to emphasise that our employees' and customers' safety and well-being is paramount, which is evident from the efforts undertaken such as allowing our employees on WFH arrangements, having a WFO guide, distribution of personal protective equipment, continuous disinfectant cleaning of Head Office and branch premises, as well as closure of 19 branches nationwide with low traffic volumes and/or in high risk areas during the Movement Control Order ("MCO") period. In addition, we have also cancelled all corporate open house, undertake online meetings including board meetings and will conduct remote AGM with remote participation and voting facilities. As the Bank is categorised as essential service under the MCO some of our employees were still required to work from office during the MCO period. On this note too, I wish to express my sincere gratitude and appreciation to our employees who are required to work

from office despite the rapid increase in the number of positive COVID-19 cases.

No doubt, this pandemic would have a certain impact on our economic performance in the short term and may affect the implementation of some of the initiatives in our business plans. Rest assured, MBSB Bank's position in terms of capital, liquidity and cash flow shall remain stable as the Bank has always taken precautionary measures to mitigate these vulnerabilities. We believe our actions in this challenging time would demonstrate our resiliency and build trust in the market. While our actions help to address the current concerns, MDPT is actively monitoring the situation and working to identify additional ways for further improvements.

In addition, concerns around the future of energy and the transition to a low-carbon economy have also continued to dominate this year's agenda. In supporting climate action, the Bank has fully embraced green financing as one of our drivers of business growth and we plan to expand our green financing portfolio. We will also seek to measure and report on the positive environmental impact of these green projects. Besides, the shifting demographics trends have presented a compelling business case for us to rethink and redesign our labor practices to accommodate a multigenerational and increasingly diverse workforce. We recognise the importance of diversity and our employee's well-being through our investment in training and education as well as various benefits to attract the best talents.

This report demonstrates how we manage our most material economic, environmental and social matters through our sustainability initiatives, with quantifiable impacts where available. Working closely with our partners, we will continue to do things the right way and we look forward to discovering new ways of meeting the needs of society together with you.

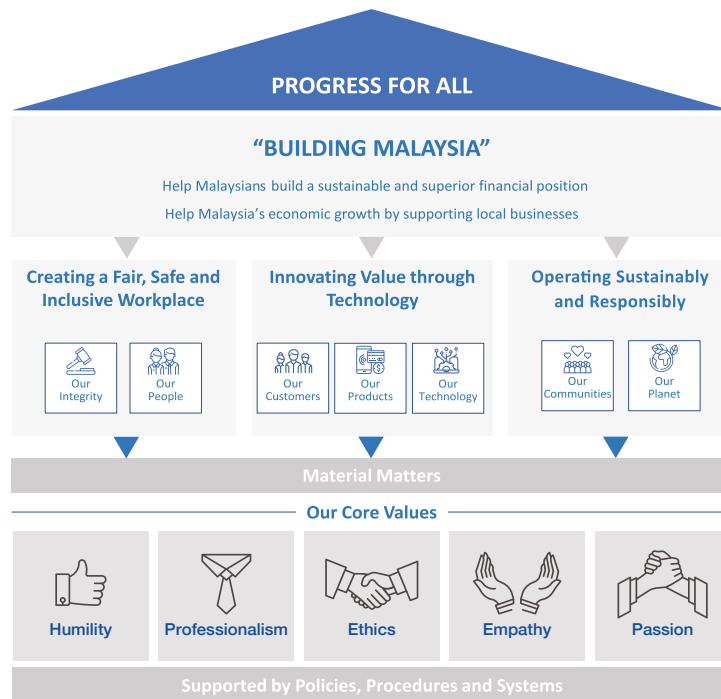
Note: Our initiatives disclosed in this PCEO message on COVID-19 are based on the MCO enacted by the Government of Malaysia up to 30 April 2020.

“Our pillars of sustainability will continue to guide us as we embark on the next phase of growth. We will continue to focus on “Banking on Technology” through digitalisation and innovation, while creating meaningful impact on the environment and society.”

**Datuk Seri Ahmad Zaini
bin Othman**

Group President and Chief
Executive Officer (PCEO)

Sustainability Strategy



Our long-term sustainability strategy remains consistent in ensuring that as we grow and progress as a business, our communities are progressing together with us.

Building Malaysia remains the key focus for our organisation as we strive to build financially resilient Malaysians and local businesses.

This year, we have refreshed our material matters which guides our sustainability pursuits to achieve the following three key objectives:

Our Objectives	Our Sustainability Pursuits	Our Material Matters	
Creating a Fair, Safe and Inclusive Workplace	<ul style="list-style-type: none"> Our Integrity Our People 	<ul style="list-style-type: none"> Business Ethics and Integrity Regulatory and Shariah Compliance Employment Training and Education 	<ul style="list-style-type: none"> Occupational Safety and Health Diversity and Equal Opportunity
Innovating Value through Technology	<ul style="list-style-type: none"> Our Customers Our Products Our Technology 	<ul style="list-style-type: none"> Market Presence Customer Experience and Satisfaction Customer Privacy 	<ul style="list-style-type: none"> Economic Performance Green Financing Innovation Cyber Security
Operating Sustainably and Responsibly	<ul style="list-style-type: none"> Our Communities Our Planet 	<ul style="list-style-type: none"> Financial Inclusion Responsible Lending 	<ul style="list-style-type: none"> Local Communities Direct Environmental Footprint

We believe that effective management of our material matters would help us achieve these objectives and create shared values for our key stakeholders. Further information on our material matters can be found in their respective sections.



Refer to pages 18-19 for further details on our materiality assessment.

Value Creation Model

As a progressive Islamic Bank, we uphold the principles of Shariah to create meaningful impacts and values for our stakeholders, consistent with the concept of Value-based Intermediation (“VBI”) introduced by Bank Negara Malaysia (“BNM”). Thus, we strive to create value not only for our shareholders but also for the wider society through our sustainability strategy.

To demonstrate the value we create for our stakeholders, we have developed our value creation model and included it in this report. Our value creation model depicts how the Bank’s business model transforms various capital inputs into the intended outputs and outcomes through our business activities.

In line with the International Integrated Reporting Council’s <IR> Framework, our value creation model is based on the theory of multiple capitals. We build and sustain value through the management of our six capitals efficiently and responsibly.

OUR SIX CAPITALS



Financial

Funds available for us to provide financing services and support our daily operations. This includes financial capital from debt, equity, grants, or money generated from our business operations or investments.



Manufactured

We have an established network of bank branches and touchpoints across Malaysia to provide exceptional services and accessibility to our key stakeholders.



Human

Our employees’ competencies, capabilities and experience coupled with our governance framework, risk management approach, and ethical values are critical to our long-term success.



Intellectual

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



Social and relationship

A positive and quality relationship with our key stakeholders such as regulators and customers is the foundation for our success.



Natural capital

We utilise natural resources such as water, energy and land for our daily operations. It is imperative for us to ensure sufficient natural resources to avoid disruption in our operations.

SUSTAINABILITY AT MBSB

OVERARCHING GOVERNANCE

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

Our Sustainability Steering Committee is chaired by our PCEO and consists of senior management across the organisation.

KEY INPUT

Resources used



- **RM6.9bil** share capital
- **RM35.9bil** deposits
- **RM5.4bil** borrowings
- **RM3.1bil** cash flows generated from operations



- **46** branches across Malaysia
- **Branch transformation** initiatives to improve look and feel of the branches
- **30** self-service terminals



- **1,888** employees
- **RM4.8mil** invested in employees' learning and development
- Competitive **benefits**



- Values, principles, standards, and norms of behaviour
- **Risk management** framework, systems, processes and policies
- **Internet banking** platform
- **RM13.3mil** in advertising and promotion
- **8.9%** budget used for IT infrastructure investment



- Continuous **stakeholder engagement**
- **RM8.9mil** contributed in total community investment
- **Responsible financing** policy
- **Data protection and privacy** policies



- **Green financing** initiatives
- Invested in **green building** as MBSB's new corporate headquarters
- **Energy efficiency** initiatives
- **Waste management** processes
- **Digitalisation** efforts and initiatives to reduce environmental footprint

BUSINESS ACTIVITIES

VISION

TO BECOME A TOP PROGRESSIVE ISLAMIC BANK

Shariah Foundation and Principles

Establish a Strong Financial Position

Offer Digital Banking/Innovative Product Solutions

Strategic Objectives

Provide Excellent Customer Service

Become an Employer of Choice

Technology as Enabler

Consumer Banking | Business Banking | Trade Financing

STRATEGY

Business Plan ("BP") 2018-2020

PHASE 1

Retain Existing and Grow

- Grow the core business
- Build-up critical capabilities
- Reorganise the operating model

PHASE 2

Empower the Business

- Target key customer segments and industries
- Introduce products to capture opportunities
- Build-up capabilities to enable expansion

PHASE 3

Penetrate New Markets

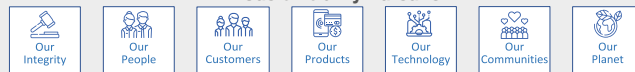
- Introduce ranges of new banking products and services
- Attain required capabilities to sustain a differentiated positioning

BP 2019 - Journey Towards Technology Transformation

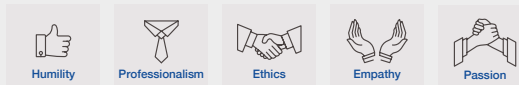
Supplements the foundation of BP 2018 -2020 which outlines the capabilities that are going to be built, strategy to drive the business and the key enablers or support that are needed to ensure proper completion of the 22 initiatives of BP 2018-2022

Sustainability Strategy: Building Malaysia

Sustainability Pursuits



CORE VALUES



Supported by Policies, Procedures and Systems

Our Shariah Advisory Committee (“SAC”) oversees the Bank’s compliance to our internal Shariah Governance Framework and to all regulatory Shariah standards and guidelines issued by Bank Negara Malaysia.

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

Our Board of Directors is diverse in skills, qualifications and experiences. As at 31 December 2019, 60.0% of MBSB Board and 66.7% of MBSB Bank Board are independent non-executive directors.

OUTPUT
Value Created

OUTCOME
Value Shared

MANAGING KEY RISKS

Cyber Risk

Risk of exposure or loss resulting from a cyber attack or data breach

Credit Risk

Risk of default on a debt that may arise from a borrower failing to make required payments

Fraud Risk

Risk of intentionally deceptive action that may result in unfavourable impacts to the Bank



- **RM3.0bil** revenue
- **RM716.9mil** profit after tax
- **28.4%** cost-to-income ratio



- **545** customer complaints received, of which **98%** have been resolved as at year end
- **RM7.5bil** in total approved financing supporting both retail, SME and corporate
- **Diversified portfolio** for business lines by specific region and size



- **287** new hires
- **40%** women representation at MBSB board level while 22.2% women representation on MBSB Bank board
- Diverse workforce with **57%** women employees
- **RM240.3mil** total wages and benefits expense



- Three new products and features
- **Zero** non-compliance fines and sanctions
- **RM234.2mil** in Advertising (Ad) Value
- **RM16.1mil** in PR Value
- **10%** increase in awareness on MBSB Bank from the 2019 Brand Audit



- Three substantiated complaints concerning breaches of customer privacy
- **RM5.9mil** approved and accepted financing qualified to programs designed to promote small businesses and community developments



- **RM157.7mil** of green financing approved in 2019 which aggregates to **RM472.2mil** in total green financing
- **5,513.2 mWh** in energy consumption
- **69,370 m³** in water consumption
- **3,826.2 tCO₂e** in carbon emissions (scope 2)
- **15,842 reams** of paper purchased



Board of Directors

- Transparent and accountable leadership
- Reliable management and systems



Shareholders

- **RM319.5mil** Dividend paid



Customers

- Achieved **82%** Customer Satisfaction Index Score
- Enhanced customer experience



Employees

- **10 years** average number in years of service
- **6.6%** employee turnover rate



Regulators

- Complied with regulations and standards
- Improved socio economic welfare



Media and Analysts

- Enhanced brand quality
- Increased transparency and information reliability



Government

- **RM301.5mil** total tax and zakat paid
- Contributed to national economy
- Positive impacts on society and environment



Society and NGOs

- Provided access to financing for lower income groups
- Improved financial literacy among our MBSB Bank Adopted School Programme students



Partners and Alliances

- Successful projects and partnerships
- More future collaboration opportunities

Supporting The UN SDGs

The UN SDGs call for actions to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. It represents a universal agreement on the economic, social and environmental priorities to be met by 2030.

Our approach to sustainability is to ensure our business is managed responsibly by considering the economic, environmental and social risks and opportunities. Our goals are in line with these aspirations.

We have identified the key UN SDGs in which the Bank may have an impact on, by mapping key performance indicators of our material matters to the UN SDG targets.

Out of the 17 UN SDGs, we have prioritised five goals to develop solutions that will address unmet needs and deliver value.

Sustainability Pursuits	Material Matters	Supported SDGs																	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
Our Integrity	Business Ethics and Integrity																	✓	✓
	Regulatory and Shariah Compliance												✓					✓	
Our People	Employment					✓			✓										
	Training and Education				✓	✓			✓										
	Occupational Safety and Health			✓					✓										
	Diversity and Equal Opportunity					✓			✓		✓								

Sustainability Pursuits	Material Matters	Supported SDGs																
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Our Customers	Market Presence							✓	✓									
	Customer Experience and Satisfaction							✓	✓		✓	✓						
	Customer Privacy																✓	
Our Products	Economic Performance							✓	✓					✓				
	Green Financing						✓						✓					
Our Technology	Innovation								✓		✓							
	Cyber Security								✓								✓	
Our Communities	Financial Inclusion							✓		✓	✓							✓
	Local Communities		✓		✓													
	Responsible Lending							✓			✓	✓						
Our Planet	Direct Environmental Footprint											✓	✓					

The top 5 SDGs that we will highlight this year with our commitment and impacts are:

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

During the year, we have financed several renewable energy projects as well as digital innovations that enhance financial access and improve job productivity.

These efforts are outlined in the rest of this section in support of the relevant SDGs.

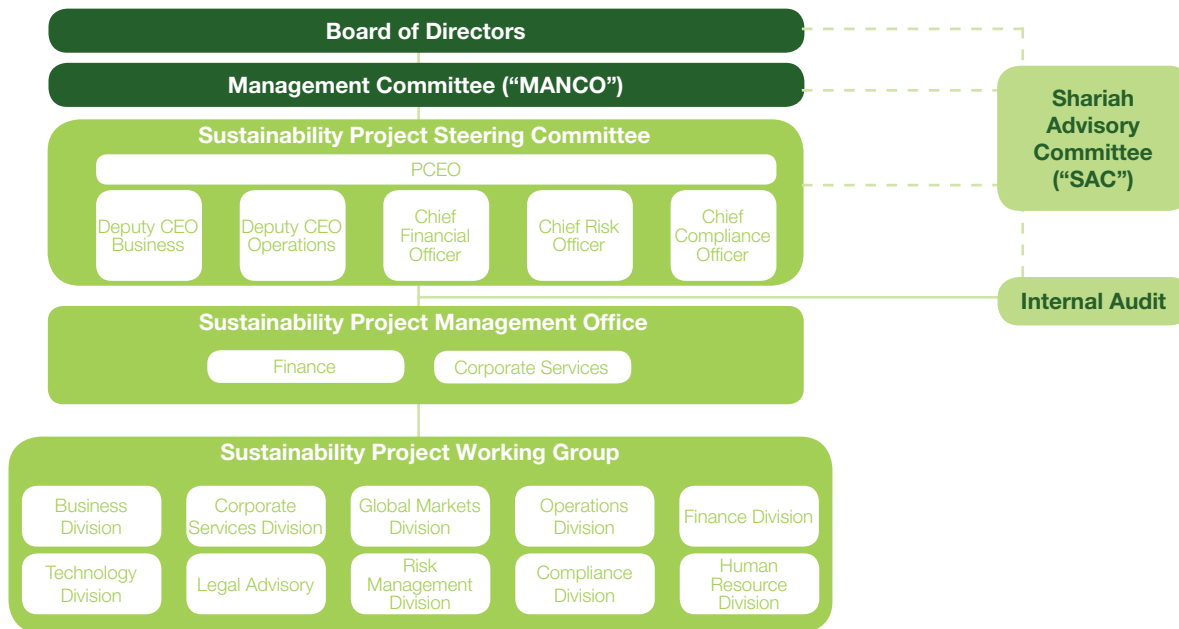
SUSTAINABILITY AT MBSB

12

SDGs	Context	Key Contributions
<p>Goal 4: Quality Education</p> 	<p>SDG 4 focuses on ensuring inclusive and equitable quality education and promote lifelong learning opportunities for all. Education plays a significant role in the development of a country and its people. A higher educated population leads to greater innovation, higher levels of productivity, and increased economic growth.</p> <p>In today's rapidly changing environment, it is not only important to provide access to education but also to ensure progress. MBSB Bank's role in contributing to this goal includes the professional development of our employees, graduate programmes and education-themed corporate social responsibility investments.</p>	<ul style="list-style-type: none"> Adopted 9 schools under the School Adoption Program  pg. 65 Invested RM4.8 mil in 80,002 hours of employee training and development programmes, exceeding BNM's Staff Training Expenditure ("STE") requirement  pg. 31
<p>Goal 8: Decent Work and Economic Growth</p> 	<p>SDG 8 focuses on promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. We believe that the key to the achievement of this goal is through higher productivity and technological innovation. The Bank contributes to this goal through creating job opportunities, investing in technological innovation and emphasising on equal opportunities and non-discrimination for all.</p> <p>We also practice responsible lending by ensuring that our consumers are only presented with goods that are acceptable on the basis of their needs and within their affordability.</p>	<ul style="list-style-type: none"> Improved job productivity by investing new technological capabilities as part of our digital transformation plan  pg. 54 Supported youth employability through Professional Training and Education for Growing Entrepreneurs ("PROTÉGÉ") programme  pg. 29 Implemented responsible lending practice  pg. 59
<p>Goal 11: Sustainable Cities and Communities</p> 	<p>SDG 11 focuses on making cities and human settlements inclusive, safe, resilient and sustainable. It is about ensuring access to adequate, safe and affordable housing and basic services for all, in addition to providing sustainable transport systems, improving road safety and expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and the elderly.</p> <p>The Bank contributes to SDG 11 by providing affordable housing financing schemes and ensuring accessibility of finance for all.</p>	<ul style="list-style-type: none"> Provided financing for the affordable housing sector  pg. 61 Revised the My First Home Scheme-i product to improve affordability  pg. 60 Partner with Islamic Relief Malaysia through our Sejahtera programme to build and rehabilitate houses for the financially disadvantaged  pg. 61
<p>Goal 12: Responsible Consumption and Production</p> 	<p>SDG 12 focuses on ensuring sustainable consumption and production patterns. It includes policies that improve resource efficiency, reduce waste and make sustainability practices mainstream.</p> <p>We promote responsible consumption in our daily operations through our conservation initiatives as well as influencing the market through our sustainable lending practices. In terms of sustainable lending, we support companies which manage their environment, economic and social risks and opportunities as we believe that these companies will perform better in the longer term.</p>	<ul style="list-style-type: none"> Managed our paper usage through our digitalisation plan  pg. 47 Provided financing for the waste management and recycling sector  pg. 61 Encouraged the upgrade of biogas facilities at mills of our clients by 2020 which corresponds with the Malaysian Palm Oil Board ("MPOB") requirements  pg. 52
<p>Goal 13: Climate Action</p> 	<p>SDG 13 focuses on taking urgent action to combat climate change and its impact. It is important for us to understand the risks and opportunities from climate change such as physical risks and transition risks, as well as responding to change in government policy.</p> <p>Being sustainable is not just about reducing our own impact, it's in all the decisions we make—as a finance provider and through the services we provide to our customers. At MBSB Bank, we contribute by reducing our environmental footprint as well as financing projects that contribute to mitigating climate change such as renewable energy.</p>	<ul style="list-style-type: none"> Invested in a green building for our new corporate headquarters  pg. 68 Implemented energy efficiency improvement initiatives  pg. 68 Approved RM157.7mil worth of green projects financing  pg. 52

Sustainability Governance

Our stakeholders have placed their trust in us to operate responsibly and transparently. With that in mind, we have developed our corporate governance framework which includes clear policies, procedures and structures to make responsible decisions, manage our performance and operate ethically. At MBSB, sustainability is driven from the top – our Board is responsible for the oversight and prudent management across the Bank. Our sustainability governance structure ensures accountability across all levels to achieve our sustainability objectives.

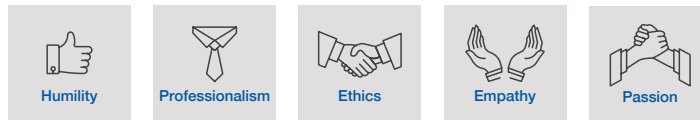


Who	Roles
Board of Directors	<ul style="list-style-type: none"> Assumes ultimate responsibility for managing sustainability matters Ensures corporate strategy considers sustainability Approves corporate strategy and key performance indicators Approves policies on sustainability matters
Management Committee	<ul style="list-style-type: none"> Reports to the Board and is responsible for ensuring that our sustainability agenda is implemented and tracked Monitors the progress of strategy implementation Monitors key sustainability performance indicators
Sustainability Project Steering Committee	<ul style="list-style-type: none"> Provides leadership over implementation of sustainability strategy Develops sustainability strategy and initiatives Reports sustainability performance to MANCO
Internal Audit	<ul style="list-style-type: none"> Acts as an independent observer and verifier
Project Management Office	<ul style="list-style-type: none"> Coordinates sustainability initiatives across the organisation Evaluates overall sustainability risks and opportunities Oversees departments in ensuring robustness of sustainability management system
Sustainability Project Working Group	<ul style="list-style-type: none"> Provides business ideas, process innovation and data to support the sustainability efforts Reports on performance of processes and controls, and management targets Develop plans and timelines for disclosures Supports strategy implementation

Ethics and Values

Building Malaysia remains our key focus as we strive to build financially resilient Malaysians and local businesses by embedding our five core values: Humility; Professionalism; Ethics; Empathy, and Passion.

Core Values



Our core values set the standards for all employees to follow, and the Code of Ethics and Conduct supports us in taking a consistent, global approach to key ethical and compliance issues. Guidelines, policies and procedures are in place to support our corporate governance framework. These documents are regularly conveyed via email, while training and workshops are conducted to ensure that our employees are aware and are reminded to comply with the requirements at all times.

Key Policies, Procedures and Commitments

- **Code of Ethics and Conduct for Employees Policy**


The Code of Ethics and Conduct for Employees sets out the responsibilities of our employees in observing the principles and upholding the corresponding conduct of the Bank's business and professional activities. The Code of Ethics and Conduct is an integral part of good corporate governance and all employees must adhere to the code.

- **Whistleblowing Policies & Procedures**

Our whistleblowing policies and procedures are in place to allow employees to highlight any form of misconduct. All concerns or misconduct shall be raised directly to the Chairman of the Bank or Chairman of the Board Audit Committee via email or written letter. All cases are treated in a strictly confidential manner to protect the whistleblower against any form of reprisals.

- **Commitment to Anti-bribery and Anti-corruption**

We uphold and comply with the anti-bribery and anti-corruption laws in accordance with the Malaysian Anti-Corruption Commission ("MACC") 2009 Act through good governance practices demonstrated in our Code of Ethics and Conduct, as well as our Fraud and Corruption Control Policies and Procedures.

 Further details of these policies are available in 'Our Integrity' section on pages 21-22.

How Sustainability is Considered in the Risk Management Process

According to the World Economic Forum's Global Risks Report, the top 10 global risks have evolved drastically over the last decade – from mainly economic-related risks to environmental, societal and technological risks. We observe and acknowledge these changes, and have put in efforts in understanding the likelihood and impact of the other non-economic risks to our business. Currently, our risk category is as follows:



We embed sustainability considerations in our Risk Management Process by assessing a wide range of economic, environmental and social matters to ensure we focus our efforts on addressing and managing significant risks and opportunities.

The Board and senior management of the Bank are fully committed to supporting the inclusion of sustainability considerations in all areas of our business and are actively working to integrate these concepts across the Bank. Key sustainability topics and concerns are regularly discussed at our MANCO meetings as well as at the Board level. Moving forward, we are working at incorporating internal criteria for an environmental impact assessment to be conducted for customers in the Renewable Energy sector.

Stakeholder Engagement

At MBSB, we recognise that our stakeholders play an important role in ensuring our continued success by providing wider perspectives to inform our business decisions. We actively engage both internal and external stakeholders to listen to their needs, understand their expectations and take steps to address their concerns.

In 2019, we reviewed our stakeholders assessment process and have included additional key stakeholders in our reporting: Board of Directors and Shariah Advisory Committee, Society and Non-Governmental Organisations (“NGOs”), and Partners and Alliances, as a reflection of the change in our business in becoming an Islamic bank as well as considering the external operating environment. During our stakeholders assessment process, we have compiled a list of stakeholders’ interests and concerns which were then incorporated in our materiality assessment and development of our business plan.

Stakeholders Assessment Process

1

Identify a list of stakeholders who are likely to have interests in and influence on the Bank and list down the topics of concern and interest

2

Prioritise the list of stakeholders based on their level of interest and level of influence






3

Validate the results of prioritisation and the list of concerns with senior management and Board of Directors

Stakeholder Group	Importance of Engagement
Board of Directors	The Board of Directors play a major role in creating business strategies and ensure the company is moving in the right direction.
Shariah Advisory Committee	Responsible in providing objective and sound advice to the Bank to ensure that its aims and operations, business, affairs and activities are in compliance with Shariah.
Shareholders	Shareholders provide the capital and funding necessary for MBSB Bank to continue growing as a rising star in the Islamic bank industry.
Customers	As MBSB Bank’s aspiration is to be the top progressive Islamic bank, our customers play an important role as users and feedback providers of our products and services.
Employees	Our employees are one of our greatest assets, they are the front liners and ambassadors of our business as well as the executor of our business plans and strategies.
Regulators	Regulators provide directions towards sustainable, ethical and best practices through introduction of policies and guidelines.
Media and Analysts	Media and analysts provide coverage on our business and valuable insight to our stakeholders. Media includes both traditional media as well as new media such as social media. Media and analysts can influence the public opinion of our business, both positively and also negatively.
Government	The government has the influence in changes through new policies that can impact our business plan and strategies. Aligning with the government’s direction can open up new opportunities for us.
Society and NGOs	Society and NGOs can help us understand how we can play a part in developing society, improving communities, empowering marginalised groups and reducing inequality.
Partners and Alliances	To build strong industry rapport for shared knowledge and expertise and work together towards a common objective.






SUSTAINABILITY AT MBSB

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Stakeholder Group	Engagement Method and Frequency	Topic of Concern and Interest	Related Material Matter
Board of Directors 	<ul style="list-style-type: none"> ■ Board Meetings ■ Board Training and Forums 	<ul style="list-style-type: none"> • Business Performance • Employee Welfare • Employer Of Choice • Good Governance • IT Infrastructure And Information System • Remuneration • Reputation • Sustainable Practices 	<ul style="list-style-type: none"> • Business Ethics and Integrity • Cybersecurity • Economic Performance • Employment • Innovation • Market Presence • Regulatory and Shariah Compliance • Training and Education
Shariah Advisory Committee 	<ul style="list-style-type: none"> ■ Meetings ■ Training Programmes ■ Shariah Related Conferences 	<ul style="list-style-type: none"> • Good Governance • Reputation • Shariah Risk, Audit and Compliance • Sustainable Practices • Transparent Reporting 	<ul style="list-style-type: none"> • Business Ethics and Integrity • Regulatory and Shariah Compliance • Responsible Lending • Financial Inclusion
Shareholders 	<ul style="list-style-type: none"> ■ Annual General Meeting ■ Extraordinary General Meeting 	<ul style="list-style-type: none"> • Business Performance • Dividend • Transparent Reporting • Reputation • Good Governance • Sustainable Practices • Risk Management • Confidentiality 	<ul style="list-style-type: none"> • Business Ethics and Integrity • Customer Privacy • Economic Performance • Innovation • Market Presence • Regulatory and Shariah Compliance
Customers 	<ul style="list-style-type: none"> ■ Customer Satisfaction Index Survey ■ Open House event for Hari Raya ■ Product Launch ■ Exhibitions and Roadshows ■ Promotions and Campaigns 	<ul style="list-style-type: none"> • Reputation • Product Innovation • Data Integrity • Data Security & Protection • Financial Literacy • Corporate Social Responsibility • Accessibility • Affordable Housing Financing • Rewards & Promotions • Customer Experience • Shariah Compliance 	<ul style="list-style-type: none"> • Customer Experience and Satisfaction • Customer Privacy • Cybersecurity • Financial Inclusion • Innovation • Local Communities • Regulatory and Shariah Compliance
Employees 	<ul style="list-style-type: none"> ■ Meetings ■ Formal Training ■ Roadshows ■ In-Service Programme ■ Newsletters ■ Internal CSR Activities ■ Briefing on Policies and Procedures ■ Health Talk ■ Surau Activity ■ Kelab Sukan Activity 	<ul style="list-style-type: none"> • Business Performance • Green Initiatives • Health and Safety • Corporate Social Responsibility • Employee Welfare • Remuneration • Conducive Environment • Work-life Balance • Employer Of Choice • Shariah Compliance • Gender, Skills, Background 	<ul style="list-style-type: none"> • Diversity and Equal Opportunity • Economic Performance • Employment • Green Financing • Local Communities • Occupational Safety and Health • Responsible Lending • Training and Education

Engagement Frequency

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

Stakeholder Group	Engagement Method and Frequency	Topic of Concern and Interest	Related Material Matter
Regulators 	<ul style="list-style-type: none"> ■ Briefing ■ Forum ■ Meetings and Discussions ■ Workshop briefings ■ Conference ■ Industry Engagement ■ International Conference 	<ul style="list-style-type: none"> • Business Performance • Transparency • Shariah Compliance • Good Governance • IT Infrastructure and Information System • Data Integrity • Accessibility • Employee Welfare • Diversity and Equal Opportunity • Risk Management 	<ul style="list-style-type: none"> • Business Ethics and Integrity • Cybersecurity • Diversity and Equal Opportunity • Economic Performance • Employment • Innovation • Regulatory and Shariah Compliance
Media and Analysts 	<ul style="list-style-type: none"> ■ Analyst Briefings ■ CFO Meetings ■ Media Appreciation ■ Press Conference 	<ul style="list-style-type: none"> • Business performance • Advertising sponsorship • Branding and reputation • Transparency • Innovation • Sustainable practices • IT Infrastructure and Information System 	<ul style="list-style-type: none"> • Cybersecurity • Economic Performance • Innovation • Local Communities • Market Presence • Responsible Lending
Government 	<ul style="list-style-type: none"> ■ Dialogues ■ Conferences 	<ul style="list-style-type: none"> • Green Initiatives • IT Infrastructure and Information System • Corporate Social Responsibility • Affordable Housing Financing • Compliance 	<ul style="list-style-type: none"> • Customer Privacy • Cybersecurity • Direct Environmental Footprint • Financial Inclusion • Green Financing • Innovation • Local Communities • Regulatory and Shariah Compliance
Society and NGOs 	<ul style="list-style-type: none"> ■ Meetings ■ PROTÉGÉ programme ■ CSR Initiatives 	<ul style="list-style-type: none"> • Ethical Practices • Green Initiatives • Sustainable Practices • Health and Safety • Financial Literacy • Corporate Social Responsibility • Accessibility 	<ul style="list-style-type: none"> • Direct Environmental Footprint • Financial Inclusion • Green Financing • Local Communities • Market Presence • Occupational Safety and Health • Responsible Lending
Partners and Alliances 	<ul style="list-style-type: none"> ■ Meetings ■ Association of Islamic Banking Institution Malaysia Meeting ■ Association of Shariah Advisors in Islamic finance Meeting ■ International Shari'ah Research Academy For Islamic Finance Meeting 	<ul style="list-style-type: none"> • Business Performance • Partnership for Growth • Fair Business Deals • Competitive Services • Reputation • Transparency • Product Innovation • IT Infrastructure and Information System • Confidentiality 	<ul style="list-style-type: none"> • Customer Privacy • Cybersecurity • Economic Performance • Innovation • Local Communities • Market Presence

Engagement Frequency

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

Materiality Assessment Process



STEP 01


Identification
We identified an inventory of sustainability matters – grouped according to 3 categories: economic, environmental and social – through desktop research based on internal and external sources of information such as peer benchmarking, media review, risk reports and market trend analysis. A workshop was also conducted to map external stakeholder interests and concerns to the material matters

In 2019, we conducted a thorough materiality assessment. Our Materiality Assessment Workshop saw the attendance of C-suite level, senior and middle management level from different departments to assess which matters are material to MBSB. After an in-depth discussion of stakeholders' interests and concerns, material matters were identified, mapped, and prioritised according to their respective importance to stakeholders and impact to MBSB.

These material matters were used to inform our business plan development and guide the content of this report.

The Definition of Materiality

For the purposes of this report, we consider material matters to be those that reflect our significant environmental, economic and social impacts, as well as matters that have the potential to affect the assessment and decision of our stakeholders. This definition is consistent with the GRI's definition on material topics.



STEP 02


Prioritisation
A workshop with key internal stakeholders was conducted to prioritise the identified material matters via online voting. The material matters were prioritised based on two dimensions – impact to our business and importance of these matters to our stakeholders.

Materiality Assessment Results

Through our materiality assessment process, we have identified 17 material matters. Our top material matters are consistent with industry peers as well as the outcome from our stakeholder assessment process.

Cybersecurity became one of our top priorities, while new material matters surfaced. This include:

- Local communities
- Direct environmental footprint
- Financial inclusion
- Green financing
- Diversity and equal opportunity



STEP 03

Validation
The results of our materiality assessment were reviewed by the Bank's senior management and validated by the Bank's Management Committee and Board Risk Management and Compliance Committee. Finally, our materiality matrix was endorsed by MBSB's Board of Directors.

The changes in our material matters and matrix for this year reflects the change in business environment, sustainability trends and regulatory push.

MBSB's Materiality Matrix FY2019



Legend:

Creating a Fair, Safe and Inclusive Workplace	Our Integrity	Innovating Value through Technology	Our Customers	Operating Sustainably and Responsibly	Our Communities
	Our People		Our Products		Our Planet
			Our Technology		

Our Integrity



Fundamentally guided by Shariah Principles, we are committed to the highest standards of governance, ethics and integrity in our everyday decisions and actions. Our corporate governance framework sets the foundation to ensure we do the right thing, at all times. In implementing all the necessary measures as a full-fledged Islamic bank, governance and compliance matters were our top priorities this year.

To this end, the Bank has promoted and increased the understanding on Shariah Principles, through the Shariah e-learning platform which will also be further enriched by introducing the SKIL Robo Shariah Advisor in the near future. Additionally, to demonstrate our commitment in upholding high standards of business ethics and integrity, we have established the Integrity and Governance Unit (“IGU”) to review and align the existing policies and procedures related to bribery, corruption and abuse of power.

Sustainable Development Goals

Through our efforts in upholding integrity we also support the following UN SDGs:



In this section, you will find sustainability information relating to:

- *Business Ethics and Integrity*
- *Regulatory and Shariah Compliance*



Why is it Important?

Business ethics and integrity is the foundation of every banking institution and is of critical interest to regulators, employees and customers alike. This is because we are entrusted to look after our customers' money and we have a duty to lend that money responsibly.

The Bank is committed to promoting public trust and maintain a good reputation through incorporating respectable core values such as humility, professionalism, ethics, empathy and passion. Our Board sets the tone from the top while our human resources and compliance departments are responsible for monitoring the Bank's corporate ethics and integrity.

In 2018, the MACC (Amendment) Act 2018 was gazetted. The amended Act introduced the corporate liability provisions which impose strict liability on commercial organisations to have in place adequate procedures designed to prevent associated persons from undertaking corrupt practices. In view of this amendment, which will come into effect from June 2020, the Bank has conducted a gap analysis to ensure we have adequate procedures to prevent corrupt practices at all levels of our operations, in line with the Guidelines on Adequate Procedures ("GAP").

We have established and put in place the IGU to carry out the roles of assessing and managing bribery, corruption and abuse of power via the four functions – Complaint Management, Detection and Verification, Integrity Enhancement and Governance – and perform review of the existing policies and procedures related to integrity. The IGU also performs an on-going assessment on the adequacy and effectiveness of measures being put in place, as well as the need for the Bank to obtain certification under the ISO 37001 to ensure effective bribery, corruption and abuse of power management processes.

We will be implementing a framework that has been developed and approved in February 2020 that incorporates the recommendations and requirements under the GAP as well as the Prime Minister's directive on the establishment of IGU.

We adopt zero tolerance on any activities or acts which may damage our reputation as an Islamic bank. Such acts may include, among others, bribery, corruption and abuse of power by employees, senior management and Directors.

We have implemented various policies to ensure that our employees maintain good ethics and respect honesty in their day-to-day activities, as follows:

1 >

Code of Ethics and Conduct for Employees Policy

The Code of Ethics and Conduct for Employees sets out the responsibilities of the Bank's employees working for and on behalf of the bank in observing the principles and upholding the corresponding conduct of the Bank's business and professional activities. The Code is an integral part of good corporate governance and all employees must adhere to the code. Discrimination, bullying, intimidation or harassment of any kind is not tolerated in the Bank.

2 >

Disciplinary Procedures

Disciplinary procedures are to ensure the operations of the business of MBSB Bank are correctly and officially being carried out. The Bank sets the rules and procedures on which the standard of conduct at work is to be guided. This includes providing a fair method of dealing with alleged neglect or failure to observe set rules and procedures to ensure good discipline among employees. It is designed to encourage improvements in employee's individual conduct through the development of positive attitudes and good personal discipline.

3 >

Fraud and Corruption Control Policies and Procedures

This policy is to provide a clear definition of fraud and express MBSB Bank's stance on fraud and irregularities as well as establish standard operating procedures for the reporting of fraud. In this policy, we want to suppress fraud and corruption by MBSB Bank against other entities and raise awareness of fraud and fraud prevention.

4 >

Whistleblowing Policies and Procedures

Whistleblowing policy enables employees of MBSB Bank and members of the public or any external party to raise their concerns without fear and encourage a culture of openness, accountability and integrity so that issues are raised at an early stage. Moreover, this policy is to inculcate a sense of responsibility on all parties to report on any fraud or misconduct behaviour to the authorised channel.

All of MBSB's policies are reviewed every two years to ensure that they are effective and remain relevant.

This year, we recorded zero reported or confirmed incidents of corruption. However, there were several cases of non-compliance with the Bank's internal policies and procedures including the Code of Ethics and Conduct. All misconducts were investigated carefully prior to disciplinary actions, and we have regrettably dismissed an employee for serious offence during the year.

CREATING A FAIR, SAFE AND INCLUSIVE WORKPLACE

2 Regulatory and Shariah Compliance

Boundary: MBSB Group



Why is it Important?

Regulatory and Shariah Compliance ensures our license to operate. We are committed to ensure that all reporting or regulatory requirements are fulfilled.

The list of core laws, regulations and guidelines which MBSB including MBSB Bank complies with include but are not limited to the following:

Laws, Regulations and Guidelines	Financial Services Act 2013
	Islamic Financial Services Act 2013
	Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act ("AMLA") 2001
	Personal Data Protection Act 2010
	Foreign Exchange Administration ("FEA") Rules
	Foreign Account Tax Compliance Act 2010
	BNM Guidelines & Circulars
	Occupational Safety and Health Act 1994
	Companies Act 2016
	Bursa Malaysia's Main Market Listing Requirements
	Malaysian Code on Corporate Governance
	MACC Act 2009

This year, we carried out various initiatives to ensure that all our employees comply with the relevant rules and regulations, such as:

1 Quarterly engagement sessions with the Designated Compliance and Risk Officers ("DCOROs") via classroom training

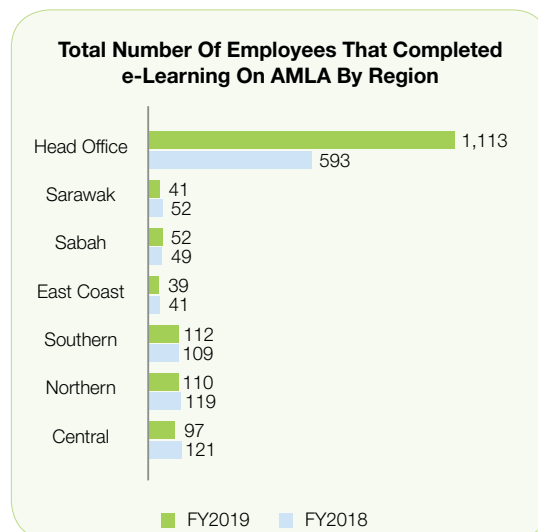
Conducted Operational Risk Program for Regional Compliance and Risk Officers in February 2019 and four (4) training workshops i.e. "The Amazing Risk Challenge" together with external consultant for 123 DCOROs on Operational Risk in August to October 2019 as well as ad-hoc training for Human Resources Division, CRM/ Cards on Loss Event Reports in July & November 2019.

2 Policy enhancement and expansion of the Anti Money Laundering and Counter Financing of Terrorism ("AML/CFT") Policies and Procedures

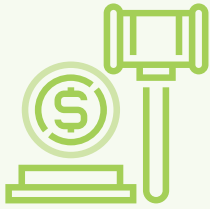
The policies and procedures are enhanced and expanded on a continuous basis to cater for the evolving and stricter changes in BNM policy requirements. Similarly, in line with these changes, AML/CFT System also needs to be upgraded accordingly. Over the past few years, the AML/CFT system saw a series of evolution which improved the process efficiency. Among the changes affected include full automation of Coral i-SEM system, data feed from World Check and full integration with payment system and modernisation of AML/CFT framework and other AML/CFT key processes, AML/CFT training and awareness as well as enhancement of alert and parameters.

Audit on the effectiveness of the Bank's AML/CFT compliance is conducted by our internal audit department on a yearly basis. Overall audit ratings are accorded based on the performance assessed i.e. excellent, good, satisfactory, much improvement required and unsatisfactory.

KPI	Target	FY2019 performance
Number of Breaches	Zero	Zero
AML/CFT Audit Rating	Good	Satisfactory



2 Regulatory and Shariah Compliance (cont'd.)



1,564

employees, or around 82.8% of our workforce have completed the e-learning on AMLA in 2019

3 Renewed our Frequently Asked Questions (“FAQ”) on the revised AML/CFT Policies and Procedures.

FAQs for AML/CFT are intended to reiterate and provide better clarification as well as understanding on the key highlights and changes to the existing policies and procedures on AML/CFT. The FAQs comprise 33 questions, which also focus on areas where common misconceptions and mistakes may occur due to the difference in past practices.

4 In-house ethics training sessions and online quizzes

We have conducted ten in-house ethics training sessions this year and appointed DCOROs in each business unit and branches to raise awareness and provide ethics-related advice. To further strengthen our employees' understanding and appreciation of ethics and integrity-related matters, we have rolled out online quizzes on the Bank's key common policies affecting all staff, emails and internal newsletters. In 2019, the online quizzes had garnered an average of 89% participation rate from all staff in the Bank.

5 The implementation of FEA requirements

The status of operationalisation of FEA Rules at MBSB Bank has progressed as follows:

- Rectification measures to address the FEA Rules gaps are in progress.
- Implementation of the FEA Rules on due diligence and reporting obligations effective 11 July 2019.
- Training on FEA Rules conducted to business, operations and branches in March 2019, while the briefing to members of the Board and senior management was organised in May 2019.
- Implementation of Healthcheck self-assessment exercise for FEA rules for branches.

For 2019, we have not observed any fines and/or non-monetary sanctions for non-compliance with laws and regulations, including environmental and social laws and regulations.

In particular, we make the following declaration for 2019:

- There were no legal actions for anti-competitive behaviour, anti-trust, or monopoly practices.
- There were no political contributions made or received.
- There were no fines, penalties or settlements in relation to corruption.
- There were no grievances about human rights impacts filed.
- There were no incidents of non-compliance with regulations and voluntary codes concerning marketing.
- There was no sale of banned or disputed products.
- There were no cases of non-compliance with labour laws including Employment Act 1955, Children and Young Persons Act 1966, Human Rights (Article 6 of Federal Constitution) and Anti-Trafficking in Persons and Anti-Smuggling of Migrants Act 2007.
- There were no instances of non-compliance to safety standards.
- There were no cases of discrimination, bullying, intimidation or harassment.



Refer to the Statement on Risk Management and Internal Control in pages 84 to 97 of the Annual Report 2019, for further information.

CREATING A FAIR, SAFE AND INCLUSIVE WORKPLACE

2 Regulatory and Shariah Compliance (cont'd.)**Shariah Compliance**

As the second largest stand-alone Islamic bank in Malaysia and with our country representing the epicenter of Islamic banking in the world, we are committed to upholding the banner of Islamic banking to the highest standards.

To ensure that the Bank's operations, business, affairs and activities comply, at all times, with Shariah, we have established the following measures:

- Established management structure and reporting arrangement that provides a clear scope of accountability between the business lines and the internal control functions that are involved in managing Shariah non-compliance risks, including the accountability of the senior officers leading Shariah departments or units;
- Introduced effective Shariah governance policies, procedures and practices in accordance with the direction given by the Board;
- Implements the rulings of the SAC of BNM and the decision or advice of the SAC of the Bank with due regard by the Board;
- Established an effective communication policy that supports a sound understanding of Shariah matters across the Bank;
- Conducts regular assessment to evaluate the quality of operational support provided to SAC and address any inadequacies arising thereof; and
- Reports to the Board and SAC of the Bank on a timely basis any potential or actual Shariah non-compliance events.

Our effective Shariah governance policies, procedures and practices include all the following:

- Shariah Governance Framework
- Shariah Policies For Tawarruq Financial Products
- Shariah Secretariat and Advisory Department Procedures
- Shariah Risk Unit Procedures
- Shariah Requirements for Advertising, Marketing, Corporate Events & Business Tie-up
- Zakat Policy

We are governed by our Shariah Governance Framework established by our SAC and in line with the Shariah guidelines issued by BNM. The Shariah Deliberation Team, represented by all Shariah functions in the Bank (Shariah Risk, Shariah Compliance Review, Shariah Research, Shariah Secretariat and Advisory; and Shariah Audit), acts as the Shariah Compliance function within the Bank to perform Shariah screenings in determining the status of Shariah matters prior to escalation to the SAC.

The Shariah Secretariat and Advisory department acts as the secretariat for the SAC and provides operational support for the effective functioning of the SAC independently, which includes:

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

Since 2019, Board Members are involved in SAC meetings and vice versa, to promote effective communication and understanding on matters relating to Shariah. In reciprocate, the Chairman of the SAC acts as a direct liaison between the Board and SAC to foster greater understanding between both governance bodies.

At an organisational level, we have introduced the shariah e-learning platform to make sure all our employees understand and comply with Shariah principles. In future, we will be introducing SKIL Robo Shariah Advisor which aims to further strengthen Shariah knowledge internally and promote the significance of Shariah externally.

2 Regulatory and Shariah Compliance (cont'd.)



Shariah e-Learning

The aim of Shariah e-learning content development is to provide a basic understanding of Shariah principles governing Islamic banking and to create awareness on Shariah compliance as well as the prohibitive elements in Islamic banking. In addition, this also encourages cost savings as classroom program involves logistics costs and trainer fees.

The Shariah e-Learning covers the following modules:

- Introduction to Islamic finance;
- Introduction to Shariah;
- Sources of Shariah;
- Objectives of Shariah;
- Principles and prohibition in Muamalat Contracts;
- Introduction to Shariah Contracts;
- Products of Islamic Banks; and
- Introduction to Shariah Compliance.

This e-learning has been launched by our Human Resource Department in April 2019 and all our employees have completed the e-Learning as of year-end.



SKIL Robo Shariah Advisor ("Robo")

The Robo is an online learning platform that utilises the Knowledge Management System with artificial intelligence capability. This system will be hosted on our website, and it will be made accessible to our employees, and eventually extended to our customers. We are proud to be the pioneer of the Robo Shariah Advisor, leading the industry forward.

Key highlights:

- First expert system for Islamic Finance
- Online education and Decision-Support System
- Innovative Artificial Intelligence Modelling
- Automate financial procedures
- Study topics of interest and ask intelligent questions

With this Robo, we aspire to make our bank officers comfortable with handling Shariah- related issues through utilising a practical and simplified educational system. As for our banking clients, they can be more well-informed of their contract terms and financing modes.

FEATURE STORY: BEST INDEPENDENT ASSESSMENT FOR SMALL BANKS & OTHERS CATEGORY

Best Independent Assessment

PayNet's Compliance Engagement 2019



MBSB Bank Berhad bagged an award for "Best Independent Assessment Report for 2018 for Small Banks and Others" category, from Paynet Network Malaysia Sdn. Bhd. ("PayNet"). The recognition was accorded for its comprehensive annual independent assessment conducted on the Bank's compliance with PayNet's rules, procedures and manuals.

Our People



In building a culture of high performance, our People Strategy focuses on retaining and upskilling one of our greatest assets: our employees. Following our digital roadmap, we started developing innovative designs and tech-savvy mindsets to complement our foray into the digital battlefield. Throughout the year, we organised various fun activities to promote the spirit of comradery and our work hard, play hard culture including but not limited to: Health Talks, Corporate Social Responsibility (“CSR”) Volunteerism, Team Building – One Team One Vision and HR Sharing Sessions.

At MBSB Bank, we also recognise the importance of diversity and equal opportunity to create an inclusive workforce, to harness the benefits of having diverse views and perspectives and ultimately to ensure that we employ the best talents. We also take measures to promote and protect the safety and health of our employees through our occupational safety and health policy and various wellness initiatives.

Sustainable Development Goals

Through our efforts in creating a fair, safe and inclusive workplace, we also support the following UN SDGs:



In this section, you will find sustainability information relating to:

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

 **Why is it Important?**

Our employees are our greatest assets, they are our ambassadors, our front liners and the backbone of our organisation which enable us to achieve our business strategy and to deliver value for all stakeholders.

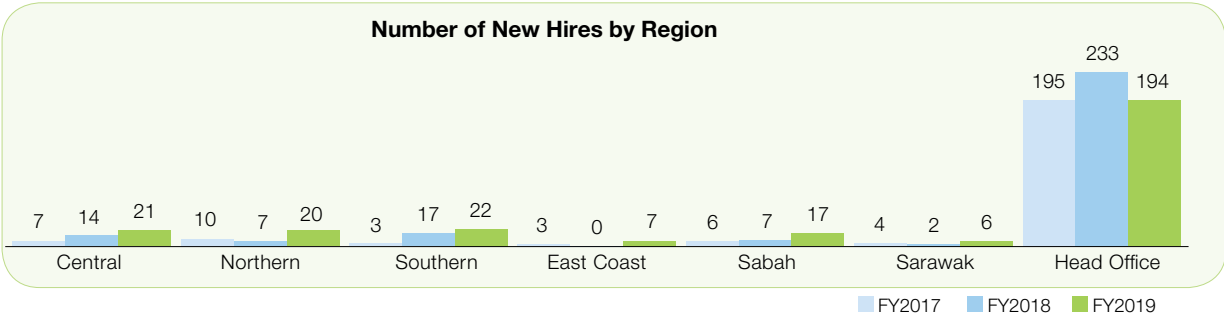
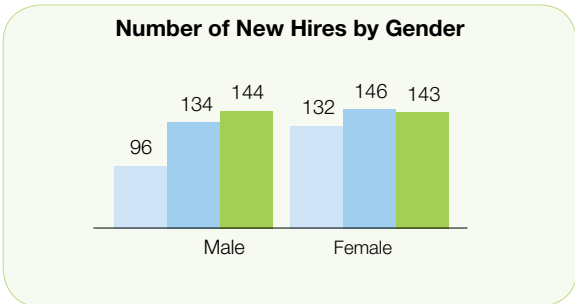
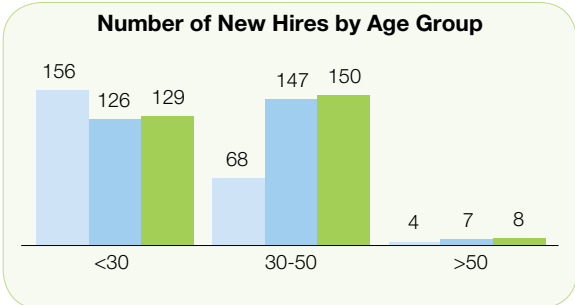
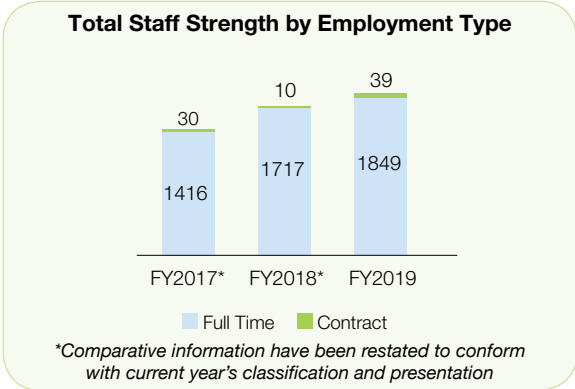
We are building a future-ready workforce which is engaged, diverse and inclusive through our conscious efforts in providing equal opportunities for career development, effective training and attractive remunerations. Our employee management approach is guided by our Human Resources Department Policies and Procedures as well as Remuneration Policy, covering talent acquisition, compensation and benefits, remuneration and systems, learning and talent development, organisational development, as well as industrial relations. Excessive working hours and relevant allowances are also communicated to all employees through the Human Resource Department Policies and Procedures.

All policies relating to human resource matters including Code of Ethics and Conduct for Employees and Labour Standards are communicated through internal memorandums, posted on intranets, emailed and introduced during induction programmes.

This year, the Bank further shored up talents to execute our business plans, enriched our workforce to meet their personal needs, and also joined ranks with the rest of the industry in formally recognising the National Union of Bank Employees, a non-profit organisation trade union for banking and financial institution workers of Peninsular Malaysia. We also became a member of the Malayan Commercial Banks' Association, Sabah Commercial Banks' Association and Sarawak Commercial Banks' Association. These associations serve to promote and protect the mutual interests of members and of employees. This demonstrates our strong support for employees to have the right to collective bargaining as well as freedom of association, in line with the Industrial Relations Act, for the employees' wellbeing. As at 31 December 2019, 12.0% of our employees are covered by collective agreements.



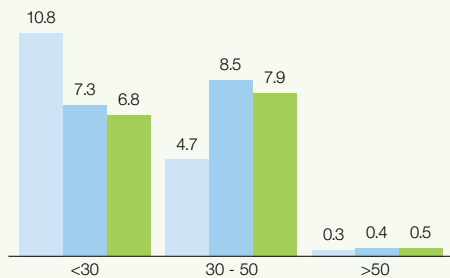
1,888
employees as at
31 December 2019



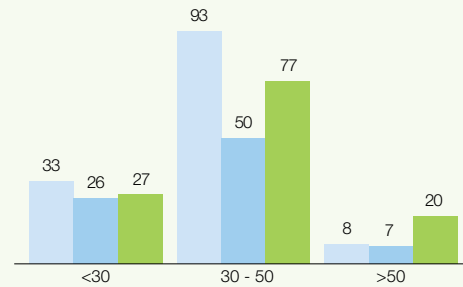
CREATING A FAIR, SAFE AND INCLUSIVE WORKPLACE

3 Employment (cont'd.)

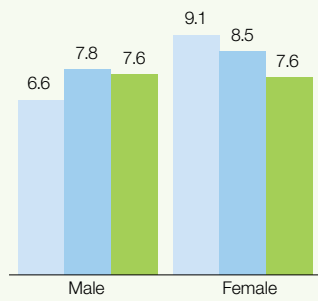
Rate of New Hires by Age Group (%)



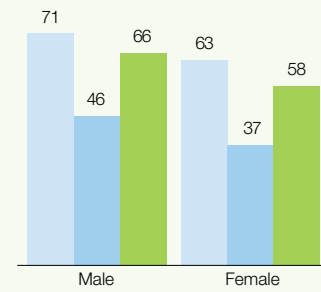
Number of Turnover by Age Group



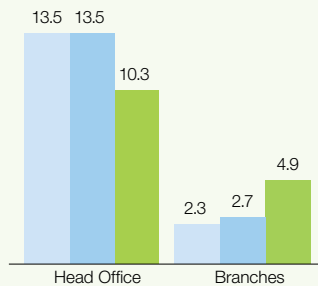
Rate of New Hires by Gender (%)



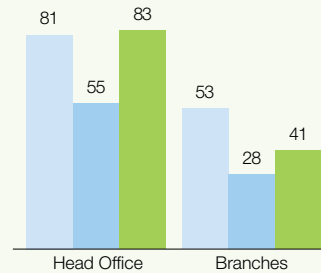
Number of Turnover by Gender



Rate of New Hires by Head Office and Branches (%)



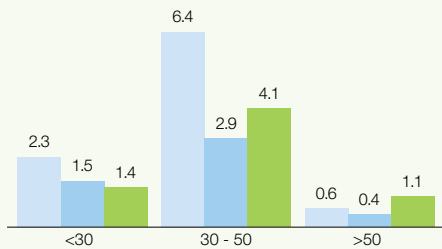
Number of Turnover by Head Office and Branches



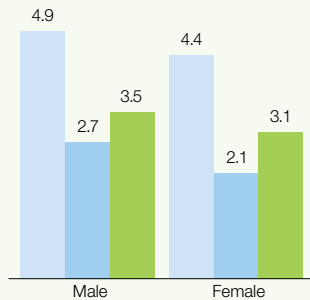
FY2017 FY2018 FY2019

3 Employment (cont'd.)

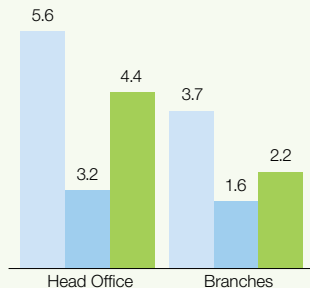
Rate of Turnover by Age Group (%)



Rate of Turnover by Gender (%)



Rate of Turnover by Head Office and Branches (%)



■ FY2017 ■ FY2018 ■ FY2019

Workforce Strength

Following MBSB’s transition into a bank, we strive towards acquiring and retaining employees that have the necessary skills and competencies to drive our business forward.

As at 31 December 2019, we boast a workforce size of 1,888 across Malaysia, a 9.3% increase from 2018. We achieved our aim of retaining talents by maintaining a turnover rate of 6.6%, below the industry average. At the same time, we managed to attract new talents with a hiring rate of 15.2%.

Internal resourcing is prioritised to fill up vacant positions, providing existing employees with new opportunities before opening it up to the public. This also enables a more efficient hiring process through reduction in hiring time and onboarding time.

Upholding our commitment to nation-building, we also prioritise hiring locally. In 2019, 100% of our employees are locally hired. We also support youth employability through PROTÉGÉ, a programme to develop and mentor youth in enhancing their employability and developing necessary skills that meet the needs of the industry.

Despite recording a hiring rate of 15.2%, we encountered some headwinds when seeking talents during the year, mostly due to a lack of awareness of MBSB’s transition into a bank. In response, we have been actively pursuing in building a strong market presence, as further discussed in the ‘Our Customers’ section.

Remuneration and wellbeing

The Bank offers competitive remuneration packages for our employees which is above the national minimum wage requirement. We also provide a wide range of benefits such as parental leave, staff financing facilities, employee education assistance, mobility benefits, overtime pay, relevant allowances and training.

For many, becoming a parent is a life-changing event. We support our employees in building a healthy and strong family by providing parental leave. In 2019, we provided 1,697 employees with parental leave, of which 7.7% of them utilised this benefit with a total of 4,269 days off taken during the year. All of the employees who took parental leave returned to be with us. We take pride in providing a workplace that encourages work-life balance and where employees are happy to raise their children while still being employed.

CREATING A FAIR, SAFE AND INCLUSIVE WORKPLACE

3 Employment (cont'd.)

Return to Work rate
after Parental Leave



FY2017 100% FY2018 100% FY2019 100%



FY2017 100% FY2018 100% FY2019 100%

Retention rate
after Parental Leave



FY2017 87% FY2018 96% FY2019 100%



FY2017 97% FY2018 99% FY2019 100%

Total number of employees who were entitled and took parental leave

	FY2017	FY2018	FY2019
Number of male employees entitled to parental leave	662	818	700
Number of female employees entitled to parental leave	732	909	997
Number of male employees who took parental leave	61	69	63
Number of female employees who took parental leave	76	91	68
Number of male employees that returned to work after parental leave ended	61	69	63
Number of female employees that returned to work after parental leave ended	76	91	68
Number of male employees that returned to work after parental leave ended that were still employed 12 months after their return to work	59	68	63
Number of female employees that returned to work after parental leave ended that were still employed 12 months after their return to work	66	87	68

In addition, we also organised a multitude of events to foster the spirit of comradery and promote employee engagements, for example:



Health Talks

To increase awareness on workplace health issues and discuss about ways to prevent and manage them. We believe putting efforts into employee wellness can encourage better teamwork, increase productivity and reduce sick leave and workplace accidents.



Employee Volunteerism

We involve our employees in our corporate social responsibility programmes to help those in need and contribute to the common good. In 2019, 24.7% or 467 of our employees volunteered in our CSR programmes.



Kelab Sukan Activities

- Paintball tournament held at Mudtrekker Paintball Park in Shah Alam attracted 200 participants
- Treasure Hunt starting from Pusat Sains Negara ending at Penang. A dinner was held on the same day at Equatorial Penang for the 504 participants.



HR Briefing – The Way Forward

The session is conducted with the objective of equipping our leaders with the latest updates on HR related matters such as Recruitment, PMS, Benefits and Industrial Relations. The platform is also used for them to share their concern and enquiries related to employees and human capital management.



Why is it Important?

To build a future-ready workforce, we develop our people's skills and competencies to meet the increasing expectations and demand from our stakeholders.

On our quest to become the top progressive Islamic bank, it is imperative that we continuously develop and retain our talents to meet the challenges and needs of tomorrow. Bank-wide, we adopt two training approaches in building a digital-savvy workforce: [1] a two-way communication on trainings that are personally requested by employees, and [2] our new innovative approach of performing Training Needs Analysis before tailoring custom programs to fit the specific needs of both the workforce and the Bank.

Our training strategy focuses on structured training for middle to senior management, as well as specialised teams to undergo relevant certification programmes; customer service training for front liners; and design innovation, core banking knowledge, as well as soft skills. We also sought to shift away from the sole-focus of career progression and instead, embraced career broadening as an equally important measure of career growth. This allows our employees to increase their other work-related competencies such as leadership and management skills, which can elevate them into managerial levels and above as they progress.

This year, we invested RM4.8mil on training and development programmes for our employees, equivalent to 3.1% of our 2018 gross salary which exceeds BNM's STE requirement of 2.5% on gross salary of the preceding year. The total training hours conducted during the year increased by 15.5% year-on-year, from 69,243 to 80,002 hours.

Average hours of training per employee by gender

Gender	FY2017	FY2018	FY2019*
Male	53.9	43.8	46.1
Female	48.8	45.0	39.7
Total	51.2	44.4	42.7

Average hours of training per employee by employee category

Gender	FY2017	FY2018	FY2019*
Senior Management	51.8	59.0	88.5
Middle Management	55.1	48.5	63.3
Executive	52.7	41.0	43.1
Non-Executive	42.9	54.4	10.8

Note: The average hours of training per employee per year for 2019 has been selected for limited assurance.

* In FY2019, we have prospectively changed the basis of computation of average training hours to remain consistent with the approach recommended by GRI Standards 2016.



Refer to pages 80 to 82 for the limited assurance report.

CREATING A FAIR, SAFE AND INCLUSIVE WORKPLACE

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4 Training and Education (cont'd.)

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

Name of Program	Employee Category	Description	Total Participants
2019 Sustainability Reporting Workshop	Bank-wide	The workshop is conducted as part of our preparation to formulate an integrated and unified 2019 Sustainability Reporting from all divisions.	33
Islamic Trade Finance Workshop	Senior Management, Middle Management, Executive	This highly customised programme is designed to provide an understanding on Islamic Trade Finance Business mainly on the credit and risk standpoints to enable smoother process of credit approval as credit is one of the core components in the business.	24
In Service Program (INSPRO)	Senior Management, Middle Management, Executive	INSPRO is an onboarding programme customised specifically for new employees to familiarise themselves with MBSB Bank. This program serves as a platform to welcome new employees to the Bank as well as to provide them with the overview of the Bank as a whole.	258
Senior Management Leadership Programme (SMLP)	Senior Management, Middle Management	SMLP is a highly customised programme designed for Senior Management with the objective of developing transformational leaders who have the skills to develop sound strategies, manage growth and build new digital banking capabilities.	16
Engineering the future of the Malaysian bond Sukuk market	Bank wide	The objective of the conference is to provide a discussion platform of the latest development in the Malaysian bond and sukuk market with special emphasis on how we can further deepen the market.	8
Digital Commerce Asia Pacific 2019	Middle Management, Executive	The objective of this industry event is to explore which of the two roadmaps now driving retail payments in Asia - fintech or card-based payments - will achieve the greatest success in expanding the e-payments business.	4
Cybersecurity, IT Assurance & Governance Conference 2019	Middle Management, Executive	The Cybersecurity, IT Assurance & Governance Conference is themed as Securing Today What You Value and it provides the attendees with the opportunity to gain insights relating to various aspects of topics such as cybersecurity, information technology assurance and governance.	3
Value-based Intermediation Financing and Investment Impact Assessment Framework	Senior Management	The workshop is jointly organised by BNM and The World Bank in support of capacity building by financial institutions implementing VBI and related sustainability agenda.	2
Chartered Professional in Islamic Finance (CPIF)	Senior Management	The CPIF is a professional qualification leading to the attainment of the CPIF professional designation, aiming to develop future leaders in the Islamic Finance industry.	4

Performance Appraisal

Twice a year, our employees are evaluated and appraised via a two-way discussion between the employee and their respective supervisor. The Bank uses a Performance Management System ("PMS") designed to align our goals with the employees', to develop and motivate employees, to promote and document performance assessment, and to recognise and reward excellence. The assessment is then used to review staff performance throughout the year in order to determine performance rating, annual pay increase, annual bonus (if declared) and identify developmental needs.

As part of our digital roadmap, the Bank is also looking to roll out a brand new e-PMS system in 2021. Currently, the manual process serves as an introductory interface of measuring KPIs based on a scorecard built on 4 pillars: Financial, Customer, Risk Compliance, Learning and Growth. The goal for next year is to familiarise our employees with this scorecard before we move on to the e-PMS system to facilitate a smooth transition.



⚠ Why is it Important?

We focus on being open-minded and providing equal opportunities for all to embrace the benefits of diversity in terms of culture, background, gender and skills.

We provide fair and equal opportunity for all without discrimination based on gender, ethnicity, sexual orientation or disability. Essentially, our goal is to recruit the best talents with the right attitude and qualifications by rewarding performance with no discrimination.

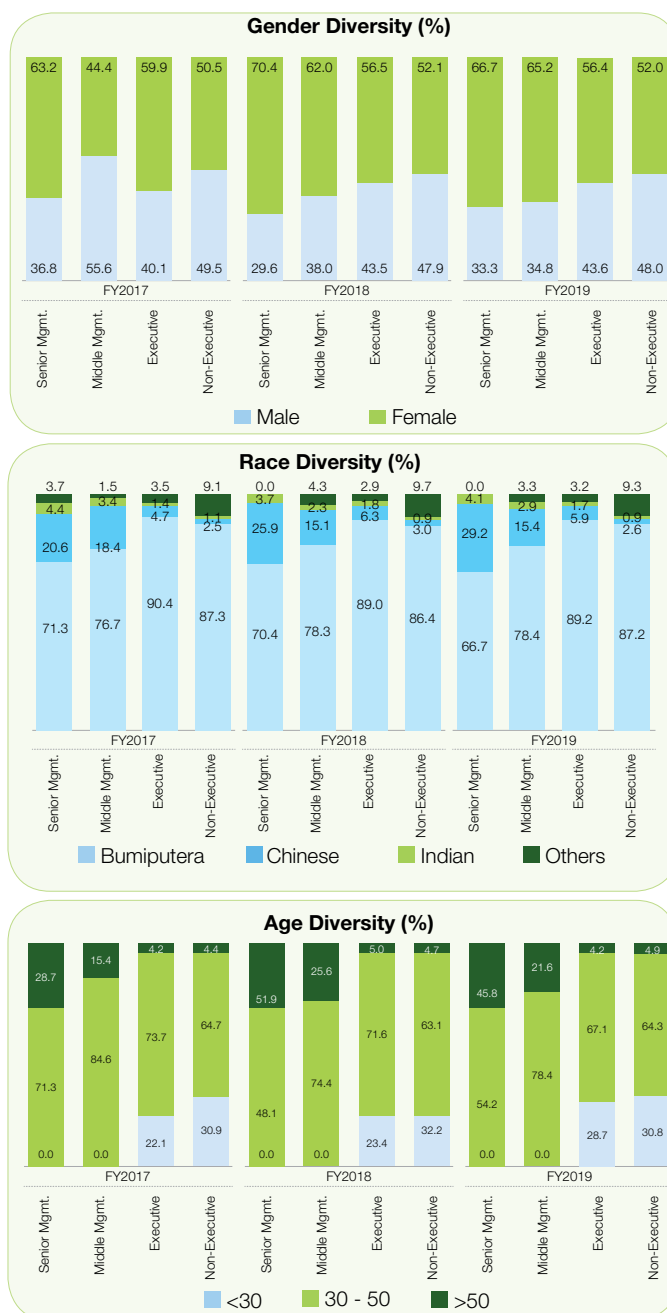
The breakdown of our overall workforce for each employee category, by gender, age, and ethnicity across the years can be found on the right.

In addition, the male-to-female gender ratio of our governance bodies is as below:

Governance Body	FY2017	FY2018	FY2019
Management Committee	75:25	83:17	86:14
Management Investment & Credit Committee	67:33	83:17	83:17
Asset & Liability Committee	83:17	86:14	86:14
Initial Alert Report (Retail & Corporate) Committee	60:40	78:22	78:22
IT Steering Committee	71:29	86:14	86:14

As of 2019, MBSB Bank remains as a fully locally-run organisation where all our staff in our headquarters are Malaysians, as detailed below:

Head Office Staff	C-Suite	Executive Vice President	Senior Vice President	Vice President	Assistant Vice President	Senior Manager
Total	8	4	12	58	93	124
Local	100%	100%	100%	100%	100%	100%



**CREATING A FAIR, SAFE
AND INCLUSIVE WORKPLACE**



 Why is it Important?

Safe and comfortable working environment protects our employees from harm and improves productivity.

We are committed in providing a safe and comfortable environment to enable our employees to participate and perform at their best. This is demonstrated through our Occupational Safety and Health (“OSH”) policy, together with our wellness initiatives, as follows:

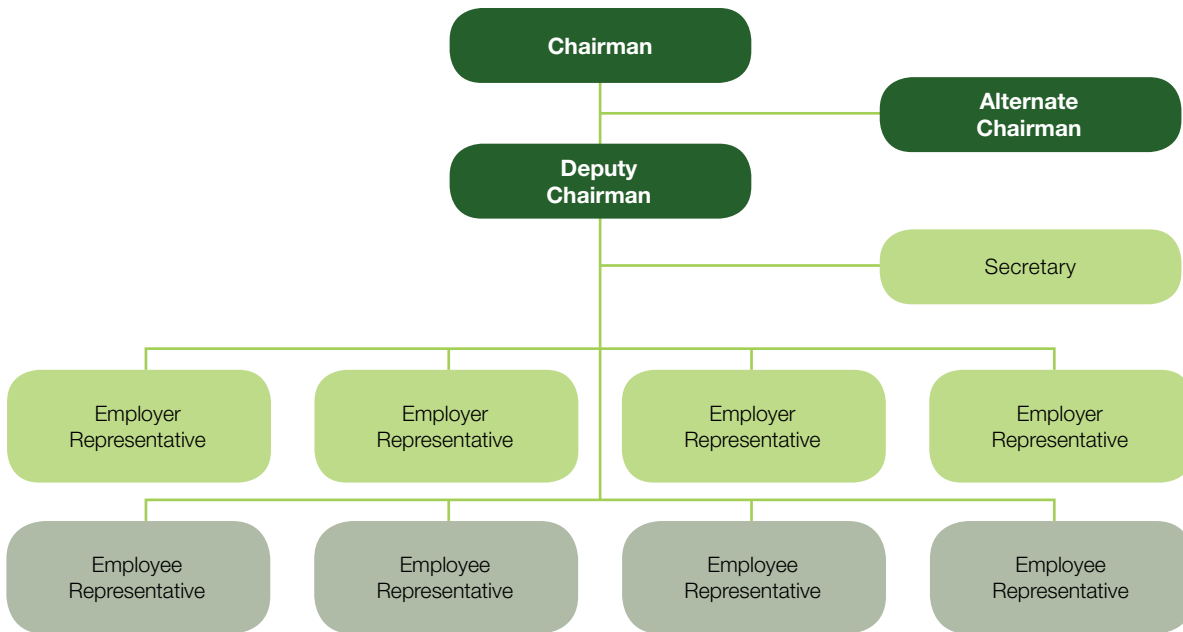
Key Areas	Key Topics Covered
Hygiene Policy	Drinking water, confined space, roof access, noise, lighting, heating, ventilation, smoking
Investigation and Reporting	Incident types, Investigation and validation of concerns, preservation of major incidents, reviewing and reporting serious incidents, procedures on accident investigation
Workplace Safety and Health Hazards	Safety Hazards, Health Hazards
Computer Workplace Health	Job stress, Computer Design, Workstation Design, Workplace Design
Emergency Management	Emergency Preparedness, Emergency Response Plan, Emergency Response Team
Fire Prevention and Protection	Fire Fighting Equipment, Fire Fighting Evacuation Team, Fire Protection Equipment, Fire Emergency Evacuation Procedure, Reporting Procedure on Fire Emergency
Occupational Safety and Health Management at the Workplace	Reportable Communicable Diseases
Occupational Safety and Health Act Training	Training Objectives, Identifying Training Requirements, Safety Review Committee
Safety Inspection and Audit	Workplace Inspection, Office Inspection, Inspection Procedure
Risk Management	Record Keeping, Hazard and Risks

The OSH management system covers planning, organising, controlling, objective setting, establishing accountability and policy formulation; measuring safety and health performances of organisational boundaries; and guidance for personnel in charge to improve safety and health performance standards relative to their targets. Owing to our OSH policy which is fully compliant with Guidelines on Occupational Safety and Health Management Systems set by the Department of Safety and Health in Malaysia, we recorded zero injuries this year. Only four claims were submitted to the Social Security Organisation (“SOCSO”) for occupational disease and 186 days of medical or hospitalisation leave were recorded during the year.

Understanding the importance of occupational safety and health, an OSH Committee is formed, made up of 11 employees from different categories and departments at our Head Office in order to monitor, identify and subsequently eliminate potential hazards.

The OSH Committee also acts as an engagement channel for employees to participate, consult, and communicate on any potential issues regarding occupational safety and health.

OSH Committee Structure



**CREATING A FAIR, SAFE
AND INCLUSIVE WORKPLACE**

6 Occupational Safety and Health (cont'd.)

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

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

Annual evacuation drills are performed alongside the fire department (“BOMBA”) as part of our emergency preparedness initiatives to ensure minimal risk of incidents in the event of a fire hazard. We are ramping up automation efforts for safety and security management. We routinely perform biweekly tests of the cooling tower system to ensure proper air ventilation and quality for the benefits of our employees.

For 2019, the annual JKKP audit identified only one case of potential hazard relating to objects identified which could interfere with the effectiveness of one sprinkler. Testament to our no-risk approach towards occupational safety and health, there were zero recorded cases of injuries and fatalities during the year.

This year, we conducted 72 hours of OSH training involving 7 representatives of the OSH committee. The list of training conducted on OSH matters is as below:

Title	Description	Number of Participants
Occupational Safety And Health Act 1994	Provisions for securing the safety, health and welfare of persons at work, for protecting others against risks to safety or health in connection with the activities of persons at work, and for matters connected therewith.	6
Occupational Safety and Health In Office	Relates to health, safety, and welfare issues in the office particularly relating to office hazards, ergonomics, air quality and others.	3

Our Customers



Our tagline: “Part of Your Journey”, highlights our commitment to assist our customers on each step of their life long journey. We place strong emphasis on providing high quality customer service to stand out in this competitive industry and to build customer loyalty. We are cognisant that through our long-term commitment and continuous engagement with our customers, we are able to understand their needs and provide solutions to help them realise their personal goals.

Central to our initiatives to improve customers’ experience is our Service Transformation for Excellent Performance (“STEP”) Programme, which was introduced to equip all employees with the right and positive mindset as well as skills in providing excellent service to both external and internal customers. As part of the STEP programme, we developed our Service Standards and Practices (“SSP”) Manual to ensure consistent service standards across all touchpoints.

In addition, we have redefined aspects of our customer touchpoints in order to make every interaction a positive one. We have undertaken initiatives this year that aims to change our customer’s experience dynamically, including implementation of our Branch Transformation Program, Superb CX and case management system, amongst others, which will be discussed under this section.

Sustainable Development Goals

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



In this section, you will find sustainability information relating to:

- Customer Experience and Satisfaction
- Market Presence
- Customer Privacy



Why is it Important?

Creating an exceptional customer experience is one of, if not the most important matter for us as a bank. Great customer experience builds brand loyalty and affinity, improves brand image and gives us a competitive advantage for sustainable growth.

The digital revolution has led to a dynamic change in customer's behaviour and expectations. Today, customers want ease of access, hassle-free banking; they want more secure banking and protection of their personal information. For us to remain relevant and grow our business, we have to listen and act upon our customers' needs. Therefore, we strive to improve all touchpoints with our existing and potential customers through better customer service, branch transformation and innovative products and solutions.

Our Customer Experience Management Department ("CEMD") – made up of the Customer Experience Unit, the Complaint Handling Unit and the Customer Service Centre – was set up to enhance customer experience at all touchpoints, to provide excellent customer service and to manage grievances through various feedback channels.

This year, our key initiatives to improve customer experience include the Case Management System, Superb CX, 24 Hours Customer Service Centre as well as the STEP Programme.

Case Management System

Our Complaints Handling and Management Policies and Procedures ensure a consistent approach to the handling and management of grievances within the Bank. A summary of all complaints are compiled monthly by CEMD and presented to the MANCO on a quarterly basis. Ultimately, we treat all complaints with utmost sincerity and fairness where the resulting corrective and preventive actions ensure our continuous improvement.

In 2019, we began implementing the Case Management System ("CMS"). The CMS aims to enhance the effectiveness of managing complaints and enquiries by automating the support process and systematically tracking the turn around time.

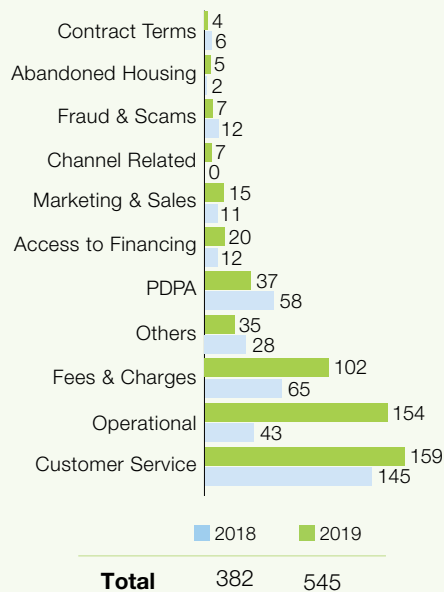
The advantages of implementing CMS include:

- Keep track of customer complaints from different channels such as Customer Service Center, complaint form, letter, fax, walk-in, BNM Telelink, third party agencies and e-mails
- Set up and auto-assign case based on type, priority, or source.

- Trace all e-mail communication between employees and customers in the event of complaint ownership transfer. In the case of traceability, all e-mail correspondence between staff and customer is logged.
- Built-in workflows such as new case notification, deadline recall and overdue escalation are part of the overall functionality to improve performance and standardise support activities.

Overall, we received 545 complaints this year. All complaints received were carefully considered and thoroughly investigated. As at year end, 97.6% of the complaints received have been promptly resolved.

Total Complaints Received by Type



Note: The total number of complaints for 2019 has been selected for limited assurance.



Refer to pages 80 to 82 for the limited assurance report.

7 Customer Experience and Satisfaction (cont'd.)

Superb CX

We have also launched the Superb CX Program to ensure timely delivery of service within acceptable turnaround time. This year, we emphasised our efforts on improving process flow turnaround times, especially in areas involving customer service. We have 22 initiatives in place looking into improving our customer satisfaction, reducing the number of complaints and minimising repeated complaints.

24 Hours Customer Service Centre

Since April 2019, our Customer Service Centre operates 24 hours daily to enable customer inquiries on debit card, online banking and cash recycling machine. Today, our Customer Service Centre has 18 employees, handling an average of 550 to 600 calls and 100 to 120 email requests per day.

Corresponding with our aim to grow the business, we expect the number of customers and products would also increase. In order to maintain the quality of service, we plan to increase the number of employees to accommodate the expected increase in customer queries and feedbacks.

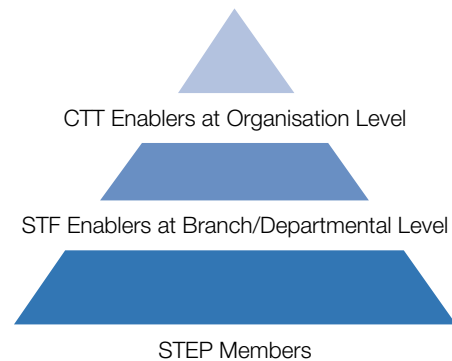
We will continue to improve customer experience to the highest quality through the full-fledged implementation of our CRM system. Moving forward, we would be introducing our customer service chatbot, where customers could get real-time automated response on product inquiries and information which could then reduce the pressure on our call centres. The chatbot initiative would be further discussed in 'Our Technology' section.

STEP Program

The STEP Program was introduced to uplift the service standards of the Bank. It concentrates on a holistic approach which enables the Bank to transform our current customer services to a higher level whereby the customer becomes the centre of attention in their life long journey with the Bank.

Launched in 2018, the programme span over a period of 22 months involving employees from all levels of our organisation, starting with the upper management before being introduced down to the working level. The STEP structure can be divided into three-tiers, namely the Corporate Transformation Team ("CTT"), the Service Task Force ("STF"), and the members (frontline and the rest of the staff).

The STEP Structure



In total, 554 participants took part in this STEP programme, with 20 participants from CTT, 81 participants from STF and 453 from STEP members.

STEP Program Objectives

- To establish the desired service culture in line with the organisation's strategic direction.
- To determine the action plan in sustaining high standard customer service.
- To enable leaders in managing customer service initiatives at their respective departments.
- To equip front-liners with the right mindset and skills in providing excellent service.
- To create an excellent customer service culture and continued customer service improvements.
- To measure and evaluate the effectiveness of customer service program.

7 Customer Experience and Satisfaction (cont'd.)

STEP Programme Journey

We kicked off our journey with a strategic planning workshop involving senior management, led by our PCEO, Datuk Seri Ahmad Zaini bin Othman. After setting the overall approach of the programme, another workshop was conducted to develop our SSP Manual which serves to be a guide for all Bank's employees to observe, be it etiquette, grooming, attire or communication.

As a three-tiered programme, training sessions were first conducted with the first tier - our CTT, focusing on upskilling and equipping the leaders in Leading STEP at the organisational level. Subsequently, Managing and Mastering STEP workshops were conducted for STF and Living STEP workshops for our frontline staff. The workshop for STF covers the necessary knowledge for leading the STEP transformation at branches and motivating staff to practice STEP according to the agreed SSP, whereas the workshop for frontline staff focuses on the implementation of the SSP and embedding the culture of STEP in every staff.

In order to ensure consistent understanding, follow-through sessions were held to assess the level of compliance for each tier. To further disseminate the knowledge to the whole of MBSB Bank, the Internal Trainers Certification Programme ("ITCP") was conducted to build internal capability in rolling out the programme. The aim of this training is to internalise STEP's principles and purpose in strengthening and maintaining the new culture of service. To measure the effectiveness of the STEP programme, we set targets for three key performance indicators as follows:

- Employee Acceptance Index ("EAI")
- Employee Compliance Index ("ECI")
- Customer Satisfaction Index ("CSI")

The results of our performance are presented in the following section.



1. STEP Strategic Planning Workshop



2. STEP Manual Development Workshop



3. STEP Manual ready for distribution



4. STEP Workshop with Frontline Staff



5. STEP Coaching



6. Participants of Internal Trainers Certification Programme

7 Customer Experience and Satisfaction (cont'd.)

Performance

It has been a year since we launched the STEP program and we are pleased to announce that we have achieved, and in many cases exceeded, all the KPI targets set:

80.0% Target **Employee Acceptance Index - EAI**

To establish and improve Employee Readiness and Acceptance Index on the STEP Programme. The programme involved a total of 566 participants.

Level	Number of employees involved	EAI (%)
Leading STEP	20	81.8
Managing STEP	81	92.5
Living STEP	453	92.3
STEP ITCP	12	93.6
Average:		90.1%

80.0% Target **Employee Compliance Index - ECI**

To establish and improve Employee Compliance Index on the organisation's Service Standards and Practices. The ECI were recorded at the three agreed pilot branches which were Damansara, Penang and Johor Bahru branch.

Penang
Selected 4 staff and assessed an average ECI of 67.0%

Damansara
Selected 4 staff and assessed an average ECI of 92.0%

Johor Bahru
Selected 11 staff and assessed an average ECI of 88.0%

Average: 82.0%

80.0% Target **Customer Satisfaction Index - CSI**

To establish and improve Customer Satisfaction Index. This is assessed through customer satisfaction surveys and mystery shopping practice.



Particular	FY2017	FY2018	FY2019
Total Number of Respondents	400	400	400
Overall Customer Satisfaction Index (%)	75.8	78.3	82.0
Overall Dissatisfied Customers (%)	36.0	29.0	16.0
Overall Customer Loyalty (%)	30.0	33.0	54.0

It is encouraging to see a consistent improvement in our customer satisfaction index numbers from 2017 to 2019, a testament to our commitment to deliver exceptional services to our customers. The survey results suggest that significant improvements have been seen for all attributes particularly on the soft skills of our employees. We are delighted to know that MBSB Bank's efforts towards enhancing customer experience through excellent soft skills is visible and acknowledged by the improved satisfaction scores.

Since 2018, the Mystery Shopper Programme has been conducted every year by an independent third party service provider to ensure consistency in our service delivery and for continuous improvement. It is commendable to note that our mystery shopping score has also improved from 2018.

INNOVATING VALUE THROUGH TECHNOLOGY

7 Customer Experience and Satisfaction (cont'd.)

To corroborate the results of the customer satisfaction survey, we have included the testimonials received from our customers during the year on some of our employees' exemplary attitude and service performance.



MUHAMMAD RAZALI BIN SELLE

Muhammad Razali Bin Selle from PJ Branch received a very positive feedback from a customer on the 24th of July 2019. The customer called the branch and applauded his effort in attending to her professionally and also being very helpful including filling up the form for her as she was having difficulty in reading.

"We congratulate Muhammad Razali for keeping the customer service level high at MBSB Bank. May we gain from his exemplary attitude." -Customer-



AZMAN BIN MAT YUSOFF

Azman Bin Mat Yusoff from Taiping branch received not only one, but two compliments in September 2019. One customer wrote in and said he did a good job in explaining MBSB Bank's fixed deposit and savings account to her, while another customer applauded his positive attitude when attending to customers at the branch. MBSB Bank is proud to have an employee like Azman and we hope he continues to excel in his area of work. Congratulations.

"Good explanation and superb service by En. Azman Bin Mat Yusoff regarding Fixed deposit and savings account. Well done." -Customer-



ASRUL ISZWAN BIN AWANG HIN

Asrul Iszwan bin Awang Hin from Bangi branch assisted a customer on a loan repayment and he was commended for doing a great job. Keep it up, and congratulations.

"Staff ini telah menyambut saya dengan baik semasa membuat bayaran di kaunter, serta membantu dalam pertanyaan akaun loan saya. En. Asrul juga telah membantu dan menerangkan kepada saya kaedah untuk pembayaran secara online bagi memudahkan urusan saya setiap bulan. Diharap semua staff dapat mencontohi beliau dan MBSB Bank terus memberi perkhidmatan yang terbaik." -Customer-



MOHD SHAHRIL BIN MISRAN

Mohd Shahril Bin Misran, from the Customer Experience Management Department also received a compliment from a customer, which was sent by an email. He was very helpful and knowledgeable when he attended to a customer's query and we hope that he keeps up the good work and inspire many more to do well.

"Please extend my special thanks to En. Shahril for his "Superb Assistance and Excellent Customer Service" towards my queries on the Advance Settlement from MBSB and Takaful Malaysia." -Customer-

7 Customer Experience and Satisfaction (cont'd.)

FEATURE STORY: SUPPORTING LOCAL SME



“We are proud that Mighty White is a widely accepted brand in Malaysia and our products are made available nationwide via an intensive distribution network”

Since 1995, what started as a cottage industry has grown with the company investing in the latest automated mass production systems and equipment to ensure consistent quality and hygiene standards. With a high demand for our ready-to-eat bread, buns and confectionery, as well as our research and development, we have become the cornerstone of our company where we continuously recognise our customers’ current needs and wants, analyse modern trends and then create new products with a conscious mind about affordability, freshness, convenience and quality.

Since 2016, MBSB Bank has helped us to provide our expansion plan by offering us with Industrial Hire Purchase (“IHP”) facilities. We utilised the funds to purchase our trucks which enabled us to deliver our goods across the country, to all our customers. Since then, we have seen substantial growth and rising trends in our revenue from 2015 to 2019.

We chose MBSB Bank because they are the first bank who provide us with an IHP facility at a competitive interest rate. We appreciate our journey with MBSB Bank over the years as they try their best to accommodate our requests and never fail to deliver quality services. Due to the strong relationship between our company and MBSB Bank, we have placed an investment with MBSB Bank to show our trust, support and loyalty with the Bank.

We believe that MBSB Bank has successfully created this stickiness or loyalty by providing us with a one-stop banking solution, from financing to investment opportunities.

Overall, we are very satisfied and we look forward to growing our business with the support of MBSB Bank. We would definitely recommend MBSB Bank to our friends, families and business partners.

Mighty Bakery Sdn Bhd



Why is it Important?

Our presence in the market creates awareness on our brand and the products we offer which will allow us to expand our reach to more customers and ensure sustainable growth. Our aim is to make a memorable impression on customers and build loyalty.

The policies below are in place to guide our marketing and branding initiatives, contributing towards our commitment.

Global Markets Procedures

This procedure outlines the guidelines on sales and marketing, in which the Bank's efforts to develop existing and grow new businesses must be in tandem with the business strategies and plans of the Global Markets Department and the Bank's overall direction.

2018 was the first year we became a Bank and we have since invested substantially on out-of-home and digital advertising to increase public brand awareness. In this digital age, more and more people are spending their time around digital platforms. This year, we have started investing in digital advertising to effectively reach out to more prospective customers.

From 2017 to 2019, we have invested a total of RM24.9mil on advertising and printing which garnered an astounding RM234.2mil in Advertising (Ad)Value/Return on Investment from outdoor, print, broadcast, new media advertising and internet advertising. Our investment of RM13.3mil in 2019, allowed us to achieve a total public relations ("PR") value of RM16.1mil from 937 published and broadcasted news on MBSB Bank.

In addition, establishing a digital presence is also important. Our Chinese New Year and Hari Raya videos were well received with views exceeding one million. In the near future, we are looking at setting up our presence on social media platforms that will allow us to assist customers and provide updates on a real-time basis.

Besides digital presence, we still believe in the effectiveness of face-to-face networking to stand out from the crowd and getting our voice heard. With that, we have participated in various events and exhibitions during the year, such as:

- Business Convention 2019
- Appreciation Hi Tea 2019
- 'The Journey 2.0' campaign
- Islamic Finance Rendezvous Series
- 15th Kuala Lumpur Islamic Finance Forum 2019
- Sponsorship for Persatuan Pengekspot Malaysia (MEXPA)
- The Malaysia International Halal Showcase (MIHAS)

Shariah Governance Framework

This framework outlines the Shariah requirements that serve as a guidance in relation to advertising, marketing, sponsorship and corporate events. The purpose of this is to protect the reputation and image of the Bank as a licensed Islamic bank.

With all our efforts, we are honoured to receive the Best Sukuk Deal 2018 under the Global Markets Department on 21 February 2019 at the 12th Annual Alpha Southeast Asia Best Deal & Solution Award.

To examine the Bank's brand and image as a full-fledged Islamic financial institution, we conducted a brand audit and our performance is summarised as follows:



Brand Audit Report

In December 2019, we conducted a Brand Audit which received responses from 452 respondents across the nation.

Awareness towards MBSB Bank increased 10% from 2018. For those who are aware, they are starting to recognise MBSB Bank versus the 'old' MBSB. Moreover, 66% of the respondents recognised MBSB Bank as a new bank in the market and the Bank also shows a higher association towards 'New in the market' category.

The study found that most Malaysians place higher priority on 'the accessibility' factor while choosing a bank to subscribe. They prefer banks that provide online banking platform and utilises sophisticated system. There is a 14% increase from 2018, indicating that these respondents have potential to subscribe to MBSB Bank. 28% of the respondents also has a consideration to open a saving account in future with MBSB Bank.


8 Market Presence (cont'd.)

Branch Transformation

We have 46 branches throughout Malaysia which cover the Central, Northern, Southern, East Coast, Sabah and Sarawak Region.

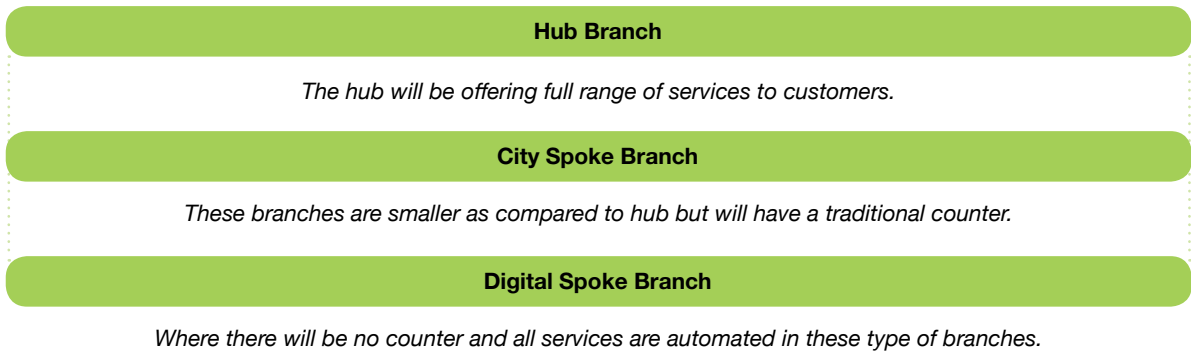
Following our aspiration to be the top progressive Islamic Bank, it is imperative for us to establish a strong brand identity that would differentiate us from the other banks. In 2018, we have launched a three-year Branch Transformation Plan that involves reshaping and transforming four key areas of our branches.



 Further information on our branch locations is available on our official website.

Operations and Delivery

We have identified three categories of branches in order to improve our operation and delivery to our customers.



We also offered new capabilities such as online banking, Cash Recycling Machine (“CRM”), IBG, IBFT, SWIFT & Rentas and established specialised technical (back-office) team that covers payment operations, card operations, CRM operations, e-channel operations, and fraud detection.

INNOVATING VALUE THROUGH TECHNOLOGY

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8 Market Presence (cont'd.)

Infrastructure

Our branches are one of the first touchpoints for most of our customers. As such, we are working to enhance customer experience by remodeling all our branches into a new and more contemporary look.

This year, we are proud to record a transformation progress of 33% out of 46 branches throughout Malaysia, on track with our Branch Transformation Plan.

As we continue to place emphasis on digital banking, the improvement also includes self-service terminals and enhanced Branch Delivery System via tablet.

The transformation of our branches is evidently more modern and inviting, as shown below:



8 Market Presence (cont'd.)

We want to ensure all our customers are accessible to our branches, hence we have incorporated disability-friendly features to care for people with disability to promote equality and inclusivity. Therefore, we have upgraded and improved our branches by including entrance ramp at all newly renovated branches and installing new seating type counter design to cater for them.

These are some of the branches that have been recently renovated:



Seating type counter design

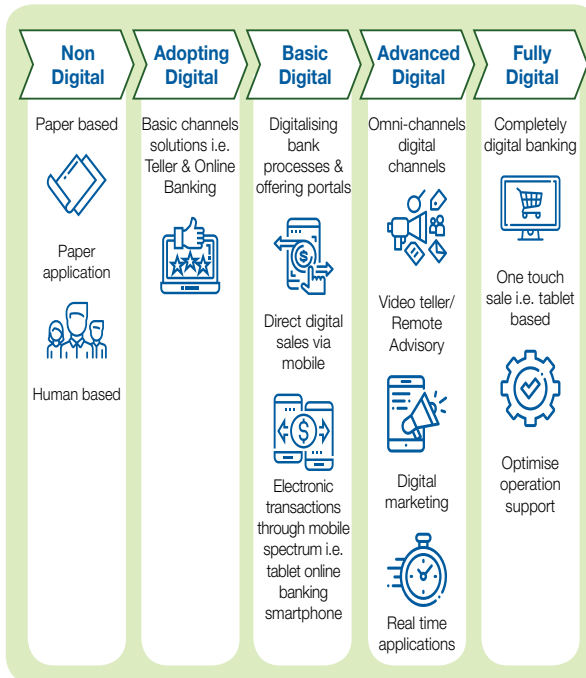


Entrance ramps at branches

We have also added security features to make our customers feel secure and more protected when they visit MBSB Bank. The features include bollard close to the ATMs and virtual 24-hour monitoring system. A reliable third-party service provider has been appointed to monitor the security of the branches and actions will be taken promptly.

System and Processes

Our branches will move quickly towards being able to more effectively serve our customers with minimal branch transactional activities. We continue to look into advancing our branches with automation via our digitalisation plan.



We started our digitalisation journey in 2018 subsequent to our successful merger. This enables us to effectively adapt to the changing needs and environment of our communities. As at 31 December 2019, we have completed the 'Adopting Digital' phase with the implementation of online banking platform and installation of self-service terminals at our physical branches. We are currently in the 'Basic Digital' phase, as we further digitise bank processes and offering portals such as mobile banking and Current Account-i and Savings Account-i ("CASA") online applications which are expected to be launched next year.

People

We focus on building a culture that prioritises the right decisions and care for the customer through transformation and upskilling.



Further discussion on people is available from pages 26-36.

**⚠️ Why is it Important?**

To create a strong digital relationship with customers based on trust and to prevent customer information from leaks.

We take every measure to protect data from loss and theft in the Bank. We treat customers' data with the utmost confidentiality and we build rigorous criteria to secure information in order to maintain the trust we have built with our customers.

Our policies and procedures to protect customers' information include Guidelines on Handling of Confidential and Sensitive Information and Documents, Personal Data Protection ("PDP") Policies and Procedures, Outsourcing Policies and Procedures, and Record Management Procedures. These policies are designed to ensure that customer records or information are kept confidential at all times and stored securely to reduce the risk of security breaches and improve employee awareness of protecting sensitive and confidential information.

In addition, we have also implemented the Information Technology Security Policies ("ITSP") to protect the Bank's information assets. The ITSP was developed with reference to BNM's GPIS Guidelines as well as the Personal Data Protection Act ("PDPA"). During the year, the Information Technology Steering Committee ("ITSC") was responsible for overseeing the security of information within the Bank while the Information Technology Security Administration ("ITSA"), which is part of the Bank's IT Division, was responsible for the implementation and administration of the ITSP. The responsibilities of ITSC were collapsed and taken over by MANCO in March 2020 with the establishment of Board Information Technology Oversight Committee.

Risk controls are also in place to protect our customer privacy, such as password-protected records that are sent to external parties via email, encrypting the contents of the file to prevent unauthorised information disclosure. We also improved the verification process for customer inquiries via the call centre to prevent details from being leaked to third parties.

CONTROL MEASURES TO PROTECT CUSTOMER PRIVACY

The Bank's controls in place to safeguard customer information include:

- Any breaches to the Code of Ethics (including breaches of customer privacy) by MBSB Bank employee could tantamount to disciplinary action or dismissal
- Employee Undertaking Letter on Non-disclosure of Customer Information
- System access control rights of customer data are given to relevant staff only according to their job scope or functions
- Physical security control access rights to specific locations or areas such as filing room or server rooms where customer information is stored are given to relevant staff only according to their job scope or functions
- Compliance Division's training and awareness programmes on Management of Customer Information and Permitted Disclosures are provided regularly to Head Office and Sales and Service Centres staffs
- Third Parties and Outsourced Service Providers ("OSP") are required to sign the Non-Disclosure Agreement ("NDA") or Undertaking to safeguard customer information

In addition to our controls, we have frequent communication sessions, compliance bulletin boards and posters to increase employee awareness on customer information management. Data privacy is also part of the general compliance training conducted on a quarterly basis for new employees and DCOROs. For a greater understanding of the importance of data privacy, we have implemented the Quarterly Staff Awareness Program this year.

9 Customer Privacy (cont'd)

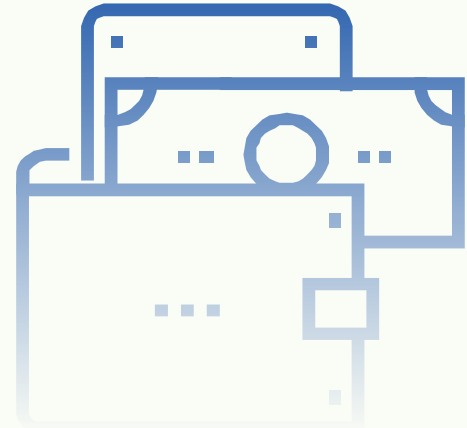
MBSB Bank's Guide on Protecting Customer Privacy

"HOW YOU CAN PLAY YOUR PART TO PROTECT CUSTOMER INFORMATION?" FOR EMPLOYEES

- Customer information must not be shared with any unauthorised party
- Confidential/sensitive information must be shredded or sent for secure disposal
- Ensure that scanned documents are correctly routed to the right owner
- Observe clean desk practice to protect sensitive information
- Always encrypt/password-protect email attachments containing customer information
- Logout PCs and laptops when left unattended
- Sensitive documents must not be left unattended at printer/on desk

We aim to have zero customer information breach every year. In 2019, we have received and resolved three substantiated complaints concerning breaches of customer privacy. As part of the Bank's compliance culture building, we will improve our awareness, ongoing programs for all employees in relation to sensitive document management and customer information in order to maintain our annual target.

Our Products



The Bank is proud to announce our great results stemming from the solid foundation we laid last year. Our product offering is one of our key business drivers. It is not just an important element in our value creation process, but also a reflection of the Bank's identity and aspirations. Therefore, it is imperative that our products represent our Islamic values, inclusivity, and responsibility.

This year, we continued to grow, thanks to our focus on identifying current customer needs and innovated specialised products that are reflective of our values. The Bank introduced internet banking and rebranded Trade Finance into MTrade as a testament to our technological capabilities to move forward alongside our customers. In 2019, MBSB Bank's revenue and assets grew by 39.4% and 12.0% respectively, evidence of our commitment to eventually become Malaysia's top progressive Islamic bank.

As one of our business drivers identified last year, the Bank has continued to focus on providing financing to environmentally friendly projects, also known as green financing. Managing our risk exposure to this budding sector, all proposed projects must undergo a strict risk assessment checklist before the Bank offers financing services. In 2019, the Bank approved green financing facilities amounting to RM157.7mil for two local renewable energy projects with a total capacity of 37MW.

Sustainable Development Goals

Through our efforts in innovating new products and solutions, we also support the following UN SDGs:



In this section, you will find sustainability information relating to:

- Economic Performance
- Green Financing



Why is it Important?

To ensure that we are maximising value creation for our shareholders and creating wealth in the economy.

In achieving our vision, “To be the Top Progressive Islamic Bank”, this year our priorities have been focused on building solid infrastructure and fundamental capabilities.

2019 has been a challenging year for the Malaysian banking sector due to geopolitical tensions and slower domestic growth. Despite an environment of heightened volatility and slower market growth, our determination has enabled us to achieve 20 out of 22 initiatives laid out in our Business Plan (“BP”) 2018-2020 in less than 2 years. Guided by our BP2018-2020, BP2019 and sustainability strategy, we are determined to generate long-term business success while creating value for our stakeholders.

The Group generates economic benefits and value for different stakeholder groups within the value chain. The key stakeholders include suppliers and providers of services, employees, government, providers of capital and the community. The information in the table below permits a different interpretation of economic figures and outlines the economic value generated by the Group’s ordinary operations during the year and its breakdown in terms of the economic value distributed to its various stakeholders as well as the economic value retained within the Group.

In 2019, the economic value generated, represented by net income from Islamic operations, interest income and other income, came to RM1.4bil, a 1.1% increase from 2018. Of these, RM845.0mil were distributed to the Group’s various internal and external stakeholders in the following ways:

- Suppliers and Providers of Services: Operating expenses towards suppliers of goods and services;
- Employees: Employee wages and benefits;
- Government: Income tax and zakat paid;
- Providers of Capital: Distribution of dividends to shareholders; and
- Community: Investment on CSR activities (excluding utilisation of zakat funds).

The resources retained for the future reinvestment and growth of the Group came to RM567.7mil in 2019 (RM515.2mil in 2018) and are mainly represented by net income not distributed through dividends plus amortisation, depreciation, deferred tax and impairment.

Further details on our economic value can be found in the following sections of the Annual Report:

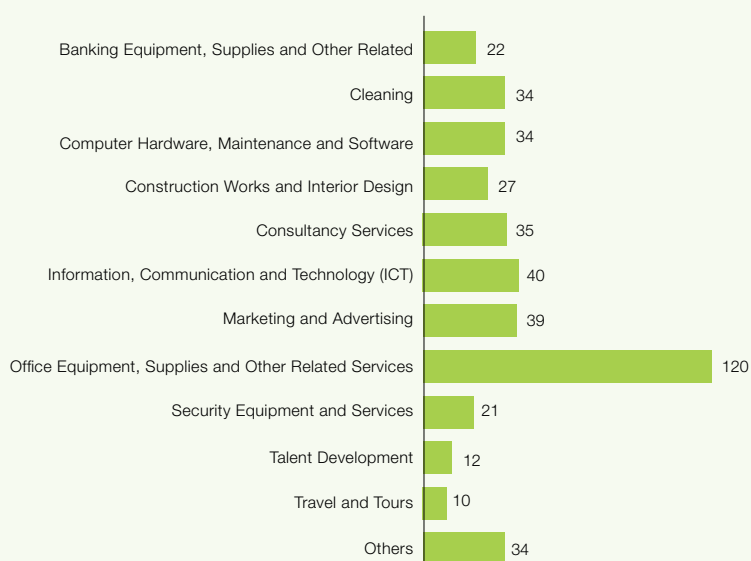
- Management Discussion and Analysis
- 5 Year Financial Highlights
- Financial Statements

Value Generated	FY2017 RM('000)	FY2018 RM('000)	FY2019 RM('000)
Total Income	1,634,047	1,397,552	1,412,737
Value Distributed	FY2017 RM('000)	FY2018 RM('000)	FY2019 RM('000)
Supplier and Providers of Services	101,384	155,612	117,703
Employees	164,590	227,706	240,308
Government	136,124	166,879	166,042
Providers of Capital	326,262	329,329	319,475
Community	1,816	2,803	1,461
Retained for Future Reinvestment Growth	903,871	515,223	567,748

Supply Chain

Local sourcing enables local economic growth, reduces the cost of the supply chain and the impact on the environment due to a reduction in the footprint of transportation. Therefore our procurement process strives to prioritise sourcing from local contractors or suppliers, where possible. In 2019, 99.2% of our vendors are sourced locally in Malaysia.

Types and Number of Approved Suppliers





Why is it Important?

To play our part as a financial institution in supporting actions on mitigating and adapting to climate change, in line with the government's initiative of improving ecosystem resilience and diversify investments.

According to NASA and the National Oceanic and Atmospheric Administration ("NOAA"), 2019 was the second hottest year on record since modern recordkeeping began in 1880¹. The impact of climate change is felt across the world, from bush fires in Australia to the rising sea levels causing Jakarta to sink in Indonesia.

A global challenge requires a global solution; we recognise the role that we can play as a financial institution to take action on climate change through financing the transition to a low-carbon economy and climate adaptation solutions.

Our green financing products target environmental-friendly projects that can contribute towards climate change mitigation, such as clean energy projects involving solar, biomass, waste and mini-hydro. Our efforts are in line with the Ministry of Energy, Science, Technology, Environment and Climate Change ("MESTECC") in Malaysia to meet Malaysia's clean energy generation target.

We apply a stringent risk assessment checklist in not only making sure the projects are eligible for green financing, but also that they are financially sustainable. Firstly, the projects must attain relevant approval of compliance from local authorities and other requirements such as submission of Environmental Impact Analysis if required by Department of Environment and/or having a Power Purchasing Agreement in place with

an offtaker. Next, the project is assessed according to their technical capabilities, such as ensuring relevant equipment and materials comply with the relevant authority's definition of approved green technology. Last but not least, the project must comply with environmental requirements placed by the Bank such as no deforestation.

In 2019, we approved RM157.7mil in green financing, which brings the total cumulative green financing to RM472.2mil as at the year end. The projects we financed include large scale solar PV plant and mini-hydro projects in Malaysia, with a total clean energy generation capacity of 57MW.

We also encourage the upgrade of biogas facilities at mills of our clients by 2020 which corresponds with the MPOB requirements. Biogas generated from anaerobic digestion of palm oil mill effluent can replace palm kernel and mesocarp fiber which has higher economic value as boiler fuel, upgraded to be used in gas engines for power generation.

Moving forward, we will continue to pursue green financing by targeting Net Energy Metering ("NEM") for both small and large scale solar projects, especially at the SME level. We will continue to engage and work closely with relevant agencies such as Suruhanjaya Tenaga, GreenTech Malaysia, and Credit Guarantee Corporation to explore new opportunities.



Solar farm at Rembau, Negeri Sembilan

¹ Source: NASA website, <https://www.nasa.gov/press-release/nasa-noaa-analyses-reveal-2019-second-warmest-year-on-record>

Our Technology



We aspire to be a top progressive Islamic bank, focusing on innovations to better serve our customers. MBSB Bank relies on innovation and technology to develop business models that are scalable and digitally powered for the future. For 2019, we focused on setting up a strong and firm foundation for future innovation through upgrading our infrastructure for physical and information systems.

We have committed funds and resources to support our journey towards a technology-enabled future that will allow us to engage actively across our digital channels. Our resources will be focused on delivering leading digital products and services, as well as improving and automating our internal operations for greater operational efficiency.

In line with our commitment to digitalise banking experience, we have developed Retail Internet Banking platform, Current Account-i and Savings Account-i Online Application, e-wallet and others that will be explained in this section.

Sustainable Development Goals

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



In this section, you will find sustainability information relating to:

- Innovation
- Cyber Security

INNOVATING VALUE THROUGH TECHNOLOGY

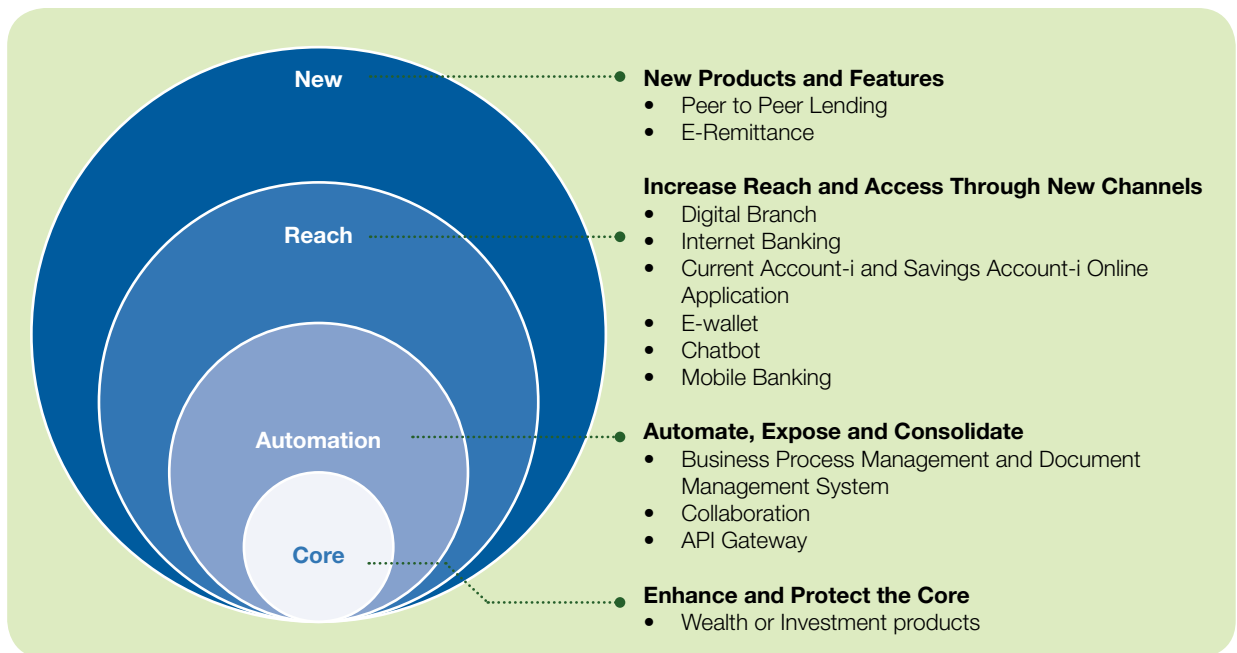


⚠ Why is it Important?

Continuous innovation is key to future-proof our business. It unlocks new opportunities and informs better ways of attracting new business and increasing customer loyalty. We believe that building a strong foundation by innovating can improve the ability to cater to existing and future customers' desires and needs.

We took into consideration the external and internal challenges in crafting our Digital Transformation Plan.

Some of the external challenges we face include disruptions from FinTech companies, competitions from banks that have larger reach and the rise in digital banking where non-bank entities are also entering the market. Internally, some of our legacy processes and procedures are very manual in nature. With that, we have formulated our Digital Transformation Plan which encompasses four (4) key areas as follows:



Our digital transformation plan aims to increase productivity and speed to the market as well as transform In-House skills. We hope that these initiatives within the transformation plan will generate new growth opportunities and increase the accessibility of our products to all groups of customers.

Enhance and Protect the Core

The Bank is embarking on trade finance automation to enable customer self-service and automate internal process monitoring and control.

Automate, Expose and Consolidate

We have implemented several automation processes and collaboration to improve the operational efficiency of the Bank.

Business Process Management and Document Management System

The process automation engine enables sending of online applications, automate internal banking manual processes, enhance process monitoring and control the service level agreement. As a result, we would be consuming less paper and ultimately reducing customer waiting time at branches.

12 Innovation (cont'd.)

Collaboration

In order to reduce physical printing and file attachments in email, we use SharePoint as a platform to provide the capability to store, share and collaborate documents digitally. Workflow will also be implemented in SharePoint to simplify some internal processes, such as claims by employees. The SharePoint solution is currently being piloted by the Technology Division and would be introduced to other divisions in phases next year. Furthermore, we will also introduce Skype for business as an instant messaging solution, allowing our employees to connect with colleagues instantly, conduct virtual meetings and collaborate through screen sharing.

Application Programming Interface (“API”) Gateway

API Gateway includes exposing and connecting with third party service providers such as FinTech companies to enable account information inquiry and to initiate transaction or payments. The supporting third party integrations will allow fostering and leveraging on innovation, grow customer base, improve time to market and value, provides capabilities to create a new revenue source and reduce and avoid custom integration development. API Gateway is an enablement to support BNM Open API standardisation under the “Publishing Open Data using Open API” publication on 2 Jan 2019.

MBSB Analytics and Reporting (“SMART”)

SMART is a data warehouse that was introduced in 2018 to enhance risk analysis and reporting. Since then, we have benefited from SMART through:

- Big Data Analytics that can improve our business decision making
- Predictive reporting that helps the recovery team in reducing the occurrences of Months-in-Arrears
- Single source of truth for the Finance Department in preparing for the BNM statutory reporting
- Analysis reporting on will writing has zoomed into potential market for will services
- Leveraged on customer knowledge to introduce new offerings to existing clients within the target group

As at December 2019, 16 successful analysis have been performed using SMART.

Increase Reach and Access Through New Channels

We have expanded our business platforms to diversify our digital presence and improve customer experience.

Digital Branch

As discussed in the ‘Market Presence’ section, we have increased our efforts in digitalising the Bank with self-service touch points via information tablets and digital screens. This would provide ease of access to product information without the need for flyers.

MJourney Internet Banking

To serve the digital generations, we have embarked on our retail internet banking journey this year. Internet banking services will allow our customers to perform transactions at their convenience which also helps to offload over-the-counter traffic at our branches and enable our branch to focus on providing better customer service and high-value tasks such as cross-selling and building customer relationships.

Retail Internet Banking (MJourney Individual)

MJourney Individual Online Banking provides ease of banking services via a simple and user-friendly internet banking platform. As at 31 December 2019, we have 9,176 MJourney Individual account holders. On average, around 15% of them access our online banking site daily.

Corporate Internet Banking (MJourney Corporate)

MJourney Corporate is a web-enabled cash management solution for our corporate customers with the following advantages:

- Secured business transactions based on approved limits
- Processes multiple transactions in batches, saves transaction processing time
- Secured transmission via Secured Socket Layer and hardware token-based second factor authentication

12 Innovation (cont'd.)**Current Account-i and Savings Account-i Online Application**

We are piloting the CASA Online Application, a system in the online banking framework to simplify processes and reduce the turnaround time for account opening. This application system would be the first-of-its-kind application when it is open to the public in the near future. In addition, we aim to incorporate financing application into online banking as well as enhance accessibility to all our customers.

E-wallet

In this digital age, more than half of Malaysia's population have access to a smart phone and this number is expected to rise further. To unlock this opportunity, we have developed our very own e-wallet which is expected to be officially launched to the public in 2020. One of the main objectives of our e-Wallet is to improve the accessibility to our products and services, especially for the underserved, unbanked or underbanked communities. This is consistent with our efforts to promote financial inclusion.

E-wallet enables fast, secure and convenient payment solutions, both receiving and making payments, for all. On the other hand, merchants are more protected against fraud and can process payments seamlessly.

Chatbot

We will also launch the Chatbot, an immersive chat for better customer service experience with a live representative and Artificial Intelligence ("AI"). This program will automate assistance on product inquiries and product information and help to reduce call centre loading while enabling new interaction method in line with the millennial lifestyle.

Mobile Banking

We understand how customers value convenience and we want our banking solutions to be more accessible and reachable than ever. Our mobile banking would direct you to the key functions; be it just viewing your account, transferring money, or paying your bills. We are currently working on our mobile banking application and we hope to be able to bring it to market soon.

New Products and Features

This year, we focus on identifying current customer needs and innovate specialised products that are reflective of our values. The new products that we have launched or will be launching includes Peer to Peer Lending ("P2P"), E-remittance and Cashline-i.

Peer to Peer Lending ("P2P")

In addition, with the advent of internet retail banking, the Bank will be introducing Peer to Peer Lending that provides new asset class for customers to invest in higher returns through lending to SME. SMEs would be able to access short-term financing not covered under the traditional banking financing products. Consequently, it would create a new customer pipeline for SMEs that can be converted to the Bank's customer base once it meets the eligibility requirements of the Bank. There are 2 phases of P2P lending, the first phase focuses on referral basis whereas the second phase focuses on equity investment in P2P. We aim to roll out phase one in 2020.

E-remittance

When launched, this system would be integrated with the e-Wallet and CASA to enable remittance through mobile application. E-Remittance is a cheaper alternative to traditional foreign fund transfer via SWIFT. It is also a faster and more convenient solution for customers to make transfers at anytime and anywhere they like.

Cashline-i

Cashline-i is a short-term Shariah-compliant financing solution to alleviate customers' short term cash flow requirements or working capital by providing cash flow via PrimeRich Current Account-i. This facility could also be structured with the Bank's Trade Finance facility products as a standby line. This will in turn benefit the growth of the Bank's Trade Facilities.

 **Why is it Important?**

As we move towards a digitally enabled future, cybercrime is becoming more serious and common. Cyber security is important as it safeguards and protects sensitive data, customers' information and intellectual property from theft and manipulation. The impacts of cyber attacks on a business can be unprecedented – it disrupts business operations, causes reputational harm, and destroys relationship and trust with customers and business partners.

The Bank considers cyber security as a matter of critical priority and we manage it by identifying, detecting, defending and responding appropriately in the event of an infringement of cyber security.

We examine the effect of an incident and determine the best approach to addressing cyber risks against all web-based systems such as our Retail Internet Banking, Corporate Internet Banking and e-wallet system.

We have a suite of comprehensive and detailed policies and procedures on cyber security. Our Information Technology Security Policies ("ITSP") is designed to enable the Bank to conduct its activities in line with best practices that comply with internal, statutory and regulatory requirements. In addition, our Management of Cyber Risk Policy guides the management of cyber risk and threats within the Bank.

This year, we successfully implemented the Cyber Security Enhancement project, which strengthened the Bank's perimeter security controls to allow cyber-attack defence in tandem with the Security Monitoring and Operation Centre, providing enhanced security monitoring against malicious attacks and visibility to identify, evaluate and respond to any cyber security incidents.

Internal processes are important to create a cyber security culture in the workplace. We work to ensure that cyber security awareness and organisational security procedures are well established among our employees.

In March 2020, prior to the issuance of this Report, we have established a Board Information Technology Oversight Committee at the Bank to manage IT-related risk, in line with the requirements of the Risk Management in Technology ("RMiT") Guidelines issued by BNM. The Board Information Technology Oversight Committee comprises three (3) Independent Non-Executive Directors which include one (1) Director who has vast experience in Information Technology.

For 2019, our efforts include:

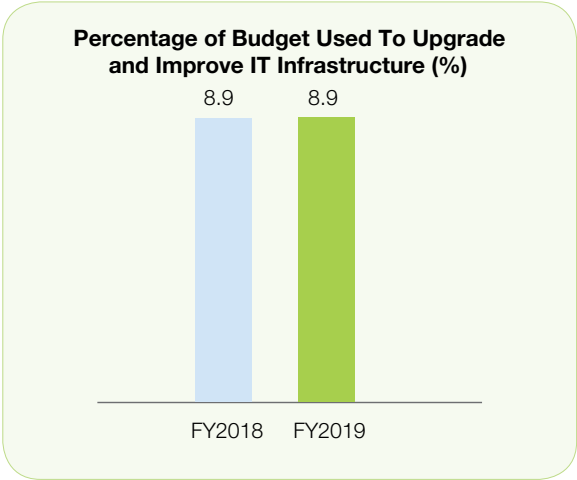
- Increasing awareness among all employees via email broadcast
- Made Cyber Security e-Learning program accessible to all employees via the intranet

We also have collaborated with CyberSecurity Malaysia on MBSB Bank's Safety Awareness Campaign that will give advice on issues pertaining to online banking safety, online shopping safety as well as phishing and identity theft avoidance to the public.



Our aim is to maintain zero cybersecurity breaches every year and manage security incidents (if any) by investigating and resolving the issues on a timely basis.

Moving forward, we plan to enhance the security of our data centre, end point devices, mobile device management and Identity Document ("ID") management as well as to insource the Security Operation Centre back from our outsourcing partner.



Our Communities



One fundamental principle of Islamic Banking is the pursuit of social harmony through shariah-compliant finance. We pay homage to our roots as a building society before we were a bank and worked hard to build society through our community empowerment initiatives. In 2019, we ramped up our efforts to support financial inclusion without compromising our risk averse attitude and increased our contribution of both financial and non-financial aid towards underserved communities and causes. We also ensure consumers are only presented with financial products that meet their needs and within their means as well as ensuring that our borrowers are not involved in illegal activities.

This year, MBSB Bank has introduced a Trade Advisory group to pair financial literacy education alongside financial aid to create a long-term impact on communities. MBSB Bank has also revised our First Housing Scheme to provide affordable solutions for the B40 income group. As a responsible financial institution, we recognise the responsibility to give back to the community. In 2019, the Bank spent a record contribution of RM8.9mil on corporate social responsibility initiatives, representing 1.9% of MBSB Bank's 2019 net profit.

Sustainable Development Goals

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



In this section, you will find sustainability information relating to:

- Responsible Lending
- Financial Inclusion
- Local Communities



⚠️ Why is it Important?

We conduct responsible business by considering the social and environmental impacts of our lending. This includes ensuring that consumers are only presented with financial products that meet their needs and within their means. This, in addition, will also allow us to manage our credit risks.

Our responsible financing policies promote prudent, responsible and transparent financing practices for both consumers and the Bank which also allow for effective engagements between the Bank and consumers through better disclosures and advice. The objectives of our responsible financing policies are as follows:



CONSUMERS

- To provide consumers with products and services that are suitable to meet their needs within their means, without becoming over-indebted
- To ensure consumers are offered financing products that they can afford to pay throughout the financing tenure, without recourse to debt relief or substantial hardship



MBSB BANK

- To help protect the Bank from incurring material credit losses by offering financing needs that meet customer's affordability level
- To improve the company's profitability and performance by minimising non-performing accounts, and building its reputation by demonstrating good banking practices to other market players

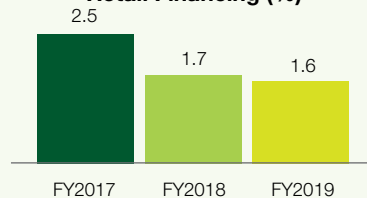
Transparency between borrower and lender is more important than ever to build trust. We believe customers have the right to know and understand more about their financing applications. To that end, we have started providing customers with information on any rejection of their funding application. With that, customers would be able to understand the gaps and make better-informed decisions to improve their financial planning.

Besides that, we understand that many SMEs may have good prospects and effective financial reporting practices but lack the collaterals to secure financing. To help these businesses grow and contribute to the local economy, we

provide certain flexibility in restructuring and rescheduling existing facilities with careful consideration of the credit risks on a case-by-case basis.

To monitor the effectiveness of our responsible lending management and initiatives, we monitor our non-performing financing rate as well as complaints received. To date, we only noted one complaint on unfair business practices, and the Bank has thoroughly investigated and resolved the complaint.

Gross Non-Performing Financing Ratio for Retail Financing (%)



All businesses, activities and products offered by the Bank must be in line with Shariah requirements which are principally as follows:



Not involving Riba (Usury)



Not involving Gharar (Uncertainty)



Not involving Maysir (Gambling)



Not involving any other contracts or practices considered unlawful or invalid according to Shariah rules and principles

Our Islamic products are catered for retail customers and businesses, such as Current and Savings Account-i, Personal Financing-i, Housing Financing-i, and others. To gain competitive advantage and increase market share in the hub of Islamic finance, timely development and innovation of shariah-compliant products are important to us.

OPERATING SUSTAINABLY
AND RESPONSIBLY **Why is it Important?**

Financial inclusion is a key enabler to reducing poverty and ensuring sustainable growth for the local economy. We strive to improve the accessibility and affordability of our products. This is also consistent with our focus on building financially resilient Malaysians and local businesses which contributes to the socio-economic development of Malaysia.

In 2019, the Bank paid further homage to the Islamic principle of improving the livelihood of society by increasing efforts to be more financially inclusive. Following our commitment to introduce more products with the purpose of empowering targeted pockets of society, our efforts this year ranged from providing financial access for the underserved, to providing financial literacy education, and improving physical access of branches for people with disabilities.

In some cases for the underserved, there are certain individuals with promising businesses but lack the know-how or supporting documentation to access financing facilities. The Bank has come out with a plan on creating more channels for better dissemination of product information through mobile application as discussed in 'Our Technology' section of this Report.

Aligned with the government's initiative of improving B40 livelihood, we introduced our 'House Financing-i for First Time House Buyer of Lower Income Group' initiative. This affordable housing scheme was launched this year where any Malaysian citizen with no record of credit mismanagement that earns less than RM5,000 looking to buy their first home can purchase residential properties valued at up to RM300,000 without any ancillary costs. In essence, this is a revised version of our existing 'My First Home' scheme to allow the Bank to offer products to the lower-income group. The product variation also include the stretch of our risk acceptance criteria for our target customers including the vulnerable group, with gross monthly income of RM3,000 and below.

The revised scheme also comes with mandatory financial education by the Credit Counselling and Debt Management Agency ("AKPK") to understand their financial commitments before purchasing their first home. It is imperative for borrowers, especially from the B40 group to have the financial literacy to allow them to enjoy a sustainable lifestyle matching their incomes in the long term. Rather than just increasing the DSR threshold, the Bank has also launched a Trade Advisory initiative, MTrade, in order to pair education with support. The Trade Advisory initiative consists of a group of staff who engage with trade finance customers via joint-marketing with Relationship Managers from the Business Division to analyse spending pattern and provide customised advice on available best practices for trade financing. Since trade facility is revolving in nature, trade advisory provides continuous assistance to customers on a daily basis.

Our financial inclusion initiatives also include economic development initiatives designed to promote and invigorate entrepreneurial growth and shared prosperity. This year, the Bank has approved and customer accepted a total of RM5.9mil financing for small businesses and community developments. As part of our future roadmap, we will continue to introduce more innovative and affordable products and solutions to meet the needs of the local communities and contribute to nation-building, this includes SME or Bumiputra financing as well as food truck financing to encourage and promote entrepreneurial spirit among the local community. As the nation prospers, so will our business.

15 Financial Inclusion (cont'd.)

Corporate Portfolio by Sector for 2019 (%)

Corporate Sector	%
Accommodation and Food Service Activities	1.7
Administrative and Support Service Activities	2.6
Agriculture, Forestry and Fishing	5.7
Construction	51.6
Education	2.3
Electricity, Gas, Steam and Air Conditioning Supply	1.3
Financial and Insurance/ Takaful Activities	0.6
Human Health and Social Work Activities	0.3
Information and Communication	2.5
Manufacturing	12.0
Mining and Quarrying	6.2
Professional, Scientific and Technical Activities	0.1
Real Estate Activities	3.4
Transportation and Storage	6.2
Water Supply; Sewerage, Waste Management and Remediation Activities	0.5
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	3.0

Total Approved Corporate Financing by Category (%)

Year	FY2018	FY2019
Perumahan Penjawat Awam Malaysia	16.0	-
Green Financing	1.8	3.7
Industrial Hire Purchase	17.0	15.8
Sukuk	18.5	-
Plantation	-	0.5
PRIMA	-	1.4
Syndication	-	8.1
Telekom Vendor	-	0.4
Trade Business	-	13.7
Others	46.7	56.4

Corporate Portfolio by size (%)

Year	FY2017	FY2018	FY2019
Micro	41.7	8.8	4.9
Small	3.6	14.0	9.5
Medium	6.6	10.9	8.5
Large	48.1	66.3	77.1

16 Local Communities

Boundary: MBSB Bank



Why is it Important?

To create positive impact on society while maximising shared value creation for key stakeholders.

Each year, MBSB Bank makes a conscious effort in being discerning corporate citizens by carrying out strategic CSR programmes. MBSB Bank's CSR programmes are focused on four key areas: community, education, environment and workplace. Tailored to specifically engage and assist underdeveloped segments of the community, we often partner with selected credible NGOs that are experts in their respective areas and hold strong grassroots presence.

To foster our core values of empathy and passion, we encourage our employees to participate and to be the advocate of our CSR programmes.

This is why the CSR programmes also include its employees as advocates who would tirelessly volunteer to make it possible.

We spent over RM8.9mil this year on CSR contributions, including zakat. One key initiative from MBSB Bank is our Sejahtera program where we partnered with Islamic Relief Malaysia in order to build and rehabilitate houses for the financially disadvantaged. MBSB Bank's role in the partnership involves providing the necessary monetary contributions in order for the program to run smoothly and effectively. This year, we have built 38 houses in total compared to our record of 15 in 2018.

**OPERATING SUSTAINABLY
AND RESPONSIBLY**

16 Local Communities (cont'd.)

Theme	Initiative	Description
Environment	Taman Tugu River Trail Project	An initiative to preserve the environment (river stream) and also inculcate the importance of sustainable development amongst our employees as part of our responsibility in fulfilling our environmental responsibilities
	Sungai Selangor Clean Up	A river cleaning activity through collecting rubbish and recyclables from Sungai Selangor and planting of mangrove seeds
	Tapir Conservation	Partnered with Malaysian Nature Society to create awareness on the safeguarding of local wildlife, cleaned tapir conservation areas, and fed tapirs at Sg Dusun Wildlife Conservation Centre
	Beach Cleanup	MBSB Bank organised cleanup activities at three beaches: Tanjung Aru in Sabah, Pantai Muara Kerteh in Terengganu, and Pantai Santubong in Sarawak
	Tree Planting	Planted mangrove trees at Pantii Bird Sanctuary, Johor and Sungai Acheh, Penang



Beach Cleanup



Tree Planting



Taman Tugu River Trail Project



Mangrove Conservation

16 Local Communities (cont'd.)

Theme	Initiative	Description
Community	Cooking For A Cause	Prepared meals and distributed basic necessities to flood victims of Kelantan
	Disaster Aid for Pasir Gudang	Provided N95 masks to residents of Pasir Gudang Johor, who were affected by the Sungai Kim Kim chemical spill
	Blood Donation Drive	Organised two blood donation drives in April and November 2019 towards National Blood Bank
	Sejahtera Programme	Collaborated with Islamic Relief Malaysia (IRM) on a project that helps to improve the standard of living of less privileged communities in Malaysia done through home building and rehabilitation. Homes are rebuilt or rehabilitated to ensure poor families live in homes that meet the minimum standards of safety and comfort
	Ramadhan Charity Drive	Provided home electrical appliances and groceries from Rosyam Mart during Ramadhan to two orphanages: Pertubuhan Kebajikan dan Pendidikan Anak Kesayanganku Kesayangan Selangor and Pusat Jagaan Kasih Illahi
	Iftar with Orphans	Organised an iftar event and provided duit raya to 160 orphans as well as 10 charitable homes
	Cybersecurity Awareness Campaign	Collaborated with Media Prima Television Network and Cyber Security Malaysia for a special Public Service Announcement on television segments and billboard advertisements
	Soup Kitchen	Partnered with Pertubuhan Tindakan Wanita Islam ("PERTIWI") to distribute food and necessities at Jalan Medan Tuanku Kuala Lumpur on a monthly basis



Iftar with Orphans



Blood Donation Drive



Distribution of Groceries And Electrical Goods to Charity Homes

**OPERATING SUSTAINABLY
AND RESPONSIBLY**

16 Local Communities (cont'd.)

Theme	Initiative	Description
Workplace	Grow the Goose	To inculcate personal financial budgeting as well as business acumen for the children of MBSB Bank employees who are primary and secondary school students
	Instagram Contests	Seasonal contests were organised to allow staff to share their artistic side and best participations were rewarded
	In Service Training (INSPRO)	A two-day programme for the newly employed to be familiar with MBSB Bank's core values, vision, mission and culture
	Train the Trainer for STEP	Selected MBSB Bank employees from various departments went through a four-day training that builds participants' capability to deliver the STEP module
	Kidzania Experience 2019	Children of MBSB Bank employees were selected to go to Kidzania to experience having careers in various industries through the games available
	Superpark Challenge	This activity was made for families to bond together and also to promote active lifestyle. The Superpark Challenge saw MBSB Bank employees and their children spend a day at the indoor activity park
	Danajamin Run	Sponsored Danajamin Fun Run to promote active lifestyle and social responsibility among employees through the fun run participation and with proceeds being donated to Autism Awareness campaign
	Education Excellence & High Achievement Awards	MBSB Bank gave recognition to some of its employees and children of employees who did well in their respective higher education and national examinations with a certificate and cash prize



Superpark Challenge



Kidzania Experience



Grow The Goose Financial Literacy Programme



High Achievement Award

16 Local Communities (cont'd.)

Education

Another achievement that we are proud of is our school adoption programme. Through this program, MBSB Bank has adopted 9 schools to not only improve the livelihood of children while they are in school through motivational and academic programs, but to also facilitate a smooth transition from their student lives to their post-graduation careers through financial literacy programs. Currently, MBSB Bank has adopted the following nine schools for our programs:

- SK Jalan Sungai Besi 1, WP Kuala Lumpur
- SK Sekudai Batu 10, Johor
- SK Senibai, Negeri Sembilan
- SK Kebor Besar, Terengganu
- SK Permatang Pauh, Penang
- SK Kg Bambangang Membakut, Sabah
- SK Kampung Melayu, Sarawak
- SK Merbau Sempak, Selangor
- SK Tambak Jawa, Selangor

As a result of the programmes implemented, the number of students achieving 6As, 5As, and 4As from all adopted schools have increased from 25 students last year to 39 students, a 56% improvement.

Schools	2019			2018		
	6A	5A	4A	6A	5A	4A
SK Tambak Jawa, Selangor	4	1	6	1	0	2
SK Sekudai Batu 10, Johor	1	0	3	1	1	1
SK Merbau Sempak, Selangor	3	5	4	2	3	5
SK Kg Melayu, Sarawak	0	0	2	0	1	0
SK Jalan Sg Besi 1, KL	0	0	0	0	0	1
SK Permatang Pauh, Penang	0	0	4	2	2	2
SK Kebor Besar, Terengganu	1	3	2	0	0	0
SK Kg Bambangang, Sabah	0	0	0	0	0	0
SK Senibai, Negeri Sembilan	0	0	0	0	1	0
Total	9	9	21	6	8	11
Overall Total	39			25		



BH Didik Seminar at SK Senibai, Negeri Sembilan



Financial Literacy Programme at SK Tambak Jawa, Selangor



Financial Literacy Programme at SK Tambak Jawa, Selangor



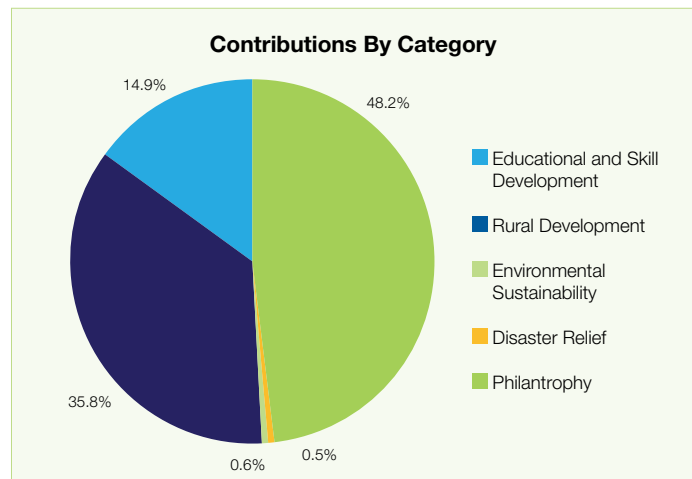
BH Didik Seminar at SK Skudai Batu 10, Johor

**OPERATING SUSTAINABLY
AND RESPONSIBLY**

16 Local Communities (cont'd.)

Initiative	Description	Amount (RM)
Seminar BH Didik	Prepared students that are sitting for UPSR examination with insightful and creative activities related to year 6 syllabus	363,580
Financial Literacy Program: MBSB Bank Adopted School Financial Empowerment Programme	Presented case studies to help students make effective financial decisions and understand how financial literacy can improve one's quality of life	90,000
Team Building Excellence for MBSB Bank Adopted Schools Teacher	Organised a team building programme to boost teachers' morale before the upcoming school term	99,900
Contribution to Adopted Schools' computer lab	To provide better computer learning experience for the students	90,000

Realising the importance of being technology savvy, we are committed to incorporating digital-based approach in our adopted schools, as well as the public through several initiatives. We are planning to develop coding and robotics courses for our adopted schools to equip them with the much-needed skills that will be in high demand in the near future. The courses will also be offered as part of our employees' children's activities. In addition to that, we will continue with our Cyber Security awareness programme which inculcates safe internet usage to the public. All the programmes will be conducted alongside the on-going CSR programmes which are Sejahtera Programme as well as our environmental CSR in collaboration with the Malaysian Nature Society.





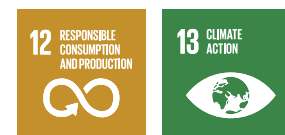
At MBSB, we believe that climate change is real and its potential impacts could be devastating. It is important for us to recognise the corresponding risks and opportunities including both physical and transition risks, and take action to tackle climate change and its impacts.

As a financial institution, we play an important role in supporting climate actions. We are increasing our green financing for clean energy projects and at the same time reducing our direct environmental footprint through better management systems and digitisation.

In 2019, we approved RM157.7mil financing towards green projects as part of our pledge. These projects involved solar energy generation projects, biogas energy generation projects, waste-to-energy projects, and mini hydro-electric dams. We are consciously taking efforts to manage and reduce our energy, water and paper usage. We anticipate a further reduction in our energy and water consumptions in the coming years as we move into our new corporate headquarters, which is a green building, in 2021.

Sustainable Development Goals

Through our efforts in reducing our environmental footprint and supporting green projects, we also support the following UN SDGs:



In this section, you will find sustainability information relating to:

- Direct Environmental Footprint

**OPERATING SUSTAINABLY
AND RESPONSIBLY**

17 Direct Environmental Footprint

Boundary: MBSB Bank



⚠️ Why is it Important?

To manage and reduce the impacts from our operations on the environment.

Following our announcement last year, we are excited to announce that our new corporate headquarters will be ready for occupancy in 2021.

Our new corporate headquarters incorporates green building concept and we are currently pursuing certifications such as Green Building Index (“GBI”) and Leadership in Energy and Environmental Design (“LEED”) Gold certification. The new building would include the following key features:

Features	Description
Green Transportation & Access	<ul style="list-style-type: none"> Provides green vehicle parking to encourage building user to use fuel efficient vehicles in reducing carbon footprint. Access to public transportation in reducing vehicular emission.
Water Conservation Features	<ul style="list-style-type: none"> Installation of high efficient water fittings in reducing potable water consumption.
Environment Management Practices	<ul style="list-style-type: none"> Recycling facilities in minimising the amount of waste. Prohibition of smoking in building areas.
Facilities	<ul style="list-style-type: none"> Gym and shower rooms in promoting healthy and hygienic lifestyle at work.
Community Connectivity	<ul style="list-style-type: none"> Accessible to at least 10 basic services within 1 km radius in providing community-based working environment.
Green Fit-out	<ul style="list-style-type: none"> Building products carefully picked to minimise the effects of Volatile Organic Compound materials
Building Exterior	<ul style="list-style-type: none"> Building exterior designed to reduce microclimate effect by providing landscape area and hardscape material with surface finish SRI value more than 29.

Our new headquarters will also feature a smart building management system which will help the Bank in reducing our environmental footprint through features such as energy efficient lightings.

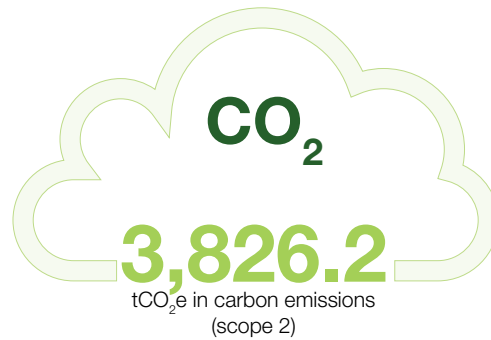
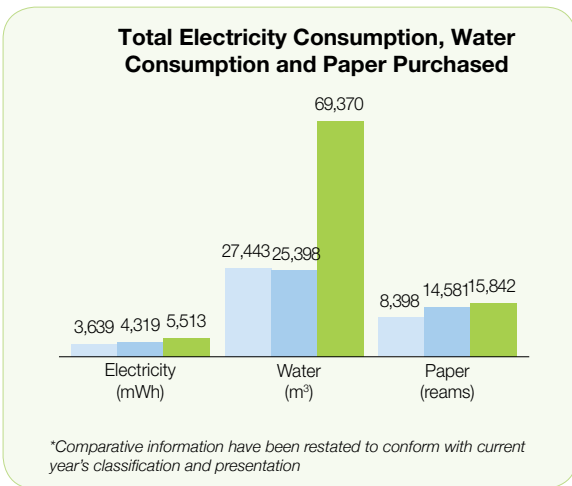


MBSB's new corporate HQ

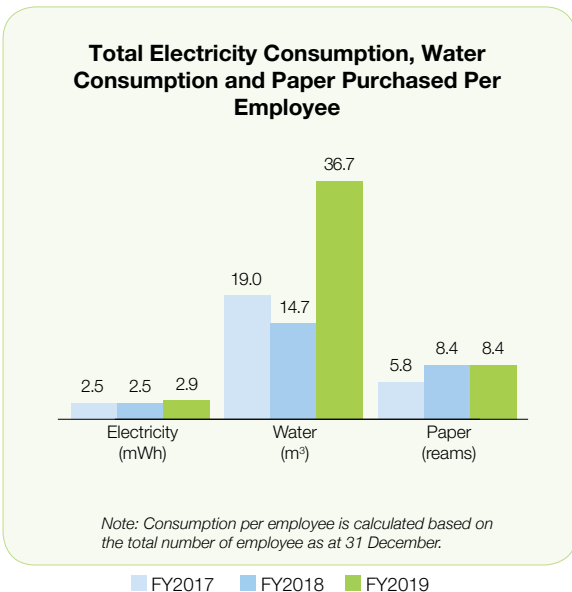
17 Direct Environmental Footprint (cont'd.)

Our main environmental impact this year is from electricity and water consumption as well as paper purchased. Our total consumption of electricity, water and paper purchased for this year is as listed below:

This year, we started tracking our Scope 2 carbon emissions from our purchased electricity. Our carbon emissions from purchased electricity for 2019 was 3,826.2 tonnes.



Currently, we are still trying to improve our energy efficiency in our headquarters building through the replacement of traditional light bulbs with LED lighting, as well as the installation of inverter systems for the air-conditioning system. There is also a quarterly review on paper purchased, whereby any increase will be flagged and questioned. Documents destruction is also handled sustainably through our partnership of sending our shredded documents to a recycling company.



In the coming years, we expect our energy and water consumption intensity to reduce even further after moving into our new corporate headquarters. We also believe that through our digitalisation efforts such as implementing online applications for bank accounts, our paper consumption intensity will also further reduce.

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GLOBAL REPORTING INITIATIVE (GRI) STANDARDS 2016: 'IN ACCORDANCE' – CORE OPTION

GRI Standard	Code	Disclosure	Page(s) or URL(s) reference	Omission, if applicable
GENERAL DISCLOSURES 2016				
GRI 102: General Disclosures 2016	Organisational Profile			
	102-1	Name of the organisation	Sustainability Report 2019 - Front Cover	
	102-2	Activities, brands, products, and services	Annual Report 2019 - Management Discussion and Analysis	
	102-3	Location of headquarters	Annual Report 2019 - Corporate Information	
	102-4	Location of operations	Annual Report 2019 - MBSB Bank Branches	
	102-5	Ownership and legal form	Annual Report 2019 - Our Profile	
	102-6	Markets served	Annual Report 2019 - MBSB Bank Branches	
	102-7	Scale of the organisation	Annual Report 2019 - Financial Statement	
	102-8	Information on employees and other workers	Sustainability Report 2019 - Pages 27 to 30	
	102-9	Supply chain	Sustainability Report 2019 - Page 51	
	102-10	Significant changes to the organisation and its supply chain		Not applicable as there are no significant changes
	102-11	Precautionary Principle or approach	Annual Report 2019 - Statement on Risk Management and Internal Control	
	102-12	External initiatives	Annual Report 2019 - Management Discussion & Analysis	
	102-13	Membership of associations	Annual Report 2019 - Corporate Governance Overview Statement	
	Strategy			
102-14	Statement from senior decision-maker	Sustainability Report 2019 - Page 4		
102-15	Key impacts, risks, and opportunities	Annual Report 2019 - Management Discussion & Analysis		
Ethics and Integrity				
102-16	Values, principles, standards, and norms of behaviour	Sustainability Report 2019 - Page 14		
102-17	Mechanisms for advice and concerns about ethics	Sustainability Report 2019 - Page 14		

GLOBAL REPORTING INITIATIVE (GRI) STANDARDS 2016: 'IN ACCORDANCE' – CORE OPTION

GRI Standard	Code	Disclosure	Page(s) or URL(s) reference	Omission, if applicable
GRI 102: General Disclosures 2016	Governance			
	102-18	Governance structure	Sustainability Report 2019 - Page 13, Annual Report 2019 - Corporate Governance Overview Statement	
	102-21	Consulting stakeholders on economic, environmental, and social topics	Sustainability Report 2019 - Pages 16 to 17	
	102-22	Composition of the highest governance body and its committees	Annual Report 2019 - Profile of Board of Directors: MBSB	
	102-23	Chair of the highest governance body	Annual Report 2019 - Corporate Governance Overview Statement	
	102-25	Conflicts of interest	Annual Report 2019 - Corporate Governance Overview Statement	
	102-28	Evaluating the highest governance body's performance	Annual Report 2019 - Corporate Governance Overview Statement	
	102-30	Effectiveness of risk management processes	Annual Report 2019 - Statement on Risk Management and Internal Control	
	102-32	Highest governance body's role in sustainability reporting	Sustainability Report 2019 - Page 13	
	Stakeholder Engagement			
	102-40	List of stakeholder groups	Sustainability Report 2019 - Pages 15 to 17	
	102-41	Collective bargaining agreements	Sustainability Report 2019 - Page 27	
	102-42	Identifying and selecting stakeholders	Sustainability Report 2019 - Page 15	
	102-43	Approach to stakeholder engagement	Sustainability Report 2019 - Pages 15 to 17	
	102-44	Key topics and concerns raised	Sustainability Report 2019 - Pages 16 to 17	
	Reporting Practices			
	102-45	Entities included in the consolidated financial statements	Annual Report 2019 - Financial Statement	
	102-46	Defining report content and topic Boundaries	Sustainability Report 2019 - Page 1	
	102-47	List of material topics	Sustainability Report 2019 - Page 19	
	102-48	Restatements of information	Sustainability Report 2019 - Pages 27,31 and 69	
102-49	Changes in reporting	Sustainability Report 2019 - Pages 18 to 19		

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GLOBAL REPORTING INITIATIVE (GRI) STANDARDS 2016: 'IN ACCORDANCE' – CORE OPTION

GRI Standard	Code	Disclosure	Page(s) or URL(s) reference	Omission, if applicable
GRI 102: General Disclosures 2016	102-50	Reporting period	Sustainability Report 2019 - Page 1	
	102-51	Date of most recent report	Sustainability Report 2019 - Page 1	
	102-52	Reporting cycle	Sustainability Report 2019 - Page 1	
	102-53	Contact point for questions regarding the report	Sustainability Report 2019 - Page 1	
	102-54	Claims of reporting in accordance with the GRI Standards	Sustainability Report 2019 - Page 1	
	102-55	GRI content index	Sustainability Report 2019 - Pages 70 to 75	
	102-56	External assurance	Sustainability Report 2019 - Pages 80 to 82	

MATERIAL TOPICS

Economic Performance

GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Sustainability Report 2019 - Page 51	
	103-2	The management approach and its components	Sustainability Report 2019 - Page 51	
	103-3	Evaluation of the management approach	Sustainability Report 2019 - Page 51	
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	Sustainability Report 2019 - Page 51	

Market Presence

GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Sustainability Report 2019 - Page 44	
	103-2	The management approach and its components	Sustainability Report 2019 - Pages 44 to 47	
	103-3	Evaluation of the management approach	Sustainability Report 2019 - Pages 44 to 47	
	202-2	Proportion of senior management hired from the local community	Sustainability Report 2019 - Page 33	

Procurement Practices

GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Sustainability Report 2019 - Page 51	
	103-2	The management approach and its components	Sustainability Report 2019 - Page 51	
	103-3	Evaluation of the management approach	Sustainability Report 2019 - Page 51	
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	Sustainability Report 2019 - Page 51	

Anti-corruption

GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Sustainability Report 2019 - Page 21	
	103-2	The management approach and its components	Sustainability Report 2019 - Page 21	
	103-3	Evaluation of the management approach	Sustainability Report 2019 - Page 21	

GLOBAL REPORTING INITIATIVE (GRI) STANDARDS 2016: 'IN ACCORDANCE' – CORE OPTION

GRI Standard	Code	Disclosure	Page(s) or URL(s) reference	Omission, if applicable
	205-2	Communication and training about anti-corruption policies and procedures	Sustainability Report 2019 - Page 22	
	205-3	Confirmed incidents of corruption and actions taken	Sustainability Report 2019 - Pages 22 to 23	
Energy				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Sustainability Report 2019 - Page 68	
	103-2	The management approach and its components	Sustainability Report 2019 - Page 68	
GRI 302: Energy 2016	302-1	Energy consumption within the organisation	Sustainability Report 2019 - Page 69	
	302-3	Energy intensity	Sustainability Report 2019 - Page 69	
Water and Effluent				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Sustainability Report 2019 - Page 68	
	103-2	The management approach and its components	Sustainability Report 2019 - Page 68	
GRI 303: Water and Effluents	303-5	Water consumption	Sustainability Report 2019 - Page 69	
Emissions				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Sustainability Report 2019 - Page 69	
	103-2	The management approach and its components	Sustainability Report 2019 - Page 69	
GRI 305: Emissions	305-2	Energy indirect (Scope 2) GHG emissions	Sustainability Report 2019 - Page 69	
Environmental Compliance				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Sustainability Report 2019 - Page 22	
	103-2	The management approach and its components	Sustainability Report 2019 - Pages 22 to 23	
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	Sustainability Report 2019 - Page 23	
Employment				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Sustainability Report 2019 - Page 27	
	103-2	The management approach and its components	Sustainability Report 2019 - Pages 27 to 30	
	103-3	Evaluation of the management approach	Sustainability Report 2019 - Pages 27 to 30	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	Sustainability Report 2019 - Pages 27 to 29	
	401-3	Parental leave	Sustainability Report 2019 - Page 30	

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GLOBAL REPORTING INITIATIVE (GRI) STANDARDS 2016: 'IN ACCORDANCE' – CORE OPTION

GRI Standard	Code	Disclosure	Page(s) or URL(s) reference	Omission, if applicable
Occupational Health and Safety				
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	Sustainability Report 2019 - Page 34	
	403-2	Hazard identification, risk assessment, and incident investigation	Sustainability Report 2019 - Pages 34 to 36	
	403-3	Occupational health services	Sustainability Report 2019 - Pages 34 to 36	
	403-4	Worker participation, consultation, and communication on occupational health and safety	Sustainability Report 2019 - Pages 34 to 36	
	403-5	Worker training on occupational health and safety	Sustainability Report 2019 - Pages 34 to 36	
	403-6	Promotion of worker health	Sustainability Report 2019 - Page 30	
	403-9	Work-related injuries	Sustainability Report 2019 - Page 35	
	403-10	Work-related ill health	Sustainability Report 2019 - Page 35	
Training and Education				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Sustainability Report 2019 - Page 31	
	103-2	The management approach and its components	Sustainability Report 2019 - Pages 31 to 32	
	103-3	Evaluation of the management approach	Sustainability Report 2019 - Page 32	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	Sustainability Report 2019 - Page 31	
	404-2	Programs for upgrading employee skills and transition assistance programs	Sustainability Report 2019 - Page 32	
	404-3	Percentage of employees receiving regular performance and career development reviews	Sustainability Report 2019 - Page 32	
Diversity and Equal Opportunity				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Sustainability Report 2019 - Page 33	
	103-2	The management approach and its components	Sustainability Report 2019 - Page 33	
	103-3	Evaluation of the management approach	Sustainability Report 2019 - Page 33	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	Sustainability Report 2019 - Page 33	
Local Communities				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Sustainability Report 2019 - Page 61	
	103-2	The management approach and its components	Sustainability Report 2019 - Pages 61 to 66	
	103-3	Evaluation of the management approach	Sustainability Report 2019 - Pages 61 to 66	

GLOBAL REPORTING INITIATIVE (GRI) STANDARDS 2016: 'IN ACCORDANCE' – CORE OPTION

GRI Standard	Code	Disclosure	Page(s) or URL(s) reference	Omission, if applicable
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	Sustainability Report 2019 - Pages 61 to 66	
Customer Privacy				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Sustainability Report 2019 - Page 48	
	103-2	The management approach and its components	Sustainability Report 2019 - Pages 48 to 49	
	103-3	Evaluation of the management approach	Sustainability Report 2019 - Pages 48 to 49	
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Sustainability Report 2019 - Page 49	
Socioeconomic Compliance				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	Sustainability Report 2019 - Page 22	
	103-2	The management approach and its components	Sustainability Report 2019 - Pages 22 to 23	
	103-3	Evaluation of the management approach	Sustainability Report 2019 - Pages 22 to 23	
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	Sustainability Report 2019 - Page 23	

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Pillars and Themes	Code	Disclosure	Page(s) or URL(s) reference	Omission, if applicable
ECONOMIC				
Climate Change	ECC01	Climate change impact including CO2/GHG emissions - Policy or commitment statement	Sustainability Report 2019 - Page 68	
	ECC12	Intensity of operational GHG emissions	Sustainability Report 2019 - Page 69	
	ECC14	Three years of total operational GHG emissions data (Scope 1 & 2) is disclosed	Sustainability Report 2019 - Page 69	Scope 2 only
	ECC15	Three years of total energy consumption data is disclosed	Sustainability Report 2019 - Page 69	
	ECC31	Energy use - Policy or commitment statement	Sustainability Report 2019 - Pages 68 to 69	
	ECC43	Recognition of climate change	Sustainability Report 2019 - Page 68	
GOVERNANCE				
Anti-Corruption	GAC01	Bribery - Policy or commitment statement	Sustainability Report 2019 - Page 14	
	GAC02	Anti-corruption - Policy or commitment statement	Sustainability Report 2019 - Page 14	
	GAC03	Board has oversight of anti-corruption policy	Sustainability Report 2019 - Page 21	
	GAC05	Confidential or anonymous whistle-blowing mechanism for staff	Sustainability Report 2019 - Page 21	
	GAC07	Communication of anti-corruption policy to all employees	Sustainability Report 2019 - Pages 22 to 23	
	GAC08	Training for staff on the anti-corruption policy	Sustainability Report 2019 - Page 23	
	GAC09	Corruption risk assessment for company operations	Sustainability Report 2019 - Page 21	
	GAC12	Disclosure of total amount of political contributions	Sustainability Report 2019 - Page 23	
	GAC13	Disclosure of number of staff disciplined or dismissed due to non-compliance with anti-corruption policy/policies	Sustainability Report 2019 - Page 23	
	GAC14	Disclosure of cost of fines, penalties or settlements in relation to corruption	Sustainability Report 2019 - Page 23	

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Pillars and Themes	Code	Disclosure	Page(s) or URL(s) reference	Omission, if applicable
Corporate Governance	GCG01	Separate Non-Executive Chair and CEO	Annual Report 2019 - Leadership	
	GCG02	Disclosure of details about Directors	Annual Report 2019 - Leadership	
	GCG03	Number of Board Directors	Annual Report 2019 - Leadership	
	GCG04	Number of independent Directors on the board	Annual Report 2019 - Leadership	
	GCG05	Number of women on the board	Annual Report 2019 - Leadership	
	GCG06	Commitment to gender diversity on the board	Annual Report 2019 - Corporate Governance Overview Statement	
	GCG07	Board addresses conflict of interest and related party transactions	Annual Report 2019 - Corporate Governance Overview Statement	
	GCG08	Periodic evaluation of board effectiveness	Annual Report 2019 - Corporate Governance Overview Statement	
	GCG09	Disclosure of Board Committee and their Charter	Annual Report 2019 - Corporate Governance Overview Statement	
	GCG10	Disclosure of number of times the board/ each committee have/has met per annum	Corporate Governance Report 2019	
	GCG11	Disclosure of the attendance rate	Corporate Governance Report 2019	
	GCG14	Disclosure of fixed and variable remuneration	Corporate Governance Report 2019	
	GCG19	Annual General Meeting: Number of days between the date of notice and date of meeting	Notice of Annual General Meeting	
	GCG21	Shareholders have the right to vote on executive remuneration	Notice of Annual General Meeting	
	GCG22	Shareholders have the right to vote on Director appointments and dismissals	Notice of Annual General Meeting	
	GCG26	Disclosure of voting results	Company Website - Corporate - Investor Relations, Announcement to Bursa	
	GCG27	Remuneration for senior executives included in the company's remuneration disclosures	Corporate Governance Report 2019	
	GCG29	Variable compensation takes into account performance relative to risk	Corporate Governance Report 2019	
	GCG42	Does the company provide for one share one vote for all company meeting resolutions?	Annual Report 2019 - Analysis of Shareholdings	
	GCG43	If the company does not have a separate Non-Executive Chair and CEO, does it have a Lead Director or Senior Independent Director?		Not Applicable
	GCG45	Financial expertise on the audit committee	Annual Report 2019 - Report of the Audit Committee, Profile of the Board of Directors	
	GCG46	There is a fully non-executive Audit Committee or Audit Board with at least half independent members	Annual Report 2019 - Corporate Governance Overview Statement	
	GCG47	There is a fully non-executive Remuneration Committee with at least half independent members	Annual Report 2019 - Corporate Governance Report	
	GCG49	Disclosure and Nature of fees paid to the auditor	Annual Report 2019 - Financial Statements, Additional Compliance Statement	
	GCG50	Percentage of women on the Executive committee or equivalent	Sustainability Report 2019 - Page 33	

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Pillars and Themes	Code	Disclosure	Page(s) or URL(s) reference	Omission, if applicable
Risk Management	GRM01	The Board has oversight of risk management and reviews effectiveness	Annual Report 2019 - Statement on Risk Management and Internal Control, Corporate Governance Overview Statement	
	GRM02	Senior responsibility for risk	Annual Report 2019 - Statement on Risk Management and Internal Control, Corporate Governance Overview Statement	
	GRM04	Reporting and Standards - Reference is made to external standards to inform the company's risk management system and reporting transparency	Annual Report 2019 - Statement on Risk Management and Internal Control, Corporate Governance Overview Statement	
	GRM05	Board specifically oversees Code of Conduct, Code of Ethics or equivalent or ESG risks	Annual Report 2019 - Statement on Risk Management and Internal Control, Corporate Governance Overview Statement	
	GRM07	The company's Codes/charters/policy documents or equivalent describes risk framework	Annual Report 2019 - Statement on Risk Management and Internal Control, Corporate Governance Overview Statement	
	GRM08	The company has a corporate-wide approach to non-compliance	Annual Report 2019 - Statement on Risk Management and Internal Control, Corporate Governance Overview Statement	
	GRM10	The company commits to regular rotation of auditors/audit partner	Corporate Governance Statement 2019	
	GRM12	The company reviews compliance with its Code of Conduct/Code of Ethics and identifies any non-compliance	Sustainability Report 2019 - Page 21	
	GRM14	Provisions for fines and settlements specified for ESG issues in audited accounts	Sustainability Report 2019 - Page 23	
	GRM20	There is a confidential or anonymous whistleblowing or equivalent mechanism to notify breaches of company codes or policies	Sustainability Report 2019 - Page 21	
	GRM21	Legal and compliance leads are on the board, on board committees or regularly report directly into board or board committee meeting	Annual Report 2019 - Corporate Governance Overview Statement	
	GRM22	The board oversees risk management	Annual Report 2019 - Statement on Risk Management and Internal Control	
	GRM23	There are non-executive directors with experience or knowledge in risk management	Annual Report 2019 - Profile of the Board of Directors	
SOCIAL				
Human Rights	SHR03	Statement of principles or process by which community investments are made	Sustainability Report 2019 - Page 61	
	SHR04	Policy addresses children's rights, other than child labour	Sustainability Report 2019 - Page 23	
	SHR05	Commitment to local employment and/or sourcing	Sustainability Report 2019 - Page 29	
	SHR15	Output/outcome of specific results, achievements or benefits of community investments	Sustainability Report 2019 - Pages 61 to 66	
	SHR16	Mechanisms to facilitate employee engagement and involvement with charitable partners	Sustainability Report 2019 - Pages 61 to 66	

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Pillars and Themes	Code	Disclosure	Page(s) or URL(s) reference	Omission, if applicable
	SHR17	Total Amount of corporate or group donations/community investments made to registered not-for-profit organisations	Sustainability Report 2019 - Page 61	
Labour Standards	SLS03	In relation to non-discrimination, company addresses non-discrimination/equal opportunity in general disclosures	Sustainability Report 2019 - Page 33	
	SLS05	Policy or statement supporting the right to freedom of association	Sustainability Report 2019 - Page 27	
	SLS06	Policy or statement supporting the right to collective bargaining	Sustainability Report 2019 - Page 27	
	SLS07	Policy/Principles/Code addressing the elimination of excessive working hours	Sustainability Report 2019 - Page 27	
	SLS08	Policy or statement supporting the right to a minimum or living wage	Sustainability Report 2019 - Page 29	
	SLS11	Policy supporting the community addressing the employment of under-privileged groups, including those from deprived backgrounds, having poor social status and with no formal education or qualifications or youth unemployment initiatives, apprenticeships or graduate placements	Sustainability Report 2019 - Page 29	
	SLS12	Company policy on labour standards communicated globally to employees	Sustainability Report 2019 - Page 27	
	SLS16	Company has taken action to improve workforce diversity, equal opportunities, or reduce discrimination	Sustainability Report 2019 - Page 33	
	SLS21	In relation to instances of labour standards non-compliance, company discloses the number of incidents but not how they dealt with them, or states there were no incidents	Sustainability Report 2019 - Page 23	
	SLS24	Full time staff voluntary turnover rates	Sustainability Report 2019 - Pages 28 to 29	
	SLS25	Percentage of employees that are contractors or temporary staff	Sustainability Report 2019 - Page 27	
	SLS26	Amount of time spent on employee development training to enhance knowledge or individual skills	Sustainability Report 2019 - Pages 31 to 32	
	SLS29	Employee personal development training to enhance abilities or individual skills	Sustainability Report 2019 - Page 32	
	SLS30	The company addresses bullying and/or harassment	Sustainability Report 2019 - Page 21	
SLS32	Percentage of global staff with a disability	Sustainability Report 2019 - Page 33	We have no staff with a disability in the year of review	
SLS33	Percentage of women in the global workforce	Sustainability Report 2019 - Page 33		
Supply Chain (Social)	SSC52	Company has ESG lending policies	Sustainability Report 2019 - Page 52	
	SSC57	Evidence of green or sustainable bond issuance and lending mechanism	Sustainability Report 2019 - Page 52	

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Independent Limited Assurance Statement to the Directors of Malaysia Building Society Berhad

Our Conclusion:

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Subject Matter as presented in Malaysia Building Society Berhad's 2019 Sustainability Report have not been prepared and presented fairly, in all material respects, in accordance with the Criteria defined below.

Scope of Work

Ernst & Young Advisory Services Sdn. Bhd. ("EY" or "we") was engaged by Malaysia Building Society Berhad ("MBSB") to undertake limited assurance in accordance with the International Standard on Assurance Engagements ("ISAE") 3000 Revised, Assurance Engagement other than Audits or Review of Historical Financial Information, over selected key performance indicators ("KPIs") included in MBSB's 2019 Sustainability Report (the "SR2019") for the financial year ended 31 December 2019.

Subject Matter

Our limited assurance engagement was performed for the selected KPIs listed in the table below, as presented in the SR2019:

Material Matters	GRI Standards disclosures	Selected KPIs	Scope and Boundaries
Customer Experience and Satisfaction	GRI 103-2	The total number of grievances/ complaints filed through the mechanism during the reporting period	MBSB Bank Berhad
Training and Education	GRI 404-1	Average hours of training that employees have undertaken during the reporting period, by: <ul style="list-style-type: none"> • Gender • Employee category 	MBSB Bank Berhad

The scope of our work was limited to the selected KPIs presented in the SR2019, and did not include coverage of data sets or information unrelated to the data and information underlying the selected KPIs and related disclosures; nor did it include information reported outside of the SR2019, comparisons against historical data, or management's forward-looking statements.

Criteria

The Criteria for our procedures are:

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

MBSB's Responsibility

The management of MBSB is responsible for the collection, preparation, presentation and implementation of the Subject Matter in accordance with the Criteria; and for implementing appropriate risk management, internal controls and maintaining of records in respect of the Subject Matter so that it is free from material misstatement, whether due to fraud or error; and making estimates that are reasonable.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to perform our limited assurance engagement to express our conclusion on whether anything has come to our attention that causes us to believe that the selected KPIs and related disclosures as presented in the SR2019 are not prepared, in all material respects, in accordance with the Criteria.

We have performed our limited assurance engagement in accordance with the terms of reference for this engagement agreed with MBSB, including performing the engagement in accordance with the ISAE 3000, issued by the International Auditing and Assurance Standards Board. This Standard requires that we plan and perform our engagement to obtain limited assurance about whether the selected KPIs and related disclosures as presented in the MBSB's 2019 Sustainability Report are free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 involves assessing the suitability in the circumstances of MBSB's use of the Criteria specified as the basis of preparation used for the selected KPIs and related disclosures presented in the SR2019, assessing the risks of material misstatement thereof, whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected KPIs and related disclosures in the SR2019.

Summary of Procedures Performed

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures we performed were based on our professional judgement and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Our procedures included, but were not limited to:

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

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Limited Assurance

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance. While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

Inherent Limitations

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

There are additional inherent risks associated with assurance engagements performed for non-financial information given the characteristics of the subject matter and associated with the compilation of source data using definitions and methods for determining, calculating, and estimating such information that are developed internally by management. The absence of a significant body of established practice on which to draw, allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. The precision of different measurement techniques may also vary. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements. In particular, where the information relies on factors derived by independent third parties, our assurance work has not included examination of the derivation of those factors and other third-party information.

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Other Matters

Information relating to prior reporting periods has not been subject to assurance procedures. Our report does not extend to any disclosures or assertions relating to future performance plans and/or strategies disclosed in the SR2019. The maintenance and integrity of MBSB's website is the responsibility of MBSB's management. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to the selected KPIs and related disclosures, the SR2019 or to our independent limited assurance report that may have occurred since the initial date of presentation on the MBSB's website.

Restriction of Use and Liability

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

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

We agree to the publication of this assurance report in MBSB's SR2019 for the financial year ended 31 December 2019, provided it is clearly understood by recipients of the SR2019 that they enjoy such receipt for information only and that we accept no duty of care to them whatsoever in respect of this report.



Ernst & Young Advisory Services Sdn. Bhd.
(811619-M)

Kuala Lumpur, Malaysia
22 May 2020

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