



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



NAVIGATING THROUGH THE PANDEMIC
SUSTAINABILITY IN THE NEW NORMAL

SUSTAINABILITY REPORT 2020



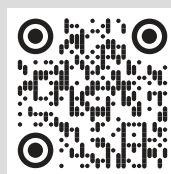
COVER RATIONALE



THE COVER DESIGN IS INSPIRED BY THE EFFORTS MADE BY CORPORATIONS ACROSS THE WORLD GOING TO GREAT LENGTHS TO HELP MITIGATE SEVERE DISPARITY BY PROVIDING ASSISTANCE TO COMMUNITIES.

THE BIG TREE COVERING A SMALL TREE IN THE ILLUSTRATION SYMBOLISES THE RESPONSIBILITY OF LARGE CORPORATIONS HAVE IN MAINTAINING THE SAFETY AND SECURITY OF ITS SURROUNDING.

WHILE THE THE GLOWING DOTS REFLECT THE TOGETHERNESS THAT PREVAILS EVEN DURING THE PANDEMIC.



SCAN QR CODE
FOR DIGITAL COPY

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ABOUT THIS REPORT

At Malaysia Building Society Berhad ("MBSB"), sustainability is integral to our vision to be a top progressive Islamic Bank. We strive to operate as a responsible organisation and contribute to nation-building.

We are proud to present our 2020 Sustainability Report, which marks our fifth year of reporting on our sustainability progress and performance. This report communicates our response to environmental, social and governance ("ESG") impacts and material issues, and how we create value for our stakeholders. We aim to provide clear and transparent information on managing our material sustainability matters, including our principles, initiatives, performance and targets.

Reporting Suite

We have developed a suite of reports to meet the evolving needs and concerns of our stakeholders. This Sustainability Report supplements our 2020 Integrated Annual Report by providing a more comprehensive discussion on our approach in managing relevant sustainability matters.

Our 2020 Reporting Suite

Integrated Annual Report

Our primary report that provides a holistic assessment of our ability to create value in the short, medium and long term.

Corporate Governance Report

A report that outlines our corporate governance practices.

Sustainability Report

Comprehensive sustainability disclosures on our management approach and sustainability performance in relation to issues material to our business and stakeholders.



Our reports are available at www.mbsb.com.my.

ABOUT THIS REPORT

Reporting Frameworks

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

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

Reporting Scope and Boundary

The scope and boundary of the information in this report cover only the core business activities of MBSB which is represented by MBSB Bank Berhad ("MBSB Bank" or the "Bank") unless otherwise stated. As MBSB operates only in Malaysia, this report's geographical boundary will cover Peninsular Malaysia, Sabah, and Sarawak's operations. We have specified the reporting boundaries of each material matter in the respective sections. This report contains information for the period from 1 January 2020 to 31 December 2020. For comparative purposes, we disclose three years of historical quantitative data of key indicators, where possible. Our last sustainability report was published in May 2020 for the period covering 1 January 2019 to 31 December 2019.

Assurance

We continuously strive to improve the quality of our report by presenting balanced, meaningful and accurate information. The senior management of MBSB has put in their minds collectively preparing this report, and the Board of Directors has reviewed and

approved the 2020 Sustainability Report. We have obtained independent third-party limited assurance on selected information. The independent limited assurance report is presented on page 121 of this report.

Feedback

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

Forward-looking Statement

All statements (other than statements of historical facts) regarding MBSB's financial position, business strategy, market growth and developments, expectations of growth and profitability and plans and objectives of management for future operations, are forward-looking statements. Forward-looking statements are identified by the use of forward-looking terminology such as 'believe', 'expects', 'may', 'will', 'could', 'should', 'shall', 'risk', 'intends', 'aims', 'plans target', 'continues', 'positioned' or 'anticipates' or the negative thereof, amongst others. As such, MBSB makes no express or implied representation or assurance that the results anticipated by these forward-looking statements would be achieved as they involve risks, uncertainties and assumptions in their representation of various possible future scenarios; future trends, economic conditions, overnight policy rate, change in government regulations and laws, or any action or inaction by government or local authority, or any strike, boycott, blockade, Act of God, pandemic, epidemic, civil disturbance or cause beyond the control of MBSB.

NAVIGATION ICONS



Our Sustainability Pursuits

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

Our Stakeholders

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

Navigation Icons

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

Our Capitals

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

BUILDING SOCIETY - CREATING LONG-TERM VALUE

Malaysia Building Society Berhad ("MBSB") is a pioneer in Malaysia's financial services industry and has been at the forefront of the nation's economic development for more than 70 years. The origin of MBSB can be traced back to the Federal and Colonial Building Society Limited, incorporated in 1950, being the first financial institution in the region to extend housing loans to the low and middle-income groups – even before Malaysia's independence.



Established in

1950



Malaysia's
first property
financier



Supporting the
nation's economic
growth for more than
70 years



Established MBSB Bank,
Malaysia's second
largest standalone
Islamic bank

In 1956, it changed its name to Malaya Borneo Building Society Limited ("MBBS") when it extended loan activities to Borneo, present-day Sabah and Sarawak. In 1970, its business transferred to the newly incorporated MBSB.

Since its inception, MBSB's objective has been to provide support to the average citizen, granting life-changing opportunities to the lower and middle-income populations and enabled the development of many residential areas, including Petaling Jaya. MBSB has always been supportive of government policies, government projects and government servants. This tradition has been firmly cemented over the years and continues to be our corporate purpose to this day.

In 2018, MBSB acquired Asian Finance Bank, which was then renamed to MBSB Bank via a rebranding exercise. This acquisition marks a significant milestone for MBSB as it transitions to becoming one of the nation's largest Islamic banks. We are proud to continue our heritage of "building society" and bring it to the next level by providing full-fledged Shariah-compliant banking and financial services to more than 300,000 existing customers.

Value-based Intermediation ("VBI") principles are embedded in our DNA as we aim to realise the objectives of Shariah that generate positive and sustainable impact to the economy, community and environment; through our practices, processes, offerings and conduct.

Through the years of growth and evolution, our focus on supporting nation-building remains unchanged. Today, we continuously innovate our business by embracing technology and introducing digital initiatives to improve accessibility and convenience to financial services for the average citizens and small and medium-sized enterprises, especially during the COVID-19 pandemic. We also provide financial literacy programme to help our customers make better financial decisions.

Our sustainable success is the result of dynamic leadership and the hard work of all our employees. Moving forward, we aspire to be the top progressive Islamic Bank, guided by our business plans and Journey 25 strategies. We are confident to continue playing a leading role in the Malaysian economy in the future, just as we have done in the past.

WHAT WE DO

We offer services across Malaysia through three business segments



Business Banking

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



Trade Financing

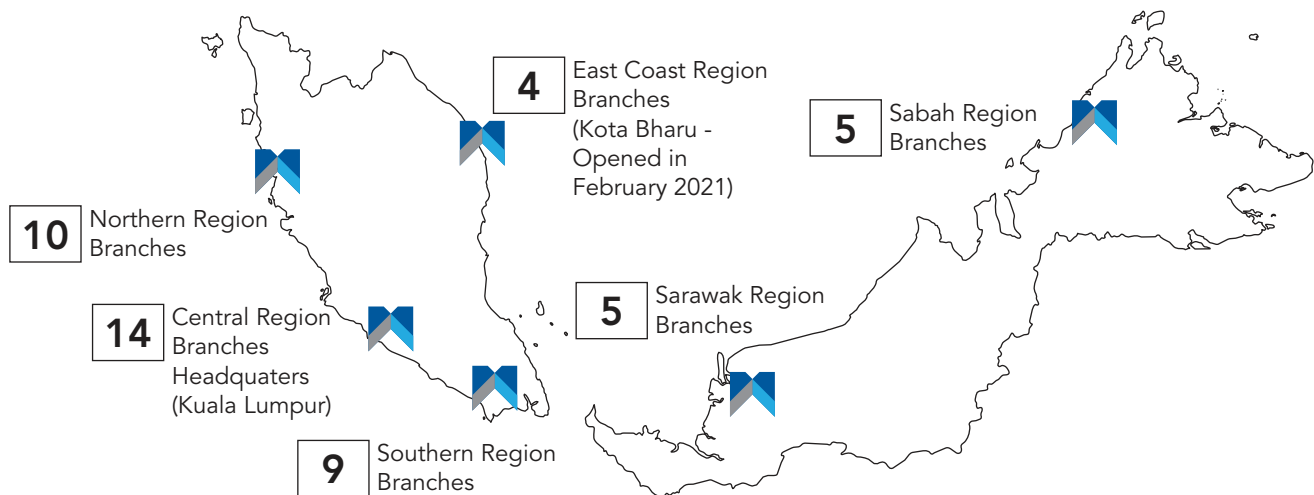
Trade financing includes a range of personalised trade services and advisory for our customers who wish to expand their businesses.



Consumer Banking

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

47 branches nationwide



48

self-service terminals across the branches

1,945

employees supporting MBSB's value delivery*

More than
300,000

active customers served across business segments*

15

fully transformed branches under the 3-year Branch Transformation Plan*

NAVIGATING THROUGH THE PANDEMIC

Empathy is one of our core values as a bank, and we are guided by it in our decision making and business operations. As we navigate through this COVID-19 pandemic, we are being reminded to demonstrate empathy towards others, including our employees, customers and business partners, and support them during these challenging times.

The pandemic has impacted the livelihood of many and affected the operations and performances of businesses. Malaysia's unemployment rate reached 4.8% in December 2020, the highest since 1993, while GDP contracted by 5.6%. As a responsible bank, MBSB Bank took immediate initiatives to protect our employees, customers and other stakeholders through a broad range of initiatives.

We focused on safeguarding our employees, customers and service providers through safety measures in branches and headquarters in strict compliance with regulatory requirements. Dealing with the pandemic is costly; we invested a considerable amount in protective gears, sanitisation and renting of additional office spaces to ensure physical distancing at the workplace.

Also, we conducted mass COVID-19 tests immediately when we identified positive cases in our workplace to prevent further transmission. During the year, we recorded 11 confirmed positive cases, which were contracted mostly outside of work. Unfortunately, we had to resort to the dismissal of an employee for a serious breach of standard operating procedures.

MBSB Bank offered financial or repayment assistance to customers with financial difficulties to help them get back on their feet. This assistance achieves to build brand loyalty by supporting our customers through the difficult times of their journey.

To protect our bottom line and sustain our operations, we have also strengthened our business continuity plans and resilience, focusing on financial and capital structure, customers' needs, and regulatory engagements. We will continue to review each financing category, to ensure the resilience of our balance sheet.

> RM640k

Spent on sanitisation, personal protective equipment, rental, and COVID-19 test

Our response to COVID-19

Employees

- Issued the Work From Home ("WFH") Guidelines
- Established MBSB Bank's Care unit chaired by the PCEO to ensure effective implementation of Bank's Targeted Payment Flexibility Programme
- Provided guidelines and support to facilitate remote working arrangements
- Conducted health talks centered around topics such as stress management and wellbeing
- Developed Guidelines on the New Norm - Post MCO by the Multi-Disciplinary Pandemic Team
- Increased sanitisation and health practices at our Head Office and branch premises
- Temporary closure of 19 branches nationwide with low traffic volumes and/or in high-risk areas during MCO in early 2020
- All physical conferences, functions, training and other events were prohibited
- MDPT established a Telegram account as a channel to communicate real-time updates and to create awareness on matter or information related to COVID-19 to all our employees

Customers

- Launched our Mobile Banking and Current Account-i and Savings Account-i ("CASA") Online Application
- Implemented services such as Account Opening System and M-Fast Online Financing Application to accelerate the process of onboarding potential customers during MCO. Future implementation of e-KYC will further simplify onboarding of new customers via our digital platforms
- Provided rehabilitation and assistance to companies and businesses via granting of moratorium
- Offered rescheduling and restructuring of facilities
- Offered financial assistance via Prihatin-related products such as PF-i and Cashline-i
- Provided additional cash-flow financing

Society and NGOs

- Established the Targeted Repayment Assistance (for B40) and Flexibility Payment Assistance (for M40) following the announcement made by the Minister of Finance in the 'Penggulungan Belanjawan' 2021
- Distributed RM264,150 worth of Personal Protective Equipment ("PPE") to front-liners
- Donated RM555,000 towards COVID-19 relief efforts – aid to purchase respiratory equipment and medical supplies, distribution of packed food, face masks, hand sanitisers
- Collaborated with Food Aid Foundation ("FAF") to distribute food nationwide where we helped 4,047,578 individuals

NAVIGATING THROUGH THE PANDEMIC

During this pandemic, we are mindful of our employees' well-being, and we continuously engage with them to ensure they are safe and well. Despite the pandemic's impact to our financial performance, we are committed to retaining our employees and providing them with the necessary support. Here, we interviewed one of our employees to share his experience during this period of uncertainty.

Question 1 – How has the pandemic impacted you?

During the first MCO, we had to work from home. The sudden shift in the working environment was a challenge for my colleagues and me as we were so accustomed to working in the office and interacting with each other in person. Three aspects required some changes and adaptation:

1. **Facilities**
When the lockdown first started, I did not have a dedicated home office set up. Hence, I had to makeshift a corner of my house into a mini office setup to work comfortably. Thankfully, the company was swift in providing us with the necessary amenities and tools to work remotely and safely.
2. **Life Work Integration**
Initially, working from home was stressful as the boundary between work and personal life has become blurred. I was grateful that my company and superior gave us some flexibility of arranging our working hours. I took control of the situation and paced my working hours better. I was able to attend to the needs of my family while getting work done effectively.
3. **Interactions**
I was used to having colleagues around me in the office. The small talks at the pantry, having lunch together – all these little physical interactions were greatly missed. With technology, I was able to stay connected with my colleagues, and have virtual meetings.

Overall, the pandemic has posed some challenges physically and mentally. Most importantly, I am grateful for being safe and healthy and knowing that my company cares for our well-being through the constant engagements and changes implemented.



Question 2 – How has MBSB Bank supported you?

MBSB Bank introduced collaboration and communication tools such as WebEx to allow us to easily communicate with our colleagues. MBSB Bank also upgraded its technological capabilities to allow access to internal networks remotely. MBSB Bank also provided upskilling programmes on effective utilisation of these tools.

MBSB Bank is also conscious of our challenges in adjusting to the new norm. They have provided a range of well-being initiatives and engagement activities to support us through the pandemic, such as health talks on topics like stress management and virtual relationships.

Our learning and development needs were not neglected despite the pandemic. MBSB Bank introduced an online learning platform, M-Learning, that allowed learning to be accessible across all devices anytime, anywhere.

I have gradually adapted to the new norm with the support from MBSB Bank. While we are adjusting to the new norm, it is important to find better ways to work productively and grow professionally individually and as a team.

I am pleased to see how MBSB Bank is trying its best to make an impact on our learning and development despite the limitations. I am happy to work at MBSB Bank during this time. We are all in this together.

“With greater transparency comes greater accountability. Successful companies of the future will be those that are committed to integrating sustainability principles into business strategies and employees’ values.

Our ambition is to deliver sustainable value to society and become a top progressive Islamic bank. That is why we strive to be exemplary in applying ESG considerations in our strategic decisions and day-to-day activities. Championing our customers by delivering customised products and services and creating bespoke customer experience to enhance banking and investment decision-making”

Datuk Seri Ahmad Zaini Bin Othman

GROUP PRESIDENT AND
CHIEF EXECUTIVE OFFICER (PCEO)



A MESSAGE FROM OUR PCEO

Dear stakeholders,

This year saw the completion of our Business plan ("BP") 2018-2020, in which we continued to make good progress on delivering our promises. We have achieved all 22 initiatives outlined in BP 2018-2020, demonstrating our capability to deliver on our operational targets, drive sustainable business growth and enhance our market position. The year under review was characterised by market volatility and paradigm-shifting events. Across all markets, banks are supporting retail customers and SMEs through forbearance measures and fee waivers. A testament to our efforts to empower society through responsible financing, our RM1 Billion Cashline-i Special Program disbursed RM45.4 million to existing SME and non-SME customers in financial hardships following the impact of COVID-19 on their business. The COVID-19 pandemic has required us to adapt the way we operate, and we are proud of the way we have embraced that change and continue to deliver excellent services to customers at this time.

Financial performance

Financial results for the year were in line with our expectations, underpinned by the robust performance of new products and concerted management action to manage costs. Despite the challenging operating conditions, I am pleased that MBSB had in the year once again demonstrated its ability to navigate through the challenging times.

Restructuring MBSB to improve efficiency

This year, we continued to move shariah-compliant assets to MBSB Bank, liquidate dormant entities and streamline the group structure. The restructuring would improve efficiency in utilisation of capital and operations. Once the Group completes this internal restructuring, it will unlock greater opportunities to attract more investors and investments, create value for our stakeholders through better financial returns, and demonstrate our commitment to being a top progressive Islamic Bank.

ABOUT MBSB

A message from our PCEO



Embracing the digital age

Our FY2020 financial performance was delivered in the face of many challenges. We remain steadfast in contributing to the economy and catering to our customers' diverse needs by introducing innovative products and services. This year, we introduced various digitalisation efforts including Malaysia's first "Shariah-compliant" e-wallet, MFAST personal online financing application and Current Account-i and Savings Account-i ("CASA") online application. These initiatives were instrumental to our operational efficiency and enabled customers to access our financial services safely and conveniently during the pandemic. Furthermore, we have set up a new learning platform this year, the M-Learning platform, to provide enhanced remote training opportunities to upskill our employees despite the challenges during the pandemic.

Maintaining service for customers while keeping our people safe

The COVID-19 pandemic pushed us to make changes in our working practices at an unprecedented rate. Our primary concern during this challenging time is the safety of our people

and customers. At the start of the Movement Control Order ("MCO") in March 2020, we established a Multi-Disciplinary Pandemic Team ("MDPT") to manage and mitigate the associated COVID-19 risks and to respond immediately to developing situations. We moved a majority of our people to remote working and, of those remaining in offices, have maintained strict compliance with government Standard Operating Procedures ("SOPs") on social distancing. Non-essential tasks have all been deferred, but we continue to provide essential financial services without jeopardising our people's health and safety and those with whom they are in contact.

Comprehensive approach to sustainability

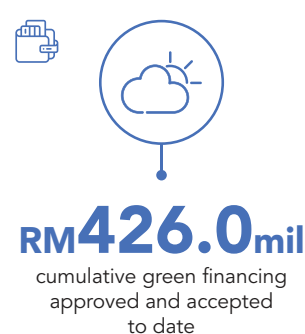
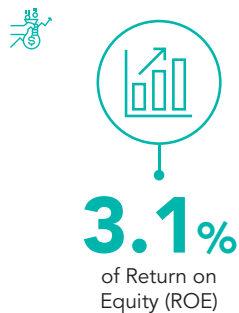
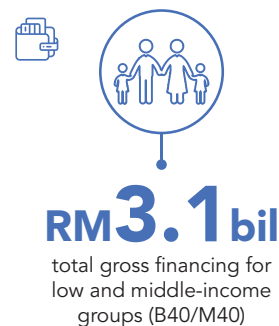
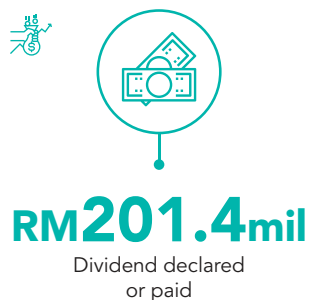
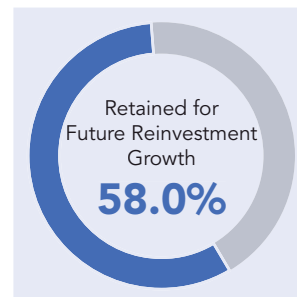
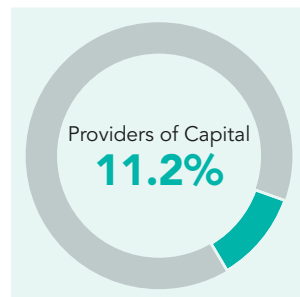
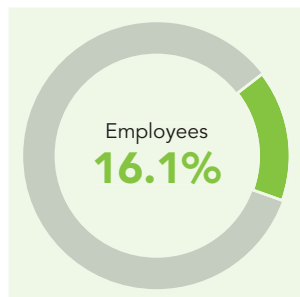
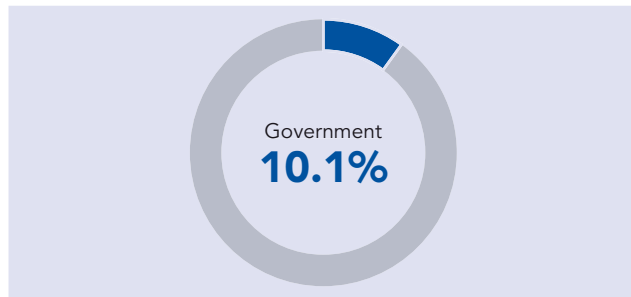
The pandemic disrupted some of our planned initiatives as the sudden event has temporarily shifted our priorities to safeguard our business. However, it has not stopped us from enhancing our sustainability or ESG practices. We have further enhanced our risk management and credit policies by incorporating sustainability considerations. Furthermore, we embarked on our integrated reporting journey to improve our annual report and, more importantly, improve our management approaches in creating, preserving value and enabling better decision-making based on interconnected and holistic information, also known as the integrated thinking approach. This approach will guide us in delivering beyond financial value and create positive impacts on society, economy and environment, consistent with our VBI objectives. As you read this report, you will realise we are making consistent efforts and sustainable progress each year in achieving our vision of becoming the top progressive Islamic bank.

Appreciation and setting the course for the future

Finally, on behalf of the Management Team, I would like to sincerely send my appreciation to all employees and stakeholders for their unwavering support and dedication to MBSB. I am optimistic of the future and confident that MBSB has the right resources, strategy, corporate culture and leadership, to navigate through the pandemic and come out stronger than ever.

TO BE THE TOP PROGRESSIVE ISLAMIC BANK

VALUE DISTRIBUTED



Value created for:

- Shareholders
- Employees
- Customers
- Communities



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

VALUE-BASED SUSTAINABILITY APPROACH



Our approach to create value

Our Sustainability Strategy remains focused on "Building Malaysia", aiming to build financially resilient Malaysians and local businesses. Our value-based sustainability approach embeds holistic ESG considerations into our decision-making.

Our strategy guides how we embed sustainability within our day-to-day operations. It outlines the issues and opportunities that are most material to our business and our stakeholders, thus reflecting the areas in which we can deliver the most significant impact.

MBSB's sustainability approach is driven by our sustainability pursuits and is guided by our five core values of humility, professionalism, ethics, empathy and passion for achieving three key objectives. Our efforts to manage and respond to the identified material matters will help us achieve our sustainability objectives and create shared values and meaningful impact for our key stakeholders.



Further information on our updated materiality matrix and materiality assessment process, please refer to Managing What Matters Most section on page 25.

VALUE-BASED SUSTAINABILITY APPROACH

We optimise and sustain value through the efficient and responsible management of our six capitals.

As we strive to become the top progressive Islamic Bank, our strategy continues to uphold the principles of Shariah. It remains consistent with the concept of Value-based Intermediation ("VBI") introduced by Bank Negara Malaysia ("BNM") to deliver meaningful impacts and create value not only for our stakeholders but also for the wider society.

We demonstrate the values we create through our value creation model, which illustrates how the Bank's business model transforms six capital inputs into intended outputs and outcomes through our business operations and initiatives. Our value creation model is based on the theory of multiple capitals in line with the International Integrated Reporting Council's <IR> Framework.



This year, we embarked on the Integrated Reporting journey. Please refer to our Integrated Annual Report FY2020 on our value creation model.



Financial Capital

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



Manufactured Capital

MBSB's established network of bank branches and touch points across Malaysia to provide exceptional services to key stakeholders.



Human Capital

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



Intellectual Capital

MBSB's knowledge-based intangibles including its strong brand and reputation, management systems and procedures, digital capabilities and intellectual property.



Social and Relationship Capital

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



Natural Capital

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

ABOUT MBSB
Our approach to create value

Our Value Creation Model

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 Management Committee - Sustainability Steering Committee is chaired by our PCEO and consists of top management across the organisation

KEY INPUT

Resources used



FINANCIAL

- **RM7.1bil** shareholders' capital
- **RM33.9bil** deposits and placements from customers, banks and other financial institutions
- **RM4.9bil** borrowings



MANUFACTURED

- **47** branches across Malaysia
- **15** branch transformation initiatives to improve looks and feels of the branches
- **48** self-service terminals
- **3,200** number of CASA account opening online applications



HUMAN

- **1,945** employees
- **35,819** training hours
- **RM1.1mil** invested in employees' learning and development
- Competitive **benefits**



INTELLECTUAL

- Values, principles, standards, and norms of behavior
- **Risk management** framework, system, process and policies
- **Internet banking** platform
- Invested in Cyber Security Enhancement Project
- **43.1%** of IT budget used for IT infrastructure investment



SOCIAL & RELATIONSHIP

- Continuous **stakeholder engagement**
- **RM3.8mil** contributed in total community investment
- Donated **RM1.9mil** for **COVID-19 relief measures**
- **Responsible financing** policy
- **Data protection and privacy** policies



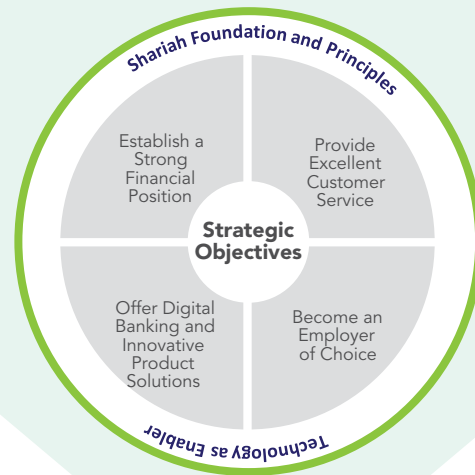
NATURAL

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

BUSINESS ACTIVITIES

OUR VISION

To Become A Top Progressive Islamic Bank

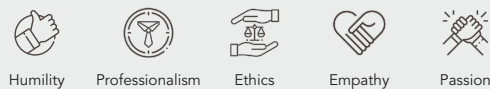


Consumer Banking | Business Banking | Trade Financing

OUR STRATEGY



OUR CORE VALUES



Supported by Policies, Procedures and Systems

ABOUT MBSB

Our approach to create value

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, qualification and experience. 66.7% of MBSB Board and 70% of MBSB Bank are independent non-executive directors

OUTPUT

Value Created



- **RM3.1bil** revenue
- **RM427.6mil** profit before tax and zakat
- **24.5%** cost-to-income ratio
- Best Islamic Finance Award 2020, Best Islamic Finance Wealth Management Bank



- **486** customer complaints received, of which **80%** have been resolved within turnaround time (TAT)
- **RM5.8bil** in total approved financing supporting both retail and corporate
- **Diversified portfolio** for business lines by specific region and size



- **168** new hires
- **20%** women representation at MBSB bank Board level while 33.3% women representation at MBSB Board level
- Diverse workforce with **53%** women employees
- **RM288.3mil** total wages and benefits expenses



- **Five** new channels/platforms and features including Malaysia's first **Shariah-compliant e-wallet**
- **Zero** non-compliance fines and sanctions
- **RM179.6mil** in Advertising and Marketing Value
- **RM5.5mil** in public relation ("PR") Value



- **11** substantiated complaints concerning breaches of customer privacy
- **RM7.16mil** products and services designed to deliver a specific social benefit
- Financed the development of UKM Children's Specialist Hospital, an iconic children hospital in Malaysia.



- **RM426.0mil** cumulative green financing approved and accepted
- **5,069MWh** in energy consumption
- **36,092m³** in water consumption
- **2,905.8tCO₂e** in carbon emissions (scope 2)
- **14,827 reams** of paper purchased

VALUE FOR STAKEHOLDERS



Shareholders

- **RM201.4mil** dividend declared/paid
- **RM4.7bil** market capitalisation
- **RM753.0mil** economic value distributed



Government

- **RM181.1 mil** total tax and zakat distributed
- Contributed to national economy
- Positive impacts on society and environment



Media and Analyst

- **220,177** social media reach
- Enhanced brand quality
- Increased transparency and information reliability



Regulators

- Complied with regulations and standards
- Improved socio economic welfare



Customers

- Achieved **84.4%** Customer Satisfaction Index Score
- Enhanced customer experience



Employees

- High average number of service of **10 years**
- **5.7%** employee turnover rate
- **18.4 hours** average training hours provided to employees



Board of Directors

- Transparent and accountable leadership
- Reliable management and systems



Partners and Alliances

- Successful projects and partnerships
- More future collaboration opportunities



Society

- Relieved COVID-19 impact on the community
- Environmental efficient processes and operations

ABOUT MBSB

Our commitment to the United Nations Sustainable Development Goals

OUR COMMITMENT TO THE UN SDGS

Our sustainability approach is to ensure our business is managed responsibly by considering economic, environmental and social risks and opportunities. We continue to align our business with the UN SDGs, a set of global priorities by the United Nations that guides countries, communities and organisations to drive solutions to achieve positive economic, environmental and social outcomes for the current and future generations.

We are committed to our contributions to the UN SDGs and believe that we have an essential role in their achievement. In FY2019, we reviewed the goals and identified those that we may have an impact on through our business operations.

This year, we continue to prioritise five out of the 17 UN SDGs, where we are best placed to make the most positive impact and deliver value. We have also identified specific UN SDG targets for us to track our contributions and impact. The five UN SDGs are:

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

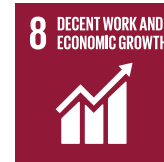


Refer to Sustainability Report 2019 for the SDG Mapping Table



ABOUT MBSB

Our commitment to the United Nations Sustainable Development Goals



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.



In today's rapidly changing environment, not only it is 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 initiatives.

Relevant UN SDG 4 Targets:



Our Contribution and Impact:

- Adopted 9 schools under the School Adoption Programme [page 98]
- Invested RM1.15 million in 35,819 hours of employee training and development programmes [page 51]

Value created for:  

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.

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

Relevant UN SDG 8 Targets:



Our Contribution and Impact:

- Improved job productivity by investing in technological enhancements as part of our digital transformation programme [page 81]
- More than 43.1% of IT budget was invested to upgrade our IT systems [page 86]
- Supported youth employment through our ongoing internship programmes [page 47]
- Implemented and enhanced our responsible financing and financial inclusion practices [page 91 to 95]
- Introduced digital financial platforms such as our mobile application and e-wallet to improve accessibility [page 84 to 85]

Value created for:   

ABOUT MBSB

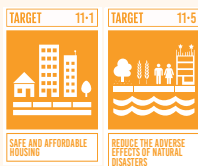
Our commitment to the United Nations Sustainable Development Goals



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.

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

Relevant UN SDG 11 Targets:



Our Contribution and Impact:

- Provided RM43.2 million of financing to the affordable housing sector [page 95]
- Offer affordable home financing products [page 93]
- Contributed over RM1.9 million for COVID-19 relief measures [page 98 to 99]
- Provided COVID-19 special relief for affected customers. [page 92]

Value created for:



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

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

Relevant UN SDG 12 Targets:



Our Contribution and Impact:

- 6.4% reduction in paper purchased [page 105]
- Approved RM1.2 million of financing to the recycling sectors

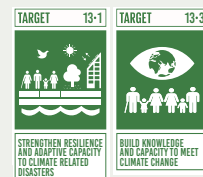
Value created for:



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

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

Relevant UN SDG 13 Targets:



Our Contribution and Impact:

- Approved and accepted of RM11.5 million of green financing in FY2020, resulting in a cumulative green financing of RM426.0 million as at 31 December 2020.
- 2,905.8tCO_{2e} of indirect energy (Scope 2) GHG emissions
- Our new headquarters achieved LEED (Gold) certifications
- Implemented energy efficiency improvement initiatives in our existing buildings

Value created for:

ABOUT MBSB
Our sustainability governance

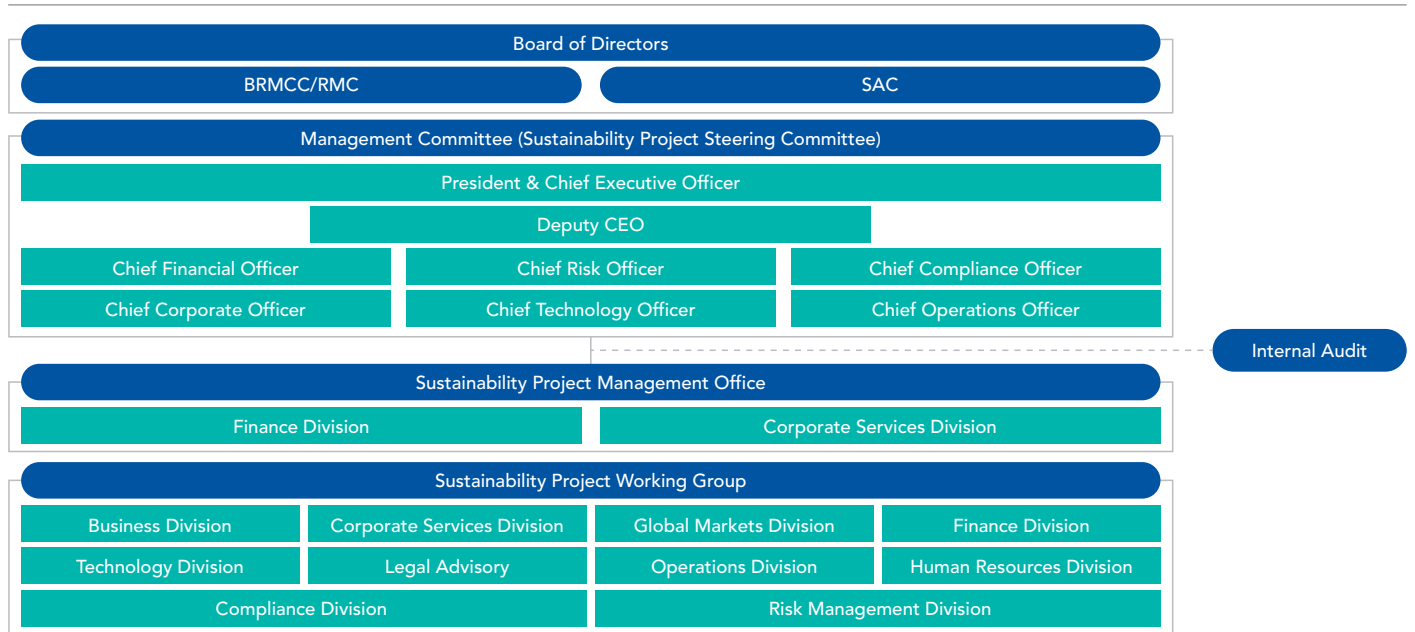
OUR SUSTAINABILITY GOVERNANCE

MBSB's sustainability governance reflects our commitment to operate responsibly and transparently. Our corporate governance framework, which includes clear policies, procedures, and structures, guides the effective management of our performance, responsible decision-making and ethical business operations.

At MBSB, sustainability is driven from the top – our Board of Directors ("the Board") has the ultimate responsibility for sustainability oversight and prudent management across the organisation.

Sustainability matters are deliberated at the Management Committee ("MANCO") level, acting as the Sustainability Project Steering Committee. The Sustainability Project Steering Committee also currently manages integrated reporting matters. Nevertheless, to unlock the true potential of integrated reporting and integrated thinking, an Integrated Reporting Working Committee will be established next year.

Our sustainability governance structure ensures accountability across all levels to achieve our sustainability objectives. The diagram below illustrates our sustainability governance structure while the table below describes the specific roles and responsibilities of all levels of our sustainability governance.



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 (Sustainability Project Steering Committee)	<ul style="list-style-type: none"> Reports to the Board and is responsible for ensuring that our sustainability plan is implemented and tracked Provides leadership over the implementation of sustainability strategy Aligns sustainability strategy with overall business strategy Monitors key sustainability performance indicators
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 the robustness of the 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 the performance of processes and controls, and management targets Develop a plan and timeline for disclosures Supports strategy implementation

ABOUT MBSB

Our sustainability governance

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 of Humility, Professionalism, Ethics, Empathy and Passion.

Our core values set the standards for all employees in upholding our integrity culture. The Code of Ethics and Conduct for Employees supports us in taking a consistent, global approach to key ethical and compliance issues. All employees are made aware of our corporate governance-related guidelines, policies and procedures through various communication channels, on top of mandatory training and workshops.

We review our Code of Ethics and Conduct for Employees and our Code of Ethics for Directors periodically to ensure robustness and relevance. Both Codes have been reviewed in FY2020.

For further details of these policies, please refer to Business Ethics and Integrity section on page 33.

Integrating Sustainability in Our Risk Management processes

Sustainability risks are gaining more attention from executives, investors, financiers/lenders and regulators. In 2020, for the first time in the history of the World Economic Forum Global Risk Survey, climate-related issues dominated all of the top five long-term risks by likelihood.

The impact of sustainability has already been observed in communities across the globe, affecting businesses and society, including disrupting supply chains and damaging infrastructure. With the global economy showing signs of vulnerability with the unprecedented pandemic, we recognise the need to quickly act on some pressing economic, environmental and social risks and challenges.



For further details of sustainability risk and opportunities, please refer to Our Material Risks and Opportunities on page 28 to page 29.

We continuously conduct enhancements to our risk assessment and management processes to capture relevant ESG risks and opportunities.

The Board and senior management remain steadfast in supporting the inclusion of sustainability considerations in all aspects of our business and are actively working to integrate them across the Bank.

This year, we have taken a step forward to incorporate specific sustainability criteria in our financing decisions. We have introduced risk acceptance criteria for renewable energy projects and enhanced our credit policy which outlines general exclusions for providing financing to sectors or activities with negative environmental and social impacts. Non-individual customers will be required to provide a declaration confirming that they do not operate in or are involved with the sectors or activities outlined in the exclusion list. To reinforce our commitment to responsible banking, we plan to develop a more detailed policy in FY2021 to assess the Bank's overall financing portfolio's environmental and social risks.



Further details on our Responsible Financing practices, please refer to page 91

MBSB's Core Values

Core Values



Humility



Professionalism



Ethics



Empathy



Passion

ENGAGING OUR KEY STAKEHOLDERS

As we navigate through COVID-19 pandemic, we have sought to be transparent and responsive in our communications with our key stakeholders to demonstrate trustworthiness and build confidence.

MBSB's activities and engagement initiatives focus on the key stakeholder groups most impacted by its business. We have reviewed the list of key stakeholder groups, and determined that outcome from the FY2019 Stakeholders Assessment Process remains relevant.



Refer to Sustainability Report 2019 for Stakeholders Assessment Process

We actively engage both internal and external stakeholders to understand their needs and expectations to better equip

ourselves in addressing their concerns. Regular and active engagement ensures that we stay abreast of our stakeholders' priorities to inform our sustainability strategy and business activities.

This year, we have leveraged on our virtual communication channels to seek input and create stakeholder dialogue. Inputs gathered during the stakeholder engagements were considered in our materiality assessment and the development of our new business plan.

Legend:

Engagement frequency

● Annually

● Quarterly

● As and when required

● Bi-Annually

● Monthly

● Throughout the year



Board of Directors

Why do we engage them?

The Board of Directors plays a significant role in providing oversight and ensuring business strategies are properly implemented

How do we engage them?

- Board meetings
- Board training and forums

Key topics discussed in FY2020

- Business performance
- Growth opportunities
- Employee welfare, remunerations and benefits
- Good governance
- IT infrastructure and information system

Related material matters

- Economic Performance
- Green Financing
- Innovation
- Employment
- Business Ethics and Integrity
- Cyber Security

ABOUT MBSB

Engaging our key stakeholders

Legend:

Engagement frequency

● Annually

● Quarterly

● As and when required

● Bi-Annually

● Monthly

● Throughout the year



Shariah Advisory Committee

Why do we engage them?

Responsible in providing objective and sound Shariah-related advice to the Bank for key business decisions

How do we engage them?

- Meetings
- Training programmes

Key topics discussed in FY2020

- Good governance
- Reputation
- Shariah risk, audit and compliance
- Sustainable financing practices
- Transparent reporting

Related material matters

- Business Ethics and Integrity
- Regulatory and Shariah Compliance
- Responsible Financing
- Financial Inclusion



Shareholders

Why do we engage them?

Shareholders provide the capital and funding necessary to support MBSB's expansion and growth

How do we engage them?

- Annual General Meetings
- Extraordinary General Meetings

Key topics discussed in FY2020

- Business performance and dividend
- Reputation
- Growth opportunities

Related material matters

- Economic Performance
- Market Presence
- Innovation
- Green Financing



Customers

Why do we engage them?

Our customers play an essential role as capital providers (depositors), users and feedback providers to allow us to improve our products and services and build long-term trust

How do we engage them?

- Customer Satisfaction Index Survey
- Product Launch
- Promotions and Campaigns

Key topics discussed in FY2020

- Customer experience
- Shariah compliance
- Data integrity and security
- Products and services
- Affordability and accessibility

Related material matters

- Customer Experience and Satisfaction
- Regulatory and Shariah Compliance
- Customer Privacy
- Innovation
- Financial Inclusion

ABOUT MBSB

Engaging our key stakeholders

Legend:

Engagement frequency

● Annually

● Quarterly

● As and when required

● Bi-Annually

● Monthly

● Throughout the year



Employees

Why do we engage them?

Employees are the executors of our business plans and strategies, and they are our brand ambassadors

How do we engage them?

- Online meetings and discussions
- Online training
- Employee engagement survey
- Employee engagement activities

Key topics discussed in FY2020

- Health and safety
- Employee welfare
- Career development
- Equal opportunities

Related material matters

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



Regulators

Why do we engage them?

Regulators provide directions towards sustainable and ethical practices through introducing policies, standards and guidelines

How do we engage them?

- Online briefing
- Internet Banking Task Force (IBTF)
- Industry engagement

Key topics discussed in FY2020

- Sustainable financing practices
- Risk management
- Good governance
- Transparency
- Customer relief assistance

Related material matters

- Responsible Financing
- Financial Inclusion
- Business Ethics and Integrity



Media and Analysts

Why do we engage them?

Media and analysts provide insights and coverage on our business 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

How do we engage them?

- Analyst briefings
- One-on-one meeting
- Press conference

Key topics discussed in FY2020

- Business performance
- Business strategy and growth
- Transparency

Related material matters

- Economic Performance
- Market Presence
- Responsible Financing
- Green Financing
- Business Ethics and Integrity

ABOUT MBSB

Engaging our key stakeholders

Legend:

Engagement frequency

● Annually

● Quarterly

● As and when required

● Bi-Annually

● Monthly

● Throughout the year



Government

Why do we engage them?

The government has the authority to influence changes through setting new policies that can impact MBSB's business plan and strategies

How do we engage them?

- Dialogues
- Conferences

Key topics discussed in FY2020

- COVID-19 relief and financing measures
- Affordable housing financing
- Compliance
- Green initiatives

Related material matters

- Responsible Financing
- Financial Inclusion
- Business Ethics and Integrity
- Green Financing



Society and NGOs

Why do we engage them?

Society and NGOs can help us understand how we can play a part in developing society, improving communities, empowering marginalised groups and reducing inequality

How do we engage them?

- Meetings
- PROTÉGÉ programme
- Corporate Social Responsibility ("CSR") initiatives

Key topics discussed in FY2020

- CSR activities
- Green initiatives
- Financial literacy
- Accessibility

Related material matters

- Local Communities
- Direct Environmental Footprint
- Responsible Financing
- Financial Inclusion



Partners and Alliances

Why do we engage them?

To build strong industry rapport for shared knowledge and expertise

How do we engage them?

- Meetings
- Associations

Key topics discussed in FY2020

- Partnership for growth
- Reputation
- Product innovation
- IT infrastructure and information system

Related material matters

- Economic Performance
- Innovation
- Cyber Security



Refer to the respective material matters section for the related initiatives in addressing the stakeholders' concerns

MANAGING WHAT MATTERS MOST

The Definition of Materiality

For this report, we consider material matters to be those that reflect our significant impacts, as well as matters that influence our ability to create long-term value. These material matters guide MBSB's business plan development and provide a framework for annual sustainability reporting.

Materiality Assessment Process

We conduct a materiality assessment annually to assess and review our material matters to better respond to changing stakeholder concerns and keep abreast of the evolving market conditions.

This year, we conducted a stakeholders engagement survey to identify the material matters that affect our stakeholders. The survey requires the participants to identify and rate the material matters that affect them most.

In addition, we conducted a materiality assessment workshop to facilitate in-depth discussions of matters affecting MBSB among the C-suite level, senior and middle management level officers across various departments. We identified and evaluated current and emerging trends that may pose a risk or create opportunities. The material matters remain the same as the previous year; however, their priorities have changed.



Step 01

Identify

We conducted a review of our existing material matters considering current and emerging risks and opportunities that may impact our business. The material matters were identified based on internal and external sources of information such as stakeholders engagement survey, peer benchmarking, media review, risk reports and market trend analysis. We conducted a virtual workshop to discuss stakeholders' interests and concerns as well as the impact of each material matter to MBSB's business.

Step 02

Prioritise

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 – the impact to our business and importance of these matters to our stakeholders. In addition, we incorporated the results of the stakeholders engagement survey to update the importance to stakeholders.

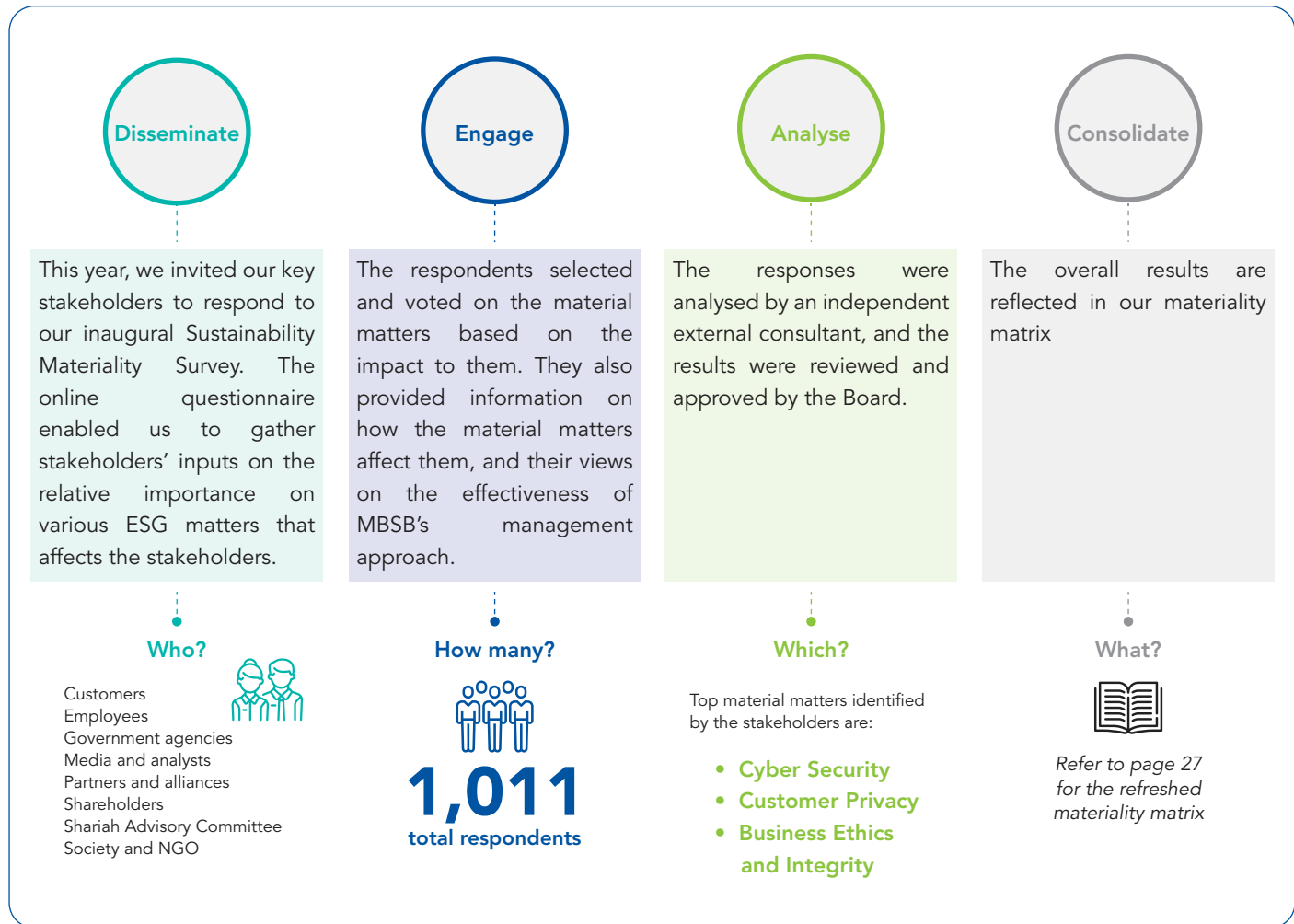
Step 03

Validate

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

Incorporating stakeholder engagement outcomes in the materiality assessment process

The following diagram depicts how the outcome of the survey was considered in our materiality assessment process.



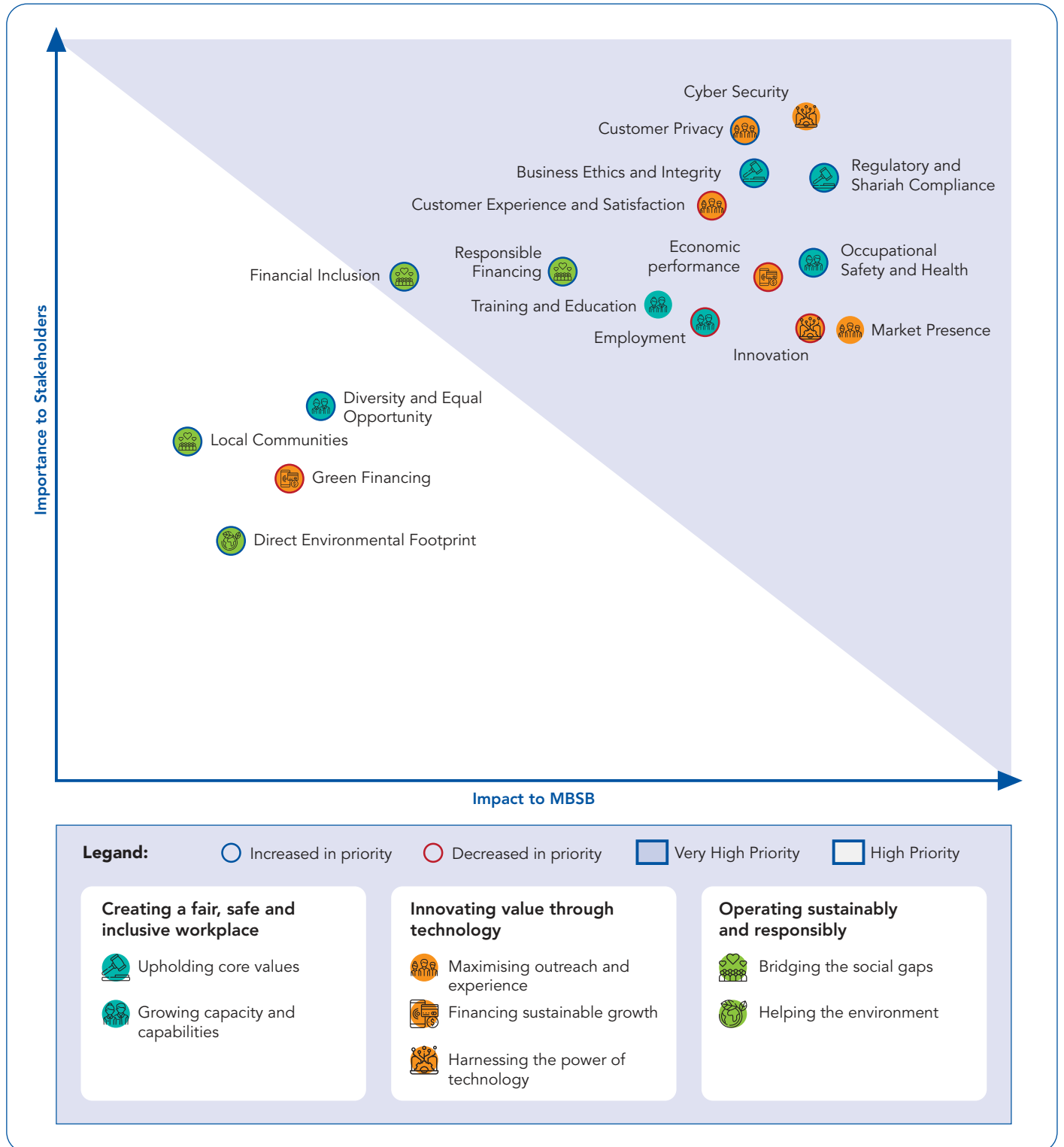
Materiality Assessment Results

As we embrace technology and accelerate our digital platforms' adoption, "Cyber Security" remains one of our top priorities while "Customer Privacy" increased in importance. "Business Ethics and Integrity" has also increased in priority and "Occupational Safety and Health" has been elevated due to concerns over the impacts of regulatory changes and COVID-19 on health, safety and well-being, respectively.



















The changes in our matrix reflect the change in the business environment, sustainability trends, regulatory push and other external factors such as the COVID-19 pandemic. Nevertheless, all material matters remain relevant to MBSB, and we will continue to design effective management approach and address the key concerns around them.

ABOUT MBSB
Managing what matters most
















MBSB Materiality Matrix FY2020



Our Material Risks and Opportunities

Material Matter	Boundary	Risks	Opportunities	Affected Key Capitals
Business Ethics and Integrity	MBSB Group	Increasing regulatory risks that would increase the cost of operation and change the competitive landscape	Maintain a strong compliance culture across MBSB and enhance the capability and capacity in MBSB's operational compliance	  
Regulatory and Shariah Compliance	MBSB Group	Non-compliance will result in tarnished reputation and regulatory fines	Growing demand for Shariah-compliant products	  
Employment	MBSB Bank	High recruitment costs for high-skilled talents with relevant expertise	Retain high performing employees and develop a workforce that is committed to creating sustainable value for MBSB Bank and the stakeholders	 
Training and Education	MBSB Bank	Lack of employee capabilities will affect MBSB Bank's sustainable growth and customer experience	Upskilling MBSB Bank's talent pool to keep up with technological changes and digitalisation of the banking industry	 
Occupational Safety and Health	MBSB Bank	The productivity of the employee being affected by lost time injuries or sick days, which has an effect on MBSB Bank's overall performance	Promote a safe environment for MBSB Bank's employees, especially amidst the COVID-19 pandemic	
Diversity and Equal Opportunity	MBSB Bank	Lack of diverse capabilities and views in the workforce will hamper growth	Diverse and inclusive workforce promote openness and innovation while equal opportunity ensures fair progression and remuneration	
Market Presence	MBSB Bank	Competition risk	Collaboration with Fintech partners to improve the speed and execution of delivery	 
Customer Experience and Satisfaction	MBSB Bank	Digitalisation is shifting the way customers engage with banks. There is a risk of losing potential business and new entrants if MBSB Bank does not innovate	Development of Shariah-compliant products and services which may lead to increased customer confidence and market share	 
Customer Privacy	MBSB Group	A breach in customer data will lead to penalties and reputation damage	Collaborate with regulators and industry working groups to manage data privacy which will build customer confidence and trust	 

Our Material Risks and Opportunities

Material Matter	Boundary	Risks	Opportunities	Affected Key Capitals
Economic Performance	MBSB Group	Uncertainties and volatility in the operating landscape may suppress appetite in private and public spending activities	Diversion of revenue streams	
Green Financing	MBSB Bank	Increased credit risk on portfolios exposed to climate risk and reputational risk if MBSB Bank does not take environmental impacts into consideration in financing decisions	Increased demand of green financing due to the transition towards a low carbon economy	 
Innovation	MBSB Bank	Increasing competition from other Fintech companies will result in loss of market share	Enabling business continuity in the new norm and increase demand of product and services through the introduction of new digital channels	 
Cyber Security	MBSB Bank	A technological risk that may pose potential damage to infrastructure from cyberattacks	Update system infrastructure, collaborate with regulators to better understand global cyber threats	 
Financial Inclusion	MBSB Bank	Potential of losing business opportunities from the underserved SME segments	Greater business opportunities from the underserved SME segments	 
Local Communities	MBSB Bank	Reputational risk as an Islamic bank that has a responsibility in nation-building	Local communities are viewed as potential customers	 
Responsible Financing	MBSB Bank	Subject matter experts are required to ensure MBSB Bank's offers suitable financing solutions	Increasing awareness on the alignment of Shariah principles and ESG components may promote greater demand for Islamic products and services	 
Direct Environment Footprint	MBSB Group	Reputational risks and risks associated with non-compliance of environmental regulations	Reducing the environmental impacts of our operations will contribute to operational efficiency and cost reduction	 



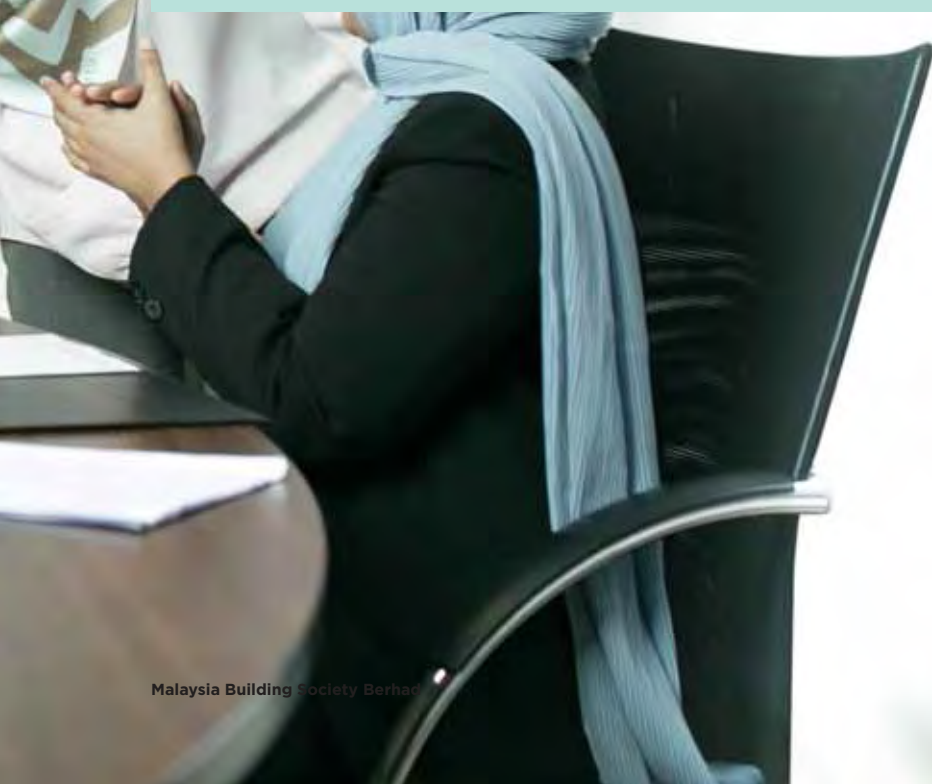
Refer to the respective material matters section for our initiatives and responses to the risks and opportunities.



DELIVERING SUSTAINABLE IMPACTS
CREATING A FAIR, SAFE AND INCLUSIVE WORKPLACE
Upholding our core values



UPHOLDING OUR CORE VALUES



DELIVERING SUSTAINABLE IMPACTS
 CREATING A FAIR, SAFE AND INCLUSIVE WORKPLACE
 Upholding our core values

Upholding Our Core Values

As a full-fledged Islamic bank, we are fundamentally guided by Shariah Principles and MBSB's core values

We are committed to the highest standards of governance, ethics and integrity in our everyday decisions and actions. Our corporate and Shariah governance frameworks set the foundation to ensure our practices are responsible and ethical while creating value for our stakeholders.



Related material matters:

Business Ethics and Integrity

Regulatory and Shariah Compliance

Our FY2020 performance

Successfully implemented



**IABCAP
Policy**

across the Group



**Zero
Tolerance**

policy towards
bribery and
corruption

100%

of Board members
and Senior
Management
attended
anti-corruption
training

Zero

Incidents of
confirmed
corruption

Business Ethics and Integrity



Boundary : MBSB Group

MBSB is committed to conducting our business responsibly and with integrity to strengthen our stakeholders' confidence and establish a trustworthy reputation.

At MBSB, we are guided by our core values of humility, professionalism, ethics, empathy and passion as the cornerstone of our good governance and high ethical conduct standards. The Board reinforces strong corporate governance from the top while the Human Resources and Compliance divisions monitor the Bank's corporate ethics and integrity culture.

We adopt a zero-tolerance policy against all forms of corruption and bribery in our daily operations. It has been formally embedded in the Bank's Risk Appetite Statement which was approved by the Board. In compliance with the Malaysian Anti-Corruption Commission ("MACC") Act, MBSB has implemented an Integrity, Anti-Bribery, Corruption and Abuse of Power ("IABCAP") Policy across the Group. The policy guides us in managing corruption risks by implementing various integrity programmes in line with the Guidelines on Adequate Procedures ("GAP") issued by the Prime Minister's Department under Section 17A of the MACC Act 2009.

During the year, a dedicated Integrity Officer has also been appointed to spearhead our Integrity and Governance Unit ("IGU") and implement the functions of IGU without influences from internal or external parties. The Integrity Officer is responsible for assessing and managing bribery, corruption and abuse of power via the four functions - Complaints Management, Detection and Verification, Integrity Enhancement, and Governance. The IGU in collaboration with other relevant business units, is responsible for identifying and reviewing high-risk areas that are more susceptible to bribery, corruption, and abuse of power within MBSB. Internal risk assessments to review such cases are conducted at least once in three years. An organisational risk rating by MACC's Agency Integrity Management Division is also conducted every three years.

We expect good business ethics not only from our employees but also from our business partners and suppliers. As such, the Bank has embarked to obtain the Integrity Pledge from all business partners and suppliers, newly appointed or those who renewed their services with the Bank to attest any conflict of interest since September 2020. To reiterate our commitment to

anti-bribery, corruption and abuse of power, we plan to extend this pledging requirement to our customers applying for financing facilities.

Various policies are in place to ensure that our employees maintain good ethics and respect honesty in their day-to-day activities. These policies include:

Policy	Description
Code of Ethics and Conduct for Employees Policy	The Code of Ethics and Conduct for Employees sets out the Bank's employees' and associated person's responsibilities 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. MBSB Bank will not tolerate any discrimination, bullying, intimidation or harassment. Training programmes are provided to guide managers in handling of reports and instances of bullying or harassment.
Integrity, Anti-Bribery, Corruption and Abuse of Power (IABCAP) Policy	The policy provides a clear definition and expresses MBSB's stand on integrity, especially on the risks associated with managing bribery, corruption, and abuse of power in line with GAP's recommendations and requirements and the Prime Minister's directive on the establishment of IGU. It sets out all parties' roles and responsibilities to prevent, detect, and correct all instances of bribery, corruption, and abuse of power to uphold and enhance a high integrity culture. The policy applies to internal and external stakeholders, including members of Board, employees including MANCO members, customers, or appointed or newly appointed external service providers such as outsourced service providers, intermediaries, contractors or agents.

DELIVERING SUSTAINABLE IMPACTS
CREATING A FAIR, SAFE AND INCLUSIVE WORKPLACE
Business Ethics and Integrity

Policy	Description
Disciplinary Procedures	Disciplinary procedures ensure the operations of MBSB Bank's business 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 rules and procedures to ensure good discipline among employees. It is designed to encourage improvements in employee's individual conduct by developing positive attitudes and good personal discipline.
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 and 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.
Whistleblowing Policies and Procedures	<p>Our Whistleblowing Policy is in place to safeguard the integrity of our operations. It encourages a culture of openness and accountability and integrity. All employees, customers, business partners and other members of the public or external party can raise their concerns without fear. This policy is to inculcate a sense of responsibility on all parties to report on any fraud or misconduct the behaviour to the authorised channel.</p> <p>The whistleblowing channel can also be used by both internal and external parties to raise concerns for real or suspected bribery, corruption, and power abuse.</p>



We review our policies every two years to ensure that they remain relevant and robust in upholding our integrity culture. Our Head of IGU and Chief Compliance Officer attend all Board committee meetings to provide advice on areas relating to corruption, when required. Employees are regularly informed of any changes or updates to our policies through multiple communication channels, including quarterly briefings, engagement sessions, and mandated training.

All of our policies and procedures are effectively communicated to all employees within the Group. We are currently in progress to communicate our anti-corruption policies to all of our business partners and intermediaries.

There were zero reported or confirmed incidents of corruption in FY2020. However, there were several cases of non-compliance involving breach of internal policies and procedures. All misconducts were investigated carefully prior to the disciplinary actions taken. Regrettably, we have dismissed three employees this year for committing serious offences.

Regulatory and Shariah Compliance



Boundary : MBSB Group

Regulatory and Shariah Compliance ensures our license to operate. We ensure all reporting, and regulatory requirements are fulfilled in every aspect of our decision-making and business operations through strong compliance culture and robust policies and procedures.

REGULATORY COMPLIANCE

As a bank, regulatory and Shariah compliance is one of the most critical matters that our Board oversees. The Chief Compliance Officer reports to the Management on compliance-related matters regularly and advise the Board when required.

List of Law, 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 Policies

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

Shariah Resolution of Shariah Advisory Committee (Bank Negara Malaysia)

* The list is not exhaustive

ESTABLISHING A STRONG COMPLIANCE CULTURE

We recognise that inculcating and fostering a compliance culture requires regular employee engagement and targeted learning. This year, we carried out various initiatives to ensure that all our employees comply with the relevant rules and regulations. These include:

Virtual engagement programmes with Designated Compliance and Risk Officers ("DCOROs") and Regional Compliance and Risk Officers ("RCROs")



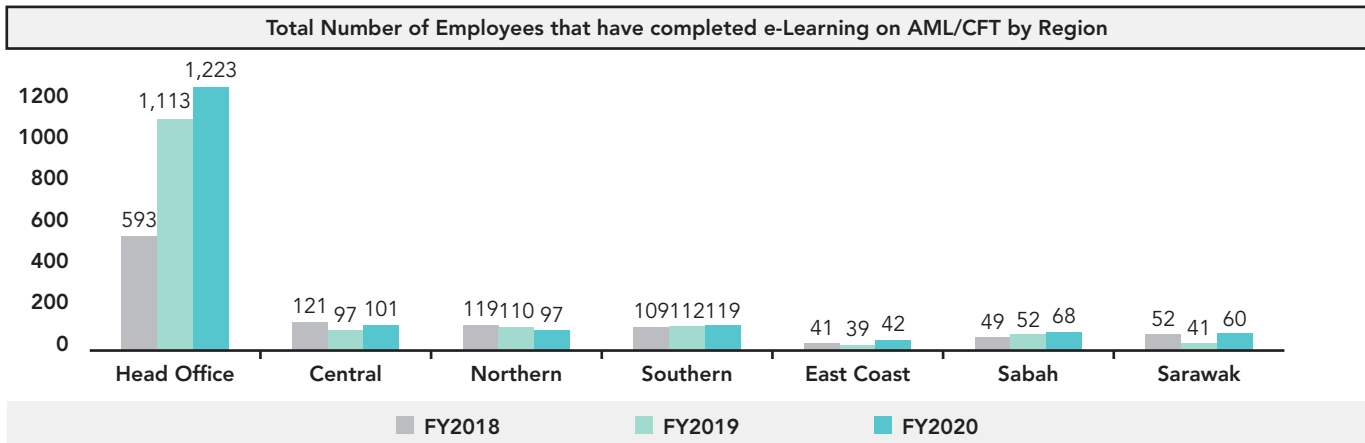
Four engagement sessions were conducted internally in FY2020 by Compliance Division whereas three engagement sessions were conducted by Operational Risk Department, respectively. Topics covered during the engagement sessions included new issuance or key changes to policy/document by regulators, refresher on key regulatory requirements including Anti Money Laundering & Counter Financing of Terrorism (AML/CFT), operational risks, business continuity management and Shariah risk awareness. The Operational Risk Department and Compliance Division also conducted five virtual roadshows involving 392 staff from the Bank's branches in all regions.

DELIVERING SUSTAINABLE IMPACTS
 CREATING A FAIR, SAFE AND INCLUSIVE WORKPLACE
 Regulatory and Shariah Compliance



Launching of e-Learning programme on AML/CFT to ensure compliance

We have launched our updated and enhanced e-learning programme on AML/CFT in July 2020 to ensure our compliance with AML/CFT training requirements. All employees must complete this mandatory training that focuses on proliferation financing; modus operandi of mule accounts and new typologies for money laundering and terrorism financing. Since launching, 88% of our employees have completed the training.



DELIVERING SUSTAINABLE IMPACTS
 CREATING A FAIR, SAFE AND INCLUSIVE WORKPLACE
 Regulatory and Shariah Compliance

ENHANCING MBSB'S POLICIES AND PROCEDURES

We continuously enhance our policies to cater to the evolving and stringent changes in regulations. This year, we have performed a total of 88 gap analysis to identify any variances between our internal policies and procedures against new and revised regulatory requirements. The analysis ensures that we are on top of any regulatory changes and formulate appropriate action plans promptly.

In line with BNM's revision of the Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions (AML/CFT and TFS for FIs) policy, we have updated our AML/CFT Policies to reflect these changes. The update sets out the Bank's approach against financial crime, particularly managing money laundering, terrorist financing and terrorist sanctions risks.

Furthermore, the alert parameters enhancements of AML/CFT Coral i-SEM system have been deployed in November this year to boost operational efficiency by identifying and filtering suspicious financial activities with precision. The system facilitates screenings that are more customised, relevant and reflective of

transactions based on our products offered, channels and demographic profiles of our customers.

In April 2020, BNM issued the Foreign Exchange Notices to safeguard the value of the Malaysian currency. Given this, we have reviewed the Bank's Foreign Exchange Policies and Compliance Policies and Procedures to incorporate the relevant changes. Enhancements were also made to our Compliance Policies and Procedures due to the improvements in compliance tools and implementation processes.

We have transitioned the existing Compliance Policies and Procedures to two separate documents - Compliance Policy and Compliance Procedures – to ensure strict compliance with regulatory requirements, including reporting.

For FY2020, we have not received any fines and/or non-monetary sanctions for non-compliance with laws and regulations, including environmental and social laws and regulations.

Declaratory statements:

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

SHARIAH COMPLIANCE

As one of the nation's largest standalone Islamic banks, we uphold the pillars of Islamic banking while going beyond the requirements of Shariah by aligning ourselves with BNM's principles of VBI.

We are governed by our Shariah Governance Policy established by our Shariah Advisory Committee ("SAC") and in line with the Shariah guidelines issued by BNM. The Shariah Governance Policy sets out the expectations of the Shariah governance structures, processes and arrangements of all Islamic business transactions. Our Shariah Deliberation Team ("SDT") acts as the Shariah Compliance function within the Bank to perform the Shariah screening process to determine its validity as highlighted in the related Shariah non-compliance report. The SDT is represented by all Shariah functions in the Bank comprising Shariah Risk, Shariah Compliance Review, Shariah Research, Shariah Secretariat and Advisory, and Shariah Audit.



Refer to our Statement on Risk Management and Internal Control in the Integrated Annual Report 2020 for more information on our Shariah Governance Policy

Several measures are in place to ensure that the Bank's operations, businesses, affairs and activities comply with the principles of Shariah at all times.

During the year, the key Shariah resolutions include the following:

- `Aqad Requirement for Financing Accounts Impacted by Covid-19 Payment Moratorium
- Treatment of MFRS9 on Moratorium Accounts and Modification Loss Issue
- Shariah Requirements of Restructuring and Rescheduling Programme

We have also introduced and implemented Shariah governance policies, procedures, and practices according to the direction given by the Board, in line with the rulings of the SAC of BNM. These include establishing a management structure and reporting arrangement that provides a clear scope of accountability between business lines and internal control functions that are involved in managing Shariah non-compliance risks, including the accountability of those leading Shariah departments units.

Our Shariah practices are disseminated across the Bank through an effective communication policy to support a sound understanding of Shariah matters, and regular assessments are conducted to evaluate the quality of operational support provided to SAC as well as to address any inadequacies. Any potential or actual Shariah non-compliances identified will be reported to the Board and SAC on a timely basis. In FY2020, there were no Shariah non-compliance incidents recorded.



DELIVERING SUSTAINABLE IMPACTS
 CREATING A FAIR, SAFE AND INCLUSIVE WORKPLACE
 Regulatory and Shariah Compliance



ENHANCING SHARIAH-RELATED POLICIES AND PROCEDURES

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

Shariah Governance Policy

Shariah Secretariat and Advisory Department Procedures

Shariah Risk Unit Procedures

Shariah Policies for Tawarruq Financial Products

Zakat Policy

Shariah Requirements for Advertising, Marketing, Corporate Events & Business Tie-Up

This year, we have reviewed our policies and procedures regarding the moratorium granted on monthly payments of financing and the SAC of BNM's ruling on restructuring and rescheduling of Islamic financing facility during the COVID-19 crisis. The ruling stipulates that financial institutions are required to extend financing payment assistance for customers affected by COVID-19 pandemic and put in place a more lenient and fair treatment of rescheduling and restructuring of customers' financing facility. The rescheduling and restructuring initiative will alleviate our customers' financial burden during these trying and challenging times.

We are also cognizant of the adversities that some of our customers face during the pandemic; some instances may include insolvency. As such, our Shariah Secretariat and Advisory Department ("SSA") has conducted a research on the determination of insolvent customers, or Mu'sir, and evaluate the need for financing restructuring to align with BNM SAC's Ruling on Operationalisation of Moratorium for Islamic Financing.

DELIVERING SUSTAINABLE IMPACTS
 CREATING A FAIR, SAFE AND INCLUSIVE WORKPLACE
 Regulatory and Shariah Compliance

STRENGTHENING SHARIAH COMPLIANCE CULTURE

As we seek to continue strengthening our Shariah compliance culture, various efforts have been implemented for the year across the Bank, with the key ones highlighted below.



Shariah e-Learning

The Shariah e-Learning is a digital initiative to enhance bank-wide knowledge on Islamic Finance and Fundamentals of Shariah to create awareness on Shariah compliance and the prohibitive elements in Islamic banking. The Shariah e-Learning modules cover the following:

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



In FY2020,

1,614

employees have completed the modules



SKIL Robo Shariah Advisor

SKIL Robo Shariah Advisor is an online learning platform utilises artificial intelligence to increase knowledge and interest in Islamic financial products and Shariah tenets across the Bank.

This year, MBSB Bank has launched two modules for our bank officers and our customers based on the Shariah concept of Tawarruq. We aspire to make our bank officers comfortable handling Shariah-related matters through this platform by utilising a practical and simplified educational system. Similarly, we also created a platform for customers to be well-informed of our products and gain a deeper understanding of Shariah contract terms and financing modes.



As at 31 December 2020,

522

employees have completed the modules



Islamic Products e-Pitch Book

The e-Pitch Book is an instrument to address the lack of Shariah and product awareness across MBSB Bank. The pitch book features:

- A brief and lively description of each product within the Bank and its applicable Shariah contracts
- Each product or Shariah contract is flanked by relevant Hadith or Quranic verses
- A brief description of each product structure, profit rate, rate of return, terms and conditions, application, segment, eligibility and contact details of the sales department
- Hyperlinks to the applicable internal or external Shariah resolutions on the products

DELIVERING SUSTAINABLE IMPACTS
 CREATING A FAIR, SAFE AND INCLUSIVE WORKPLACE
 Regulatory and Shariah Compliance

2019 ASEAN Corporate Governance Scorecard Award



Reflective of our commitment in upholding high corporate governance standards, we have been awarded the 2019 ASEAN Corporate Governance Scorecard Award in the ASEAN Asset Class PLCs (Malaysia) category.

This award signifies the level of our corporate governance standards to be on par with global best practices and frameworks. It recognises the immense efforts that MBSB has put into strengthening our corporate governance standards and our continuous improvement of corporate governance processes and systems.

Best Independent Review Report for Small Banks Category 2019

The report on Independent Assessment of Compliance with PayNet's Rules, Procedures and Guidelines submitted by MBSB Bank (collaboration between Compliance and Internal Audit Division has been awarded for the second year as "Best Independent Assessment Report for 2019 for Small Banks & Others Category". The criteria for the best independent assessment report are based on coverage and scope of work, non-compliance items disclosed, additional information, accuracy of information, completion of thematic review assessment and timeliness of submission. The award was announced by Paynet during their Compliance Engagement Session 2020 held on 10 December 2020.

Shariah Committee
oversight accountability
in Shariah related
matters
The Board is expected to
rely on Shariah
Committee on all Shariah
matters, views and
opinions

Shariah

Shariah

Shariah

Shariah



DELIVERING SUSTAINABLE IMPACTS
CREATING A FAIR, SAFE AND INCLUSIVE WORKPLACE
Growing capacity and capabilities



GROWING CAPACITY AND CAPABILITIES

DELIVERING SUSTAINABLE IMPACTS
 CREATING A FAIR, SAFE AND INCLUSIVE WORKPLACE
 Growing capacity and capabilities

Growing capacity and capabilities

Our people are our greatest asset

We take pride in our strategy to build a culture of high performing, technology-driven and resilient workforce. Our People Strategy focuses on retaining and upskilling our workforce. We emphasise on developing a digital mindset and an innovative culture to complement our ongoing digital transformation plan. We focus on providing inclusive and equal development opportunities across the Bank while providing a safe and healthy workplace for our employees to thrive.



Related material matters:

Employment

Training and Education

Occupational Safety and Health

Diversity and Equal Opportunity

Our FY2020 performance



35,819

total hours of
employee
training

Only

4 cases

of recordable work
related ill health

10%

of employees
deployed to work
from home as at
31 Dec 2020

Employment



Boundary : MBSB Bank

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.

At MBSB Bank, we provide equal opportunities for career development, practical training and attractive remuneration to ensure that our workforce is future-ready and resilient.

Our employee management approach is guided by our Human Resources Division Policies and Procedures as well as Remuneration Policy, covering recruitment, compensation and benefits, remuneration and systems, learning and talent development, organisational development, as well as industrial relations. These policies and procedures undergo continuous enhancements to cater to updates in the national regulations and changes in the organisational needs and collective bargaining agreements.

Policies relating to human resource matters including Code of Ethics and Conduct for Employees and Labour Standards are regularly circulated and conveyed to all employees through our internal communication platforms such as memorandums, intranets, emails and introduced during induction programmes.

We demonstrate our respect and support for human rights and the right to collective bargaining and freedom of association by adhering to all regulations on labour standards, including those relating to minimum wage, reasonable working hours, health and safety, and non-discrimination. As of 31 December 2020, 11.3% of our employees are covered by collective agreements. MBSB Bank continues to promote and protect the mutual interests and well-being of employees through our constructive relationship with the National Union of Bank Employees as well as our ongoing memberships with banking associations, including the Malayan Commercial Banks' Association, Sabah Commercial Banks' Association and Sarawak Commercial Banks' Association.

ENGAGING OUR WORKFORCE

We engage with our employees to ensure that our workforce is focused and committed to creating positive value. Open and regular two-way communication is encouraged by leveraging on multiple channels to provide open discourse opportunities and drive workplace satisfaction.



As most employees are required to work from home this year, we took advantage of our well-invested digital platforms to deliver several employee engagement sessions. These include virtual roadshows to all branches across the six regions we operate in and two virtual staff engagement sessions that emphasised on MBSB's Core Values.



Employee engagement survey

We conduct an employee engagement survey biennially to measure employee satisfaction and identify areas for improvement. The survey also serves as a formal grievance mechanism to report work-related issues which will be directed to the appropriate management for resolution.

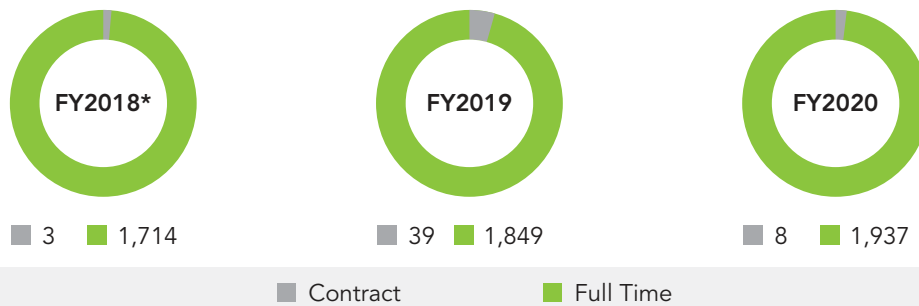
Our previous employee engagement survey conducted in 2018 achieved a score of **74%** indicating a high level of satisfaction in our workforce. We are currently conducting the latest survey which will be completed in May 2021.

DELIVERING SUSTAINABLE IMPACTS
CREATING A FAIR, SAFE AND INCLUSIVE WORKPLACE
Employment

WORKFORCE STRENGTH

Our workforce forms the backbone of our organisation. We seek to hire and retain employees with the necessary skills and competencies to drive our business forward through our competitive employment benefits and remuneration.

Total Staff Strength by Employment Type



* Data has been restated to conform with current year's classification and presentation

In FY2020, our workforce size grew by 3.0% from last year with a total of 1,945 employees across Malaysia. We successfully reduced the turnover rate to 5.7% from 6.1%, well below the industry average, whereas our hiring rate has decreased to 8.6% from 15.2% as we focus on capacity building and succession planning.

Succession planning

While immense efforts are in place to attract potential employees, we prioritise internal candidates to fill vacant positions before the positions are advertised to the public. Succession planning is essential to make sure MBSB Bank always have the right leaders in place should a change happen. This year, we have identified and assessed prospective successors that have the potential to take on critical positions. We target to develop a structured succession planning pool with successors for each critical position.

We are also looking to introduce the Junior Watchlist Programme, a 2-year succession planning programme, to establish a steady pipeline of future leaders to take on critical positions within the Bank. The programme is a highly customised initiative designed for high potential young employees which aims to cultivate them to reach their full potential and provide them with the opportunity to chart their development plan before reaching their next career milestone.



DELIVERING SUSTAINABLE IMPACTS
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Employment

WORKFORCE STRENGTH (CONTINUED)

Local employment

Our support for local employment reinforces MBSB Bank's commitment to nation-building. Our recruitment approach prioritises local hires, irrespective of race, religion, gender, age, sexual orientation and disabilities. Currently, local employment makes up 100% of our workforce. Besides, we also strive to address youth unemployment by providing internship opportunities to local students to receive hands-on experience as financial and banking professionals.

Internship

Our internship programme provides interns the opportunity to apply classroom knowledge to a real work setting and witness first-hand the day-to-day activities they can expect in their chosen field. They can acquire and sharpen their skills in communication, teamwork, computer proficiency, among others, to fully prepare for employment upon graduation. This year, 11 students have enrolled in our internship programme, and despite a challenging year, one intern has been offered a permanent position in our Technology division.

Remuneration and well-being

The Bank offers equal and competitive remuneration packages for all full-time employees, including a wide range of benefits to support employees' personal and professional lives. We strive to go beyond the minimum requirements to safeguard our employees' well-being and provide a conducive working environment. At MBSB Bank, we emphasise equal pay for equal work, meaning there should be no discrimination of pay between women and men. Our range of employee benefits include:



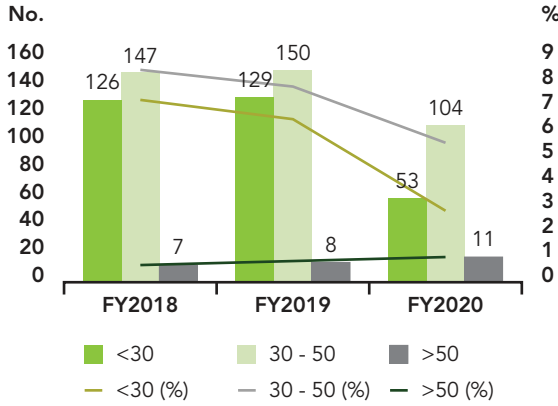
We understand that long working hours could have a significantly negative impact on employees' psychological, physical and mental health. Therefore, we are committed to providing environments that support work-life balance while focusing on reducing excessive working hours or overtime through technological investments for optimised efficiency.



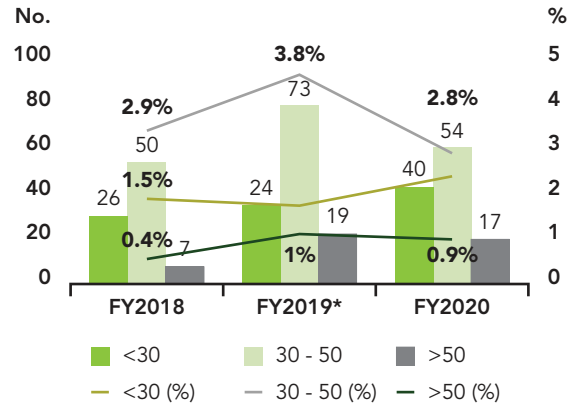
DELIVERING SUSTAINABLE IMPACTS
 CREATING A FAIR, SAFE AND INCLUSIVE WORKPLACE
 Employment

KEY HUMAN RESOURCES DATA

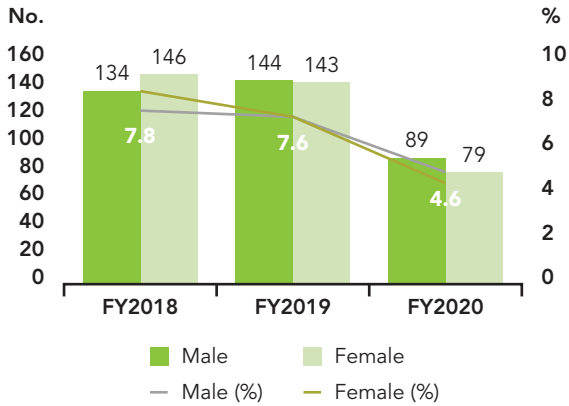
Number and rate of New Hires by Age Group



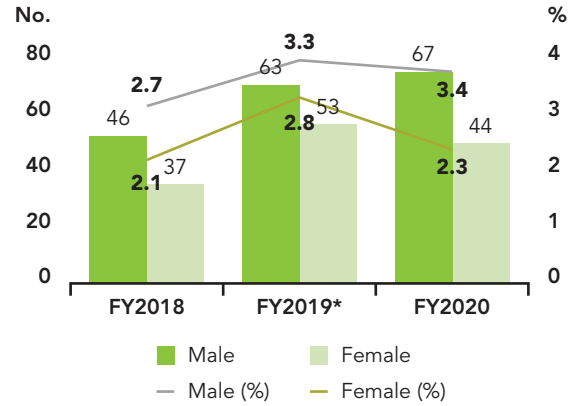
Number and rate of Turnover by Age Group



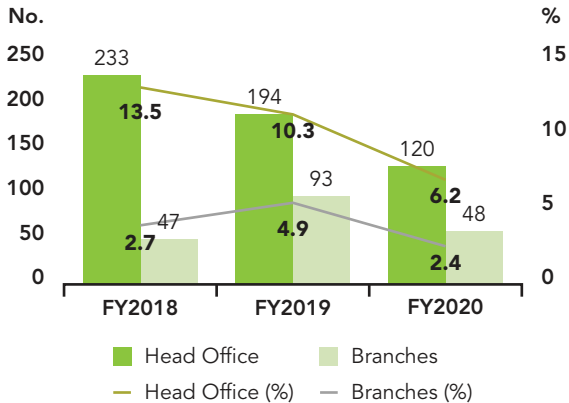
Number and rate of New Hires by Gender



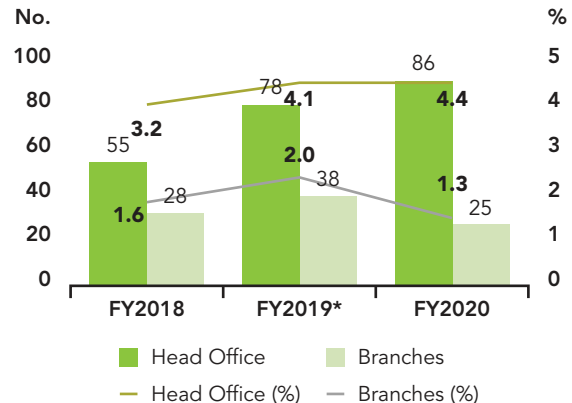
Number and rate of Turnover by Gender



Number and rate of New Hires by Head Office and Branches



Number and rate of Turnover by Head Office and Branches



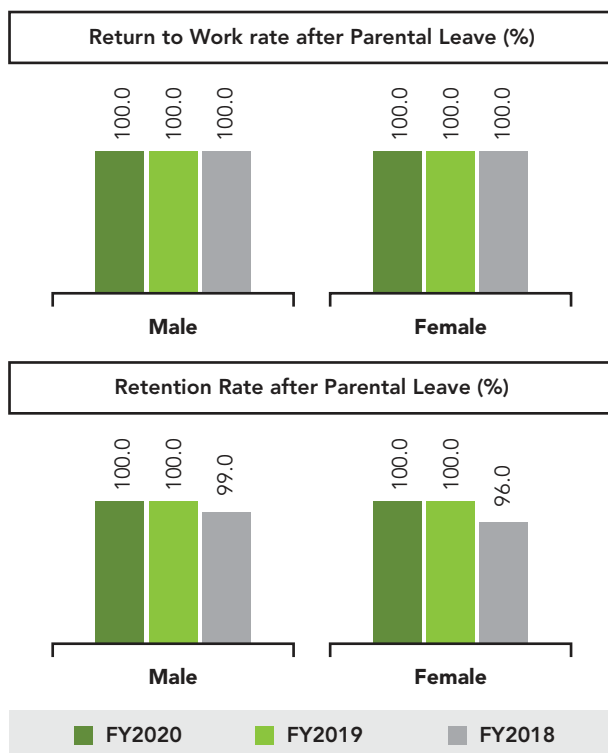
* Data has been restated to conform with current year's classification and presentation

DELIVERING SUSTAINABLE IMPACTS
CREATING A FAIR, SAFE AND INCLUSIVE WORKPLACE
Employment

KEY HUMAN RESOURCES DATA (CONTINUED)

Employees entitled to parental leave	FY2018	FY2019	FY2020
Number of male employees entitled to parental leave	*815	*898	917
Number of female employees entitled to parental leave	*902	*990	1,028
Number of male employees who took parental leave	69	63	74
Number of female employees who took parental leave	91	68	101
Number of male employees that returned to work after parental leave ended	69	63	74
Number of female employees that returned to work after parental leave ended	91	68	101
Number of male employees that returned to work after parental leave ended that were still employed 12 months after their return to work	68	63	74
Number of female employees that returned to work after parental leave ended that were still employed 12 months after their return to work	87	68	101

* FY2018 and FY2019 figures have been restated due to recategorisation



Asia Recruitment Awards 2020 (HR Online)

Our efforts in hiring and retaining talents within the Bank has been recognised by Human Resources Online Asia Recruitment Awards 2020. MBSB Bank's Human Resource Division has been announced as a Silver Winner for The Best In-House Recruitment Team of the Year. The awards celebrate talent acquisition excellence, recognising teams with outstanding initiatives in Malaysia's recruitment function.

Training and Education



Boundary : MBSB Bank

Developing our people is vital to ensure that our workforce remains capable and relevant in delivering our strategy while meeting the future needs of the industry.

We adopt two approaches to design our internal capability building programmes

A training suite that is personally requested by employees and communicated to the respective managers



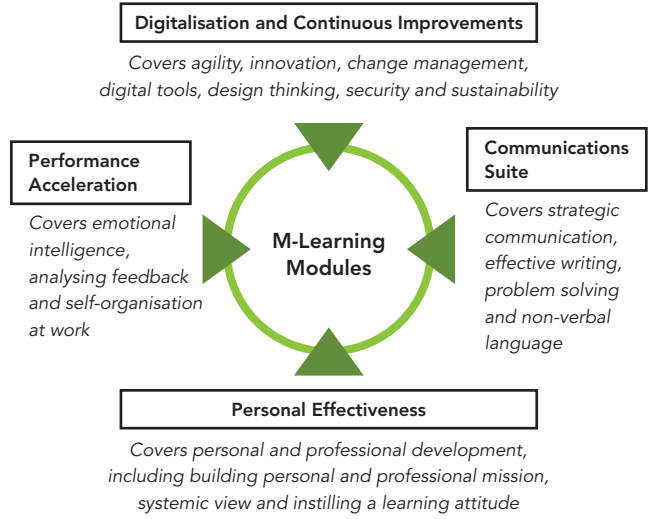
A Training Needs Analysis ("TNA") where a customised programme is developed for each employee to fit the Bank's requirement and workforce's specific needs

In FY2020, our Human Resources division conducted the TNA across the Bank to evaluate current competencies and identify gaps in capabilities required to achieve each function's requirements. The analysis established the Bank's need to upskill its workforce in line with the rapid digitalisation changes.

Additionally, there is a crucial need to develop technical knowledge and skills across our banking platform to be future-ready and embrace the financial industry's competitive nature. Given that, we have deployed several learning programmes on digital skills among our employees that focuses on digital innovation and organisational agility.

We also focus on enabling structured training for middle management and supporting specialised teams to obtain relevant accreditations and certifications. Various learning programmes are available for employees to facilitate professional development, including innovation, communication, digitalisation, customer service, and a range of courses on personal growth. Instead of solely focusing on career progression, we aim to embrace a career-broadening approach as an equally important measure of career performance and growth. With that, employees can enhance other work-related skills such as leadership and people management competencies as part of their career development and progression.

M-Learning, a prompted capability building response to the unprecedented pandemic



At the onset of COVID-19, we have set up M-Learning, a platform that enables online learning to be accessible across all devices making learning available anytime, anywhere. With technology enhancements creating the opportunity to access high-quality learning and tools instantly and remotely, our employees have grasped a range of bite-sized courses centred around communication, digitalisation, performance improvement and personal development.

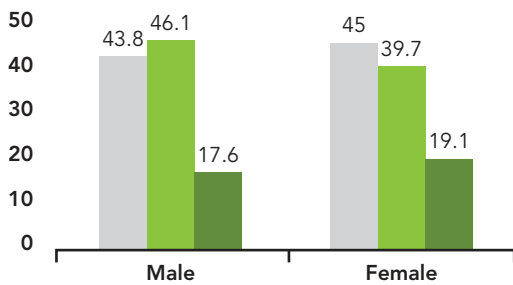
DELIVERING SUSTAINABLE IMPACTS
 CREATING A FAIR, SAFE AND INCLUSIVE WORKPLACE
 Training and Education

KEY TRAINING PROGRAMMES AND DATA

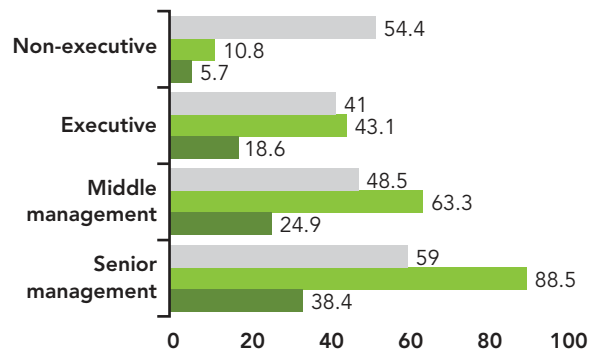


This year, we invested RM1,152,709 on training and development programmes for our employees, representing 0.5% of our gross income. We conducted 35,819 hours of employee training during the year, which translates to around 18.4 hours per employee, doubling our revised target of 8 hours per employee. We have revised our target for FY2020 due to the limitation posed by COVID-19 for physical training and workshops.

Average hours of training per employee by gender



Average hours of training per employee by employee category



■ FY2018 ■ FY2019 ■ FY2020

Note: The average hours of training per employee per year for FY2019 and FY2020 have been selected for limited assurance. The basis for calculating the average hours of training per employee is total training hours divided by total active employees as of 31 December 2020.



Refer to the Limited Assurance Statement on page 121

DELIVERING SUSTAINABLE IMPACTS
CREATING A FAIR, SAFE AND INCLUSIVE WORKPLACE
Training and Education

KEY TRAINING PROGRAMMES AND DATA (CONTINUED)

The key programmes we invested in this year include:

Programme	Employee Category	Description
2020 Integrated Reporting Workshop	C-Suite, Senior management and middle management	The workshop was conducted to build internal capability on integrated reporting and integrated thinking process as part of MBSB Bank's initiative to adopt a multi-capital management approach that enables us to deliver our purpose to the benefit of our key stakeholders over time.
Shariah e-Learning	Bank-wide	A platform for employees to strengthen their knowledge of Shariah principles that govern Islamic banking and create awareness of Shariah compliance. More information on the Shariah e-Learning platform, please refer to the Regulatory and Shariah Compliance section on page 40.
E-Learning - Operational Risk Management (ORM) and Business Continuity Management (BCM)	All staff	A platform for all employee to understand and enhance their knowledge in operational risk and business continuity management. This platform will also assist in gauging the knowledge and competency level of staff on ORM and BCM.
Anti-corruption and AML/CFT training	Senior Management & Board	The workshop was conducted to highlight the key requirements and importance of MACC Act and AML/CFT Act
AML/CFT e-Learning	All staff	A platform for employees to strengthen their knowledge and awareness of the AML/CFT requirements
In-Service Programme (INSPRO)	Senior management, Middle Management, Executive	An onboarding programme explicitly customised for new employees to familiarise themselves with MBSB Bank. This programme represents a platform to welcome new employees to the Bank and provide them with an overview of the Bank as a whole.
Briefings with DCORO	All DCORO (Designated Compliance and Risk Officer)	Topics discussed include: <ul style="list-style-type: none"> • DCORO key performance indicators ("KPI") computation • New regulatory updates • Perbadanan Insurans Deposit Malaysia ("PIDM") 's Guidelines on Provision of Information on Deposit Insurance • Refresher on DCORO roles and responsibilities • New Norm Certification for branches • BNM's policy document on Fair Treatment of Financial Consumers
CEMD on Customer Complaints	Consumer Banking Staff	Educate staff on complaint handling management who manage complaint resolution

DELIVERING SUSTAINABLE IMPACTS
CREATING A FAIR, SAFE AND INCLUSIVE WORKPLACE
Training and Education

KEY TRAINING PROGRAMMES AND DATA (CONTINUED)

Programme	Employee Category	Description
Master Agents PFI	All agents managing MBSB Bank's customers information	Two sessions were held with PFI-Agents in July 2020 covering the following topics: <ul style="list-style-type: none"> • AML/CFT • Banking Secrecy Provisions • Management of Customer Information & Permitted Disclosures • Prohibited Business Conduct • Product Transparency & Disclosure • Responsible Financing • Fair Treatment of Financial Consumers • Fair Debt Collections
Branch Operations Support	<ul style="list-style-type: none"> • Branch Staff • Regional operations staff 	<ul style="list-style-type: none"> • Training on Online Account Opening • Training on Passbook-less (for new account and conversion for existing account) <p>Both initiatives are to support the Bank's aspiration towards digitalisation.</p>
Cyber Security e-Learning	Bank-wide	A platform to impart staff awareness and understanding on the importance of Information & Cyber Security as well as to comply to BNM compliance requirement and the Payment Card Industry Data Security Standard (PCI DSS) requirement in preparation for the Bank's card payment services.

Performance Management

We believe successful learning and development programmes improve workplace performance and measurable business outcome. Our performance appraisal is conducted yearly via a two-way discussion between employees and their respective supervisor. We utilise our Performance Management System ("PMS") which is designed to align our business objectives with our employees' goals and identify the critical gaps in key areas on their performance and development needs.

The PMS documents and assesses performance to determine performance rating and career progression. To further improve efficiency, we are currently digitalising our PMS. We will introduce e-PMS, an integrated digital platform that records and tracks employees' performance against KPIs across the four pillars of Financial, Customer, Risk Compliance, and Learning and Growth.



Occupational Safety and Health



Boundary : MBSB Bank

Our people's health and safety remains the top priority and are fundamental to our business continuity and success

We implement a holistic approach to safeguard the well-being of our employees, customers and business partners through our Occupational Safety and Health ("OSH") Policy. The OSH Policy establishes a comprehensive set of provisions for effective management of safety and health at the workplace, which reaffirms our compliance with national OSH laws and ISO health and safety standards. The policy is currently being reviewed for revision to further enhance compliance with the national OSH laws.

The OSH Policy outlines the Bank's commitment and responsibility to OSH and acts as a basis for developing and implementing programmes for securing safety and health at the workplace. Our OSH management system covers planning, organising, controlling, objectives setting, establishing accountability and policy formulation, and measuring organisational boundaries' safety and health performances. It also guides personnel-in-charge to improve safety and health performance standards relative to their targets.

The OSH Committee is set to meet quarterly to discuss key topics such as:

- Formulation, review, and/or recommendation for adoption of environmental health and safety policies
- Monitor the effectiveness of safety and health implementation

A Multi-Disciplinary Pandemic Team ("MDPT") was formed to coordinate MBSB Bank's response to suspected or confirmed COVID-19 cases safely and effectively

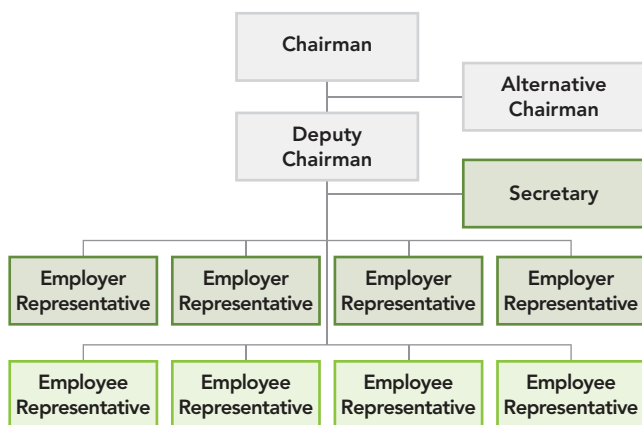
The team consists of representatives from various departments, including Human Resources, Property Management, Business Continuity Management, Strategic Communication, Compliance, among others.

Based on Majlis Keselamatan Negara ("MKN") SOPs issued, we have developed and implemented Guide for Pandemic Preparedness and Response Plan under COVID-19, a set of protocols that all employees need to observe during the MCO period. It includes pre-emptive measures to be observed by branches, work from home and work from office guidelines, overseas travel procedures, standard operating procedures for staff under investigation and confirmed cases of COVID-19.

As an essential service provider, we are responsible for our employees' well-being and the safety and health of those that interact with us, be it customers, business partners or contractors. Thus, these guidelines must be strictly adhered to reduce the risk of spreading the disease.

Embracing the 'New Norm' is inevitable as we transition into an unfamiliar post-pandemic landscape. Hence, it is essential to anticipate the possible outcomes and set in motion initiatives that will position MBSB Bank most advantageously. Accordingly, the MDPT has developed Guidelines on the New Norm – Post MCO to guide employees on how they conduct their daily operational activities in the new norm within the expected standards and practices for the benefit of the Bank, staff and society in general.

OSH Committee Structure



Our OSH committee, made up of 11 personnel from different categories and departments, oversees the OSH Policy to identify, monitor and eliminate potential risks and hazards. Additionally, the OSH committee also provides a platform for employees to engage and consult on occupational safety and health matters.

DELIVERING SUSTAINABLE IMPACTS
 CREATING A FAIR, SAFE AND INCLUSIVE WORKPLACE
 Occupational Safety and Health

IMPROVING WORKING ENVIRONMENT

We are also conscious of our employees' challenges in adjusting to the new norm and difficulties endured during this trying time. As such, we have provided a range of well-being initiatives and engagement activities to support our people through the pandemic.

Topic	Description
Humanising Virtual Communications for Team Effectiveness	A programme designed to learn from best practices on the effective methods of finding workable balance while working remotely and communicating effectively
Stress Buster @ Work	A programme designed to identify the triggering points of stress and learn how to turn challenges into changes and stress into success
Identifying and Handling Distress in Teams	A programme designed to help participants to be free from distress trap and support their team in managing it
Get Comfortable with Discomfort	A programme designed to encourage participants to come out from their comfort zones as well as to stretch themselves to the fullest for their success
Maintaining Healthy Virtual Relationship with Team and Manager	A programme designed to provide participants with better understanding on the effective techniques in communicating and building relationships with Managers and team members
Just Do It!	A programme designed to enhance participants motivation at work place and encourage them to have powerful mind-sets that will set them up for rapid and long-term success



DELIVERING SUSTAINABLE IMPACTS
 CREATING A FAIR, SAFE AND INCLUSIVE WORKPLACE
 Occupational Safety and Health



SAFEGUARDING THE HEALTH AND WELLBEING OF OUR PEOPLE

Throughout COVID-19, we have continued to prioritise the safety and well-being of our people and keeping them informed of current events and changes that have been put in place through our internal communication channels. We have implemented measures to reduce our risk of exposure to the virus and impact of COVID-19 to our business performance such as work from home arrangements and new working protocols to essential roles that are unable to work remotely. We have also formed MDPT, a specified team that oversees the overall management of COVID-19 matters including safe and effective response to positive cases.

We have established strict guidelines and protocols for those entering our sites and provided appropriate personal protective equipment such as hand sanitisers, masks and gloves. Work from office rules, social distancing measures and regular sanitisation of our branches and offices are established and conducted in line with the Health Ministry's SOP.

We have also equipped our employees with digital tools to facilitate remote working including providing upskilling programmes on the effective utilisation of these tools. Professional development and well-being of our employees remain important despite changes in the work arrangement. We continue to provide training programmes virtually while organising wellness learning sessions, with topics such as mental health and well-being.



We regret to inform that there were eleven 11 confirmed cases of COVID-19 during the year, all involving employees at MBSB Bank. Most of the employees were suspected to have contracted the virus outside of the office. Following these events, we have immediately deployed contact tracing procedures and sanitised our premises to contain the virus' spread. We continue to be vigilant and undertake preventative measures to ensure the safety of our employees and customers.



There were 11 cases of work-related injuries and 4 cases of recordable work-related ill health, mainly due to motor vehicle accidents and mishandling of office machines.

As a result, we recorded 179.5 number of loss days for work-related injuries and 151 number of loss days for work-related ill health.

Diversity and Equal Opportunity



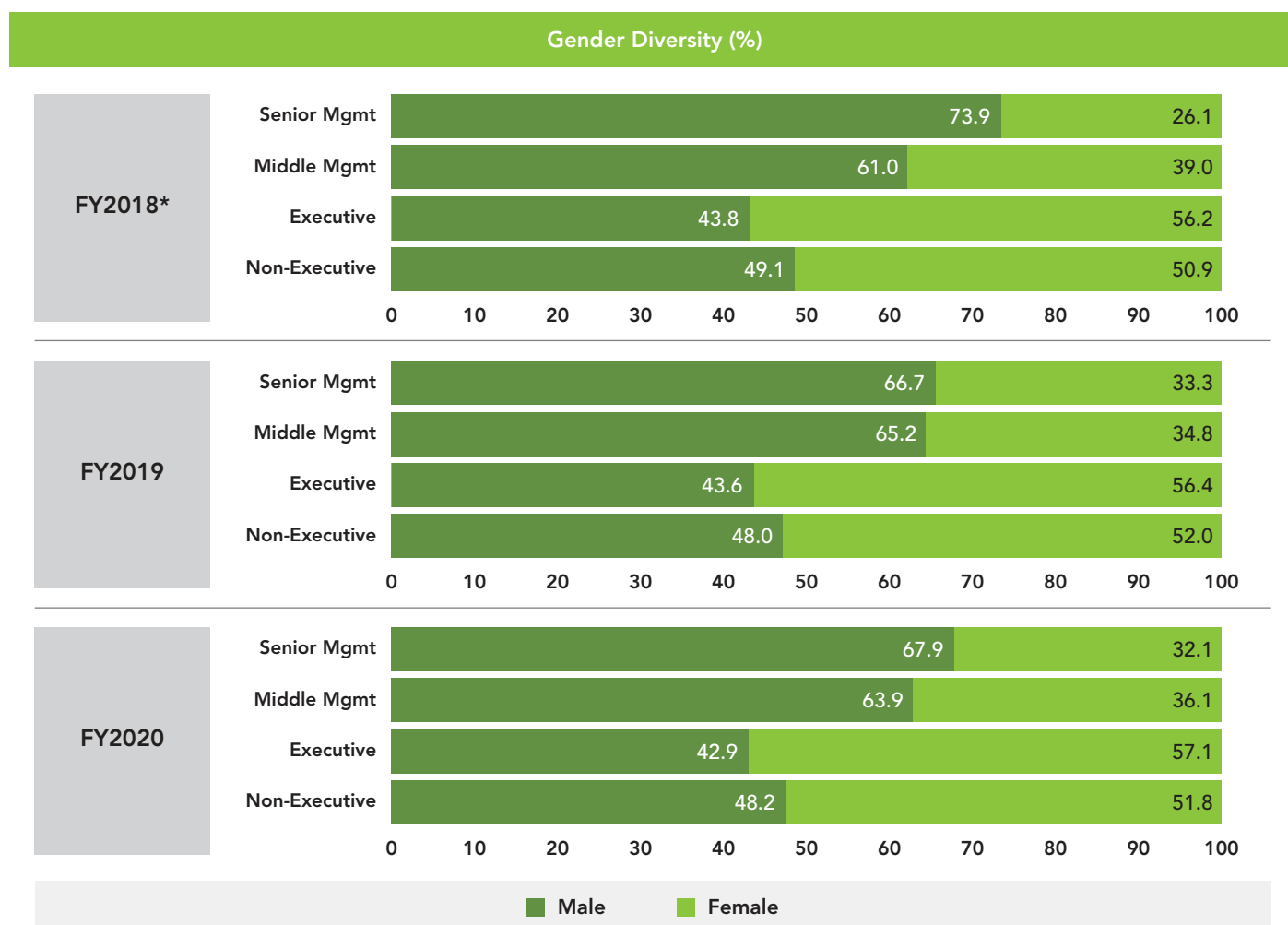
Boundary : MBSB Bank

At MBSB Bank, we aim to provide a fair and inclusive environment for all employees to thrive regardless of gender, age, background, race, religion, sexual orientation, nationality or disability

Diversity in our workforce ensures that we have various ideas that catalyse innovation and problem-solving skills essential to drive our business performance and better serve our customers.

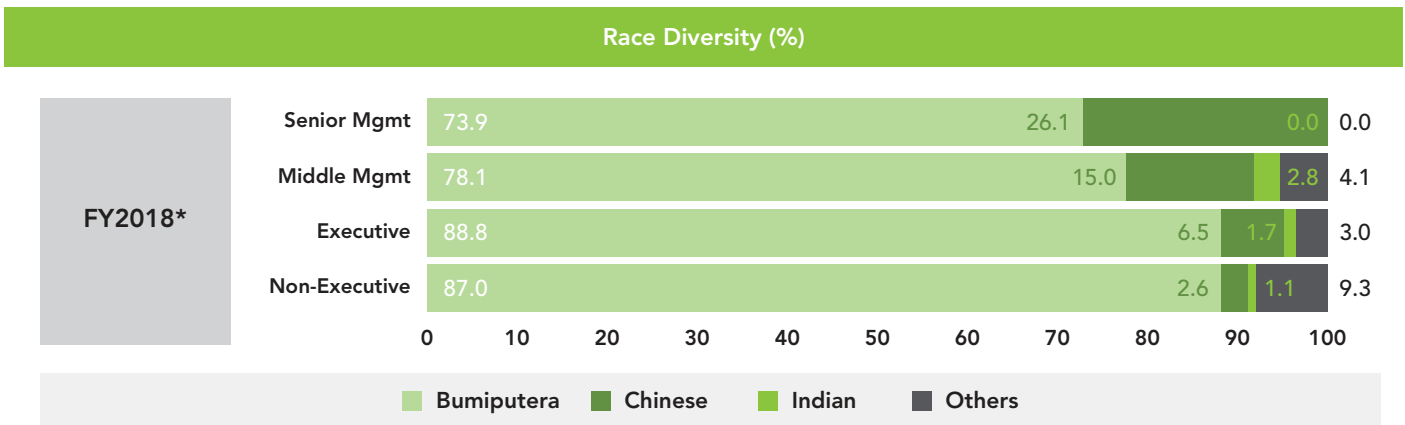
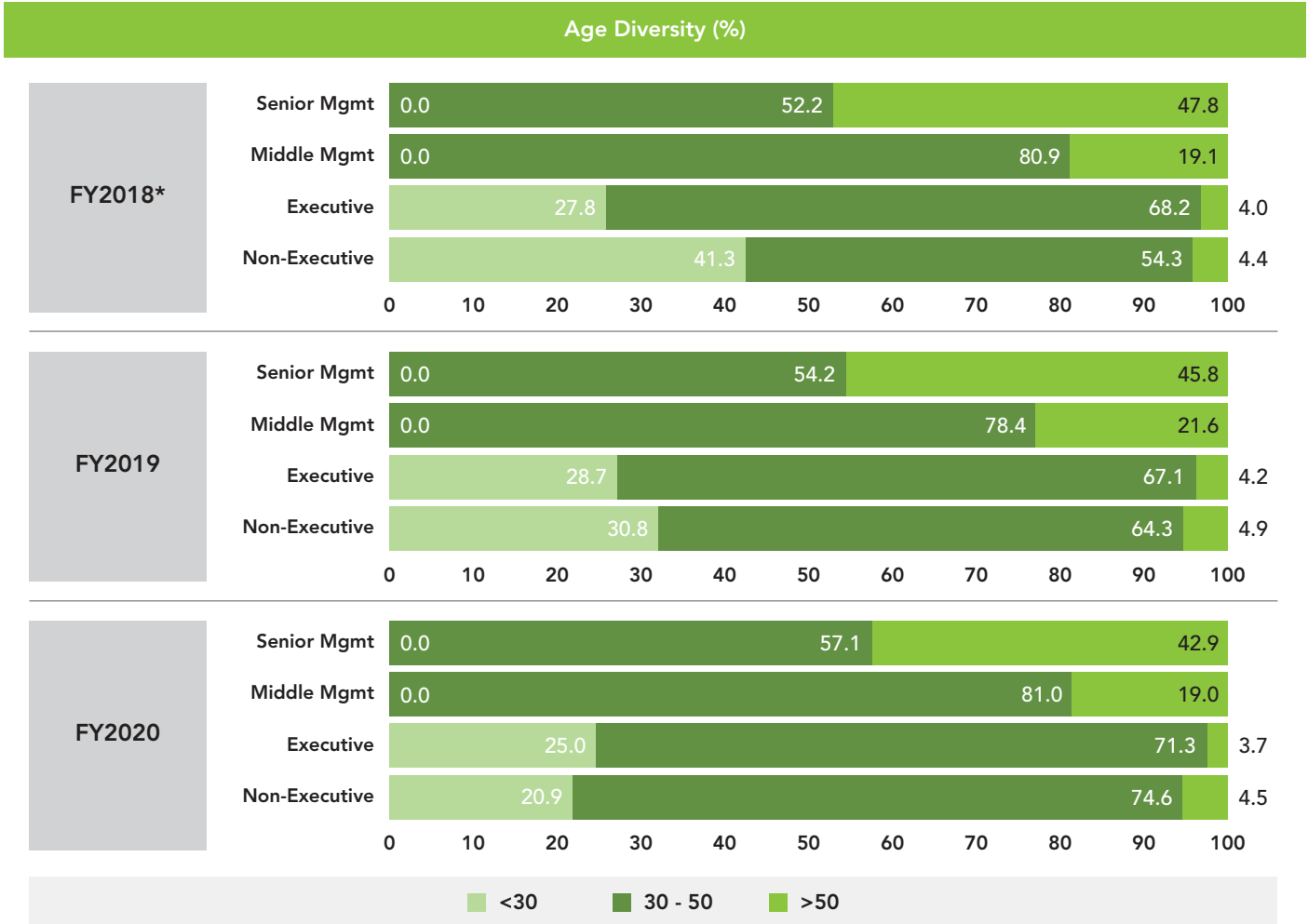
We endeavour to improve our male-to-female gender ratio across the Bank, including adding more female representations in critical positions.

The breakdown of our overall workforce for each employee category, by gender, age and ethnicity are as follows:



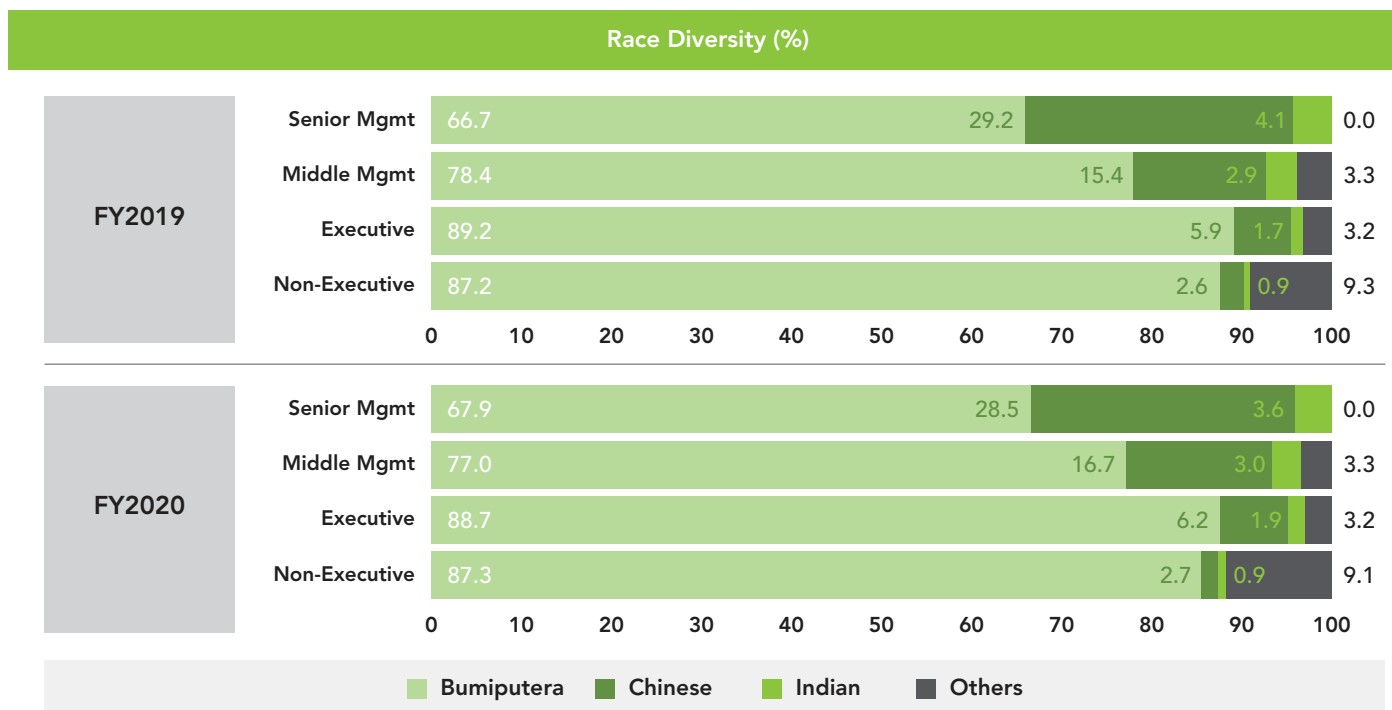
* Data has been restated to conform with current year's classification and presentation

DELIVERING SUSTAINABLE IMPACTS
 CREATING A FAIR, SAFE AND INCLUSIVE WORKPLACE
 Occupational Safety and Health



* Data has been restated to conform with current year's classification and presentation

DELIVERING SUSTAINABLE IMPACTS
CREATING A FAIR, SAFE AND INCLUSIVE WORKPLACE
Diversity and Equal Opportunity



Governance Body (Male-to-Female ratio)	FY2018	FY2019	FY2020
Management Committee	83:17	86:14	71:29
Management Investment & Credit Committee	83:17	83:17	100:0
Asset & Liability Committee	86:14	86:14	86:14
Initial Alert Report (Retail & Corporate) Committee	78:22	78:22	86:14

We continue our efforts to be a locally run organisation as part of our commitment to nation-building. To date, 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	7	5	15	62	104	141
Local	100%	100%	100%	100%	100%	100%



NORLIA MOHD YUSOFF

DELIVERING SUSTAINABLE IMPACTS
INNOVATING VALUE THROUGH TECHNOLOGY
Maximising outreach and experience



MAXIMISING OUTREACH AND EXPERIENCE

APPLY FOR
THE NEW
VISA DEBIT
CARD-i
HERE



DELIVERING SUSTAINABLE IMPACTS
 INNOVATING VALUE THROUGH TECHNOLOGY
 Maximising outreach and experience

Maximising outreach and experience

Being "Part of Your Journey"

We are committed to support our customers in each step of their life-long journey to success. Our values place strong emphasis on providing excellent service to build trusted relationships and loyalty. Our unique vision differentiates ourselves and makes us stand out in this competitive industry. 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.



Related material matters:

Customer Experience and Satisfaction

Market Presence

Customer Privacy

Our FY2020 performance



84.4%

Customer Satisfaction Index



387

cases of customer complaints resolved within turnaround time (TAT)



Improvement in service level from 67.5% to

79.6%



11

substantiated complaints concerning breaches of customer privacy

Customer Experience and Satisfaction

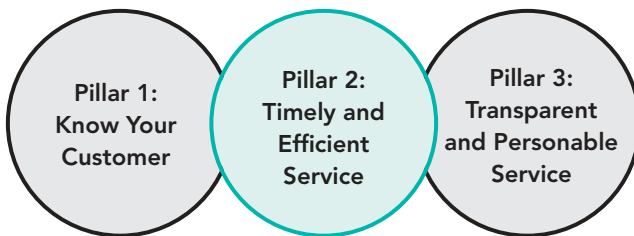


Boundary : MBSB Bank

Following the digital revolution, the increase in customers' expectations for simpler, innovative and secure banking has provided MBSB Bank with opportunities to improve the accessibility and functionality of our products and services.

We remained focused on enhancing our touchpoints to deliver exceptional customer service outcomes through better customer service, branch transformation, and innovative products and solutions.

We execute our responsibilities based on our Customer Service Charter, which lays out the principles and commitments on creating excellent customer experience and high banking service etiquette standards. It outlines three pillars that all customer-facing employees need to uphold. These pillars are:



Our Customer Experience Management Department ("CEMD") oversees all matters associated with customer experience. Consists of the Customer Experience Unit, the Complaint Handling Unit and the Customer Service Centre, CEMD is responsible for implementing effective strategies to improve the customer experience at all touchpoints and identify pain points and manage grievances through our various feedback channels. Various customer interaction platforms are in place to maximise customer reach, which has further extended this year to include social media channels such as Instagram and Facebook.

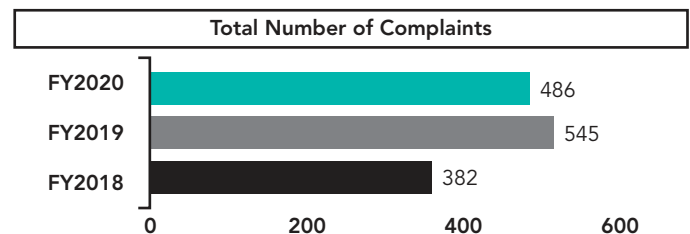
Our approach to managing customer feedback and grievances is guided by our Complaints Handling and Management Policies and Procedures which outline the effective measures based on best standards and practices in a manner that complies with internal, statutory and regulatory requirements. In all our dealings, excellent responsiveness, efficiency, integrity, fairness and quality have been our ultimate goals.

CONTINUOUS CUSTOMER EXPERIENCE IMPROVEMENT

In FY2020, we continue our progress on several initiatives rolled out from previous years, including our Case Management System, 24 Hours Customer Service Centre, Service Transformation for Excellent Performance ("STEP") Programme and Mystery Shopping. However, due to the COVID-19 outbreak, some planned initiatives such as STEP Training were put on hold as we shifted our focus on responding to the pandemic's impacts. Nevertheless, we have had to adapt to the changes affecting the way we work and operate to better support our customers. Despite the challenges, a testament to our agility and flexibility as an essential service provider, several initiatives have been successfully implemented to ensure that our customers continue to access excellent banking services.

Case Management System

We continue to utilise our Case Management System ("CMS"), implemented in 2018, to effectively address customer complaints. The CMS automates the support process and systematically tracks the turnaround time ("TAT") in resolving complaints. It keeps track of customer complaints from our various communication channels and automatically assigns each case based on type, priority or source. The system enables traceability of our communication with customers by logging the email correspondence between employees and complainants, facilitating smoother complaint ownership transfer. CMS features built-in workflows such as new case notification, deadline notification and overdue escalation to improve performance and standardise support activities. Through CMS, we have achieved an improved TAT of 79.6% from 67.5% in FY2019.

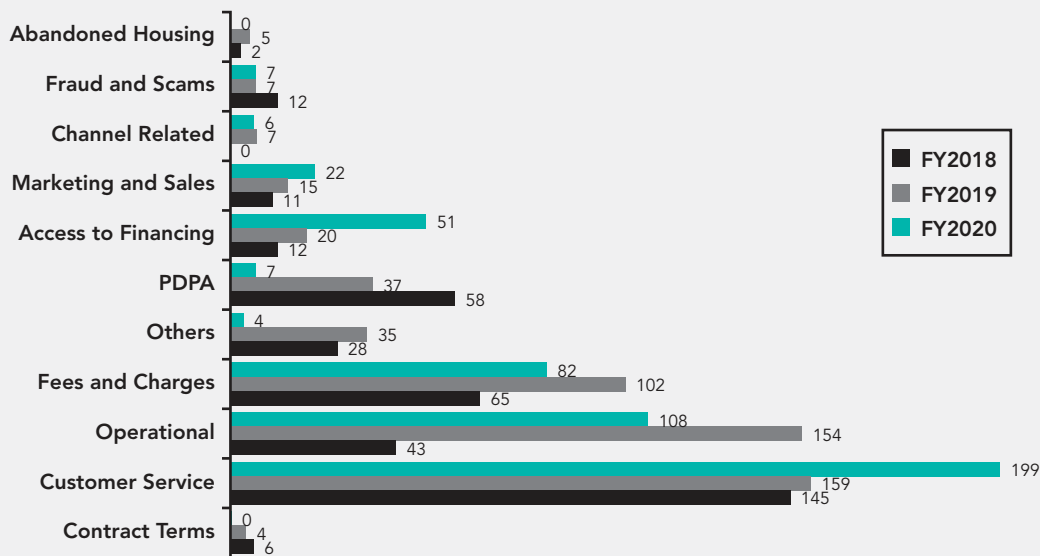


Note: Total number of complaints covers both Malaysia Building Society Berhad and MBSB Bank due to limitation in data segregation.

DELIVERING SUSTAINABLE IMPACTS
 INNOVATING VALUE THROUGH TECHNOLOGY
 Customer Experience and Satisfaction

CONTINUOUS CUSTOMER EXPERIENCE IMPROVEMENT (CONTINUED)

Number of Complaints Received by Type



Note: Total number of complaints covers both Malaysia Building Society Berhad and MBSB Bank due to limitation in data segregation.



Number of complaints for FY2019 and FY2020 have been selected for limited assurance. Refer to the Limited Assurance Statement on page 121

Mini Customer Relationship Management ("CRM") System

This initiative is to enhance the current Case Management System for Customer Service Centre ("CSC") to increase CSC agents' productivity and improve customer experience. The Mini CRM system is equipped with the following:

- Customer interaction details at CSC
- Complaint details and status
- Updates from the Retail Credit Management Department ("RCMD") on customer request
- Customer request details and status of the request
- Customer communication details via other channels such as email and fax

Customer Experience ("CX") Awareness Programme

Two sessions were conducted virtually under the CX Awareness Programme for frontline employees who attend to customers via face-to-face, telephone or email, and head office stakeholders (including Retail Credit Management, Collection and Recovery, Branch Network and Customer Service Centre) to share the main findings of customer feedback. The programme aims to increase understanding of the roles and function of CEMD as well as to discuss the critical grievances received, complaints statistics and our service level performance.

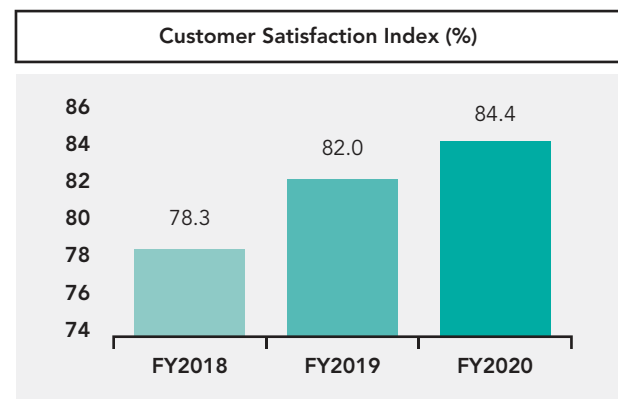
DELIVERING SUSTAINABLE IMPACTS
 INNOVATING VALUE THROUGH TECHNOLOGY
 Customer Experience and Satisfaction

CONTINUOUS CUSTOMER EXPERIENCE IMPROVEMENT (CONTINUED)

Customer Satisfaction Survey ("CSS")

One of the ways we gauge whether our products and services are meeting customer expectations is through CSS. Conducted annually, our CSS measures the level of customer satisfaction across two touchpoints, MBSB Bank's branches and the Customer Service Centre (General Line). This year, we have recorded an improvement in our CSS to 84.4% compared to 82.0% in FY2019 due to our continued efforts to improve our services and meet customers' needs.

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



Post Transaction Survey ("PTS")

Launched in FY2020, PTS serves as a tool to obtain immediate feedback on the specific experience that customers undergo after each interaction with MBSB Bank. PTS focuses on our retail products. We sent a survey via text messaging to customers that applied for our personal and property financing products and those completed over the counter transactions such as the opening of an account, deposit placement and remittance. The survey aims to:

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

Overall, CEMD managed to disperse 11,290 numbers of PTS from June to December 2020 with a response rate of 10%, which is within the typical response rate for a survey. Results show that most customers are satisfied with our services as 75% of customers rated our service as excellent with a maximum rating of 5, while only 2% of respondents rated us 2 and below. Through the survey, we have identified several areas of improvements highlighted by our customers. These include long waiting time for term deposit transactions, a slow process for opening savings accounts for existing customers, and inconsistencies of product information at branches. These feedbacks are valuable to the Bank as we work towards improving our services and product offerings. We are committed to implementing measures to ensure that they are addressed accordingly to avoid future complaints and maintain high customer service quality. We believe this can be achieved with the pipeline initiatives that leverage technological investment and digital channels.

Market Presence



Boundary : MBSB Bank

As we become the top progressive Islamic Bank, we are committed to building our reputational brand and expanding our presence in Malaysia.

INCREASING BRAND AWARENESS



We seek to build trusted relationships with customers through our marketing and branding initiatives governed by our Global Markets Procedures and Shariah Governance Policy.

We continued with our advertising and promotion strategies following the previous year's success and have emphasised our focus on building our digital presence as we embrace the shift towards digitalisation. By leveraging digital media, it has enabled us to progress in our marketing exercises and promote our products despite the challenges of COVID-19 pandemic, where print advertisements would not have been as effective due to the decrease in foot traffic as a result of MCO.

This year, we have created a social media presence by launching MBSB Bank's Facebook and Instagram accounts to amplify public brand awareness online. We have initiated several campaigns to widen our reach and boost our visibility among potential customers. Since our social media accounts launch, we saw an increase in customer reach with 210,743 on Facebook and 9,434 on Instagram. On top of that, we continue to produce our festive videos, which has garnered more than one million views on our YouTube channel.



New Normal New Adventure Contest

Involves weekly challenges from 12 August 2020 to 23 September 2020 for a chance to win MBSB Bank Adventure Waterproof Bag Merchandise.

Participants were required to answer questions posted by MBSB Bank each week and tag three friends in MBSB Bank's social media accounts. Five entries with the correct answers were randomly selected as the winners.



E-Payment Campaign

A campaign that runs from 15 October 2020 to 31 January 2021 where customers stand a chance to win RM25 credited in their e-wallet accounts when a minimum transaction of RM10 is performed through DuitNow or JomPAY services via MBSB Bank's MJourney Online Banking platform.

DELIVERING SUSTAINABLE IMPACTS
 INNOVATING VALUE THROUGH TECHNOLOGY
 Market Presence

INCREASING BRAND AWARENESS (CONTINUED)

In FY2020, we have invested over RM10.7 million on advertising and marketing tools which have resulted in RM179.6 million in value return with a public relation ("PR") value of RM5.5 million. Moving forward, we will intensify our digital marketing initiatives by diversifying and strategising our content to drive more engagements on our social media and internet platforms.

We are also building our brand as a bank that provides flexibility and convenience to travelling customers. We took steps to enhance customer experience by taking part in the MyDebit Cross Border Acceptance programme, an initiative between Malaysia and Singapore that allows customers to go cashless while travelling to the latter country. Customers with MBSB Bank Debit Cards can make payment at specific merchants in Singapore without incurring additional transaction fees.

We continued our RM1 MEPS Fee Waiver to provide flexibility for our customers who have difficulties accessing any MBSB Bank facilities in their area. This programme enables interbank withdrawals for MBSB Bank Debit Cardholders at any MEPS self-service terminals or cash recycling machines with the RM1 fee waived.

As customers' movement were restricted during the MCO period, BNM imposed all banks to adopt the RM1 MEPS Fee Waiver to encourage people to only move within nearby areas during the MCO. In line with BNM's directive, we have extended the Fee Waiver campaign until 31 December 2020. Additionally, we have also introduced passbook-less savings account effective November 2020. New customers with accounts opened after this date will have access to their account transactions through M Journey Retail Internet Banking platform and receive quarterly printed statements instead of being provided a passbook. Existing passbook savings account customers will have the option to continue using their passbook.

TRANSFORMING MBSB BANK'S BRANCHES

In FY2018, we initiated our three-year Branch Transformation Plan that involves reshaping and transforming four critical areas of our branches, operations and delivery, system and processes, infrastructure, and people. In FY2020, we had completed the 'Adopting Digital' phase of the transformation plan and rolled out the 'Basic Digital' phase. As at end of FY2020, we have achieved an average of 76% of our planned branch transformation for the year, as the progress has been delayed due to COVID-19. We have had to postpone most planned activities regarding branch transformation to FY2021 to ensure the safety and health of those involved.

As at 31 December 2020, we have transformed 15 branches across Malaysia, equipping them with:

- 30 Cash Recycler Machines
- 15 Cheque Deposit Machines
- Accessible facilities for our differently-abled customers
- Automated facilities such as self-service terminals
- Enhanced Branch Delivery System via an electronic tablet.
- Installation of Digital Display alternative

We will transform the remaining branches under our 2021 Branch Rationalisation Plan, including our new branch in Kota Bahru which opened in February 2021.

Nonetheless, several digital initiatives have been launched in FY2020 as part of the 'Basic Digital' phase. These include our mobile banking application and the Current Account-i and Savings Account-i ("CASA") online applications. These launches have played to our advantage as customers can still access our banking products and services, without physically visiting our branches and thus reduce exposure to COVID-19 infection.



More information on our mobile banking application and CASA online application, please refer to the Innovation section on page 85.

DELIVERING SUSTAINABLE IMPACTS
 INNOVATING VALUE THROUGH TECHNOLOGY
 Market Presence

We are delighted to know that our efforts to deliver innovative products and services have paid off and we are honoured to receive several awards this year, signifying our position in the finance and banking industry.

Billion Dollar Ringgit Club



Our solid growth since becoming a full-fledged bank has earned us a place in The Edge's Billion Dollar Ringgit Club in 2020, demonstrating our successful efforts in creating value and returns for our stakeholders

Best CEO of the Year 2020



Datuk Seri Ahmad Zaini Othman the PCEO of MBSB Bank was named as CEO of the Year at the recently held 6th Islamic Retail Banking Awards 2020 organised by Cambridge International Financial Advisory (Cambridge IFA).

Best Islamic Finance Award 2020
Best Islamic Finance Wealth Management Bank



We have been recognised as the Best Wealth Management at the 12th Annual Alpha Southeast Asia Islamic Finance Awards 2020.

Customer Privacy



Boundary : MBSB Group

Safeguarding customer data and account information is our top priority, and we continue to strengthen our systems and educate our community

ESTABLISHED ROBUST POLICIES, CONTROLS AND INFRASTRUCTURE

As a bank, we manage a significant amount of personal and confidential information about our customers and business. Failure to adequately manage our information security and privacy risks may result in loss of data or other sensitive information, breaches of regulatory compliance, disruption to our business operations. This may lead to serious reputational damage and penalties.

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 are reviewed periodically to ensure they are designed to protect and secure confidential information at all times. These policies include:

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

Continuous training and awareness programmes were conducted during the year to ensure the minimum standards of protecting confidential data prescribed in the policies are met at all times. As part of our effort to ensure a high compliance culture among employees, we have enforced the Consequence Matrix to ensure employees are vigilant in protecting confidential data.

Our Board Information Technology Oversight Committee provides oversight on our IT Risk Management Framework. It is the senior governance and policy-making body for IT-related matters at the Bank. It ensures that the organisation's planning for and investment in IT supports the Bank's strategic goals. Our IT Risk Management Framework has prescribed comprehensive risk control measures to protect and process customer data.

Several initiatives have been carried out during the year to enhance our risk controls and data privacy infrastructure in addition to complying with BNM's Risk Management in Technology ("RMiT") guidelines. Among the initiatives we have in the pipeline include:

Deployment of Automated Fraud Management System

Provides proactive fraud detection using heuristic analysis, register potential fraud incident and manage the life cycle from detection to closure for retail internet banking, e-wallet and mobile internet banking.

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

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

Implementation of Data Loss Prevention ("DLP")

Integrated into the Bank's IT infrastructure, DLP is a technology for securing our network communications and enables effective data movement management to prevent leaking of sensitive information from the Bank's network.

DELIVERING SUSTAINABLE IMPACTS
INNOVATING VALUE THROUGH TECHNOLOGY
Customer Privacy

ESTABLISHED ROBUST POLICIES, CONTROLS AND INFRASTRUCTURE (CONTINUED)

Control Measures to Protect Customer Privacy

As part of our commitment to ensure customer privacy and the data they have entrusted to us, we have put in place the following control measures:

- Internal policies and procedures to protect customer's data in line with BNM and PDPA requirements.
- Undertaking Letter on Non-Disclosure of Customer Information by all employees.
- Non-Disclosure Agreement or Undertaking Letter on Non-Disclosure of Customer Information by all Third Parties and Outsource Service Provider.
- Reporting and escalation process to Board and BNM for any customer information breaches.
- System and physical access control to any customer information
- Continuous training and awareness to our stakeholders which includes employees and outsourced service providers handling customer information



DELIVERING SUSTAINABLE IMPACTS
 INNOVATING VALUE THROUGH TECHNOLOGY
 Customer Privacy

PROMOTING FRAUD AWARENESS

Besides enhancing our internal measures and increasing awareness among our employees, we also seek to build our customers' capacity in safe banking practices. In addition to our Privacy Notice, we have ongoing campaigns targeted to build fraud awareness in the community and educate our customers on performing secure transactions online, identifying phishing and recognising scams to protect our customers against fraudulent activities. Our Privacy Notice and fraud awareness campaigns are available on MBSB Bank's website.

Fraud Awareness Campaign

Fraudulent Financing Syndicate
 A syndicate seeking to offer financing services to potential victims ends up as fraud. The type of syndicates will ask their victims to make without processing payment upon financing application approval.

Practice Safe Banking
 Secure your data when performing transactions online. Here are some steps to ensure the safety of your accounts.

Password-security Attack
 Password-security attack is a try-and-error scam. The scammer will try to guess the username and password of your internet banking.

Online Business Scam
 Online transactions are meant to make our lives easier but they do pose certain risks. Here are some scam types and prevention tips.

8 Fraud Awareness Campaign
 conducted in FY2020

Mule Accounts
 Mule accounts are savings/current accounts that belong to individuals who are recruited by a scam syndicate. Mule accounts are usually created to perform illicit activities.

Phishing
 It's too good to be true, it might be a fraud.

TAC Scams
 Transaction Authentication Code (TAC) is a six digit code that is used for online transactions. It is usually sent online to your phone as a second layer of security.

Call Scams - Prohibited Parcel
 Prohibited parcel scam is an act where scammers tell their victims that the victims had ordered the prohibited parcel parcel. They will threaten victims by impeding on the parcel and force victims to transfer money, reveal TAC number and internet banking materials.

In FY2020, there were 15 instances of customer information breaches, in which 4 were detected through our internal reviews and 11 detected through complaints lodged. Seven incidents were caused by a breach in the outsourced collection agent's network while the remaining were due to staff negligence. Our comprehensive response process ensures that any breaches are resolved accordingly to mitigate any customer data leak.

The image features a blue-toned background with a line graph and several upward-pointing arrows. A white line graph starts from the left, dips slightly, and then rises towards the right. The first data point on the left is highlighted with a white circle containing the year '2020'. Below the line graph, there are several upward-pointing arrows of varying heights, suggesting growth or progress. The overall aesthetic is clean and professional, typical of a corporate or financial report.

2020

DELIVERING SUSTAINABLE IMPACTS
INNOVATING VALUE THROUGH TECHNOLOGY
Financing sustainable growth



FINANCING SUSTAINABLE GROWTH

Financing sustainable growth

Our products lay the foundation for our economic growth

We are proud of our solid growth this year, despite the challenging climate due to COVID-19 and the economic downturn. As our key business driver, our products lay the foundation for this growth which continues to deliver value to our stakeholders. We thrive as an Islamic bank through the responsible values that we promote in our products to support the community's economic growth as a whole. We are also conscious of the global climate crisis and continue to mitigate the impacts through our green financing products, in line with national and international sustainable development goals.



Related material matters:

Economic Performance

Green Financing

Our FY2020 performance



RM753.0 mil

total economic value distributed



RM137.7 mil

disbursed to finance green projects in FY2020



51.5MW

total facilitated clean energy generation



98.7%

spent on local suppliers

Economic Performance



Boundary : MBSB Group

All economies have experienced varying impacts of the COVID-19 outbreak. Nevertheless, we are committed to improve our economic performance as the economy recovers.

GENERATING AND DISTRIBUTING VALUE

Despite the challenging operating landscape due to the COVID-19 pandemic, the Group is committed to supporting the country's economic recovery by continuing to engage on the regulatory agenda and positioning ourselves for long-term growth.

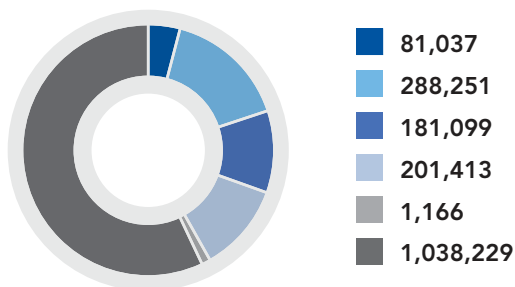
In this reporting period, we have achieved all 22 initiatives outlined in our Business Plan ("BP") 2018-2020, ahead of our timeline - April 2021.

We have sustained business operations and supported our employees and customers during the various lockdown measures imposed to contain the pandemic. In FY2020, we recorded total economic value generated of RM1.79 billion, a 26.8% increase from 2019. For more details of MBSB's 2020 financial results, please refer to the respective sections in our Integrated Annual Report:

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

Value Generated	FY2018 RM ('000)	FY2019 RM ('000)	FY2020 RM ('000)
Total Income	1,397,552	1,412,737	1,791,195
Value Distributed	FY2018 RM ('000)	FY2019 RM ('000)	FY2020 RM ('000)
Suppliers and Providers of Services	155,612	117,703	81,037
Employees	227,706	240,308	288,251
Government	166,879	166,042	181,099
Providers of Capital	329,329	319,475	201,413
Communities (excluding Zakat)	2,803	1,461	1,166
Retained for Future Reinvestment Growth	515,223	567,748	1,038,229

Value Distributed in FY2020 RM('000)



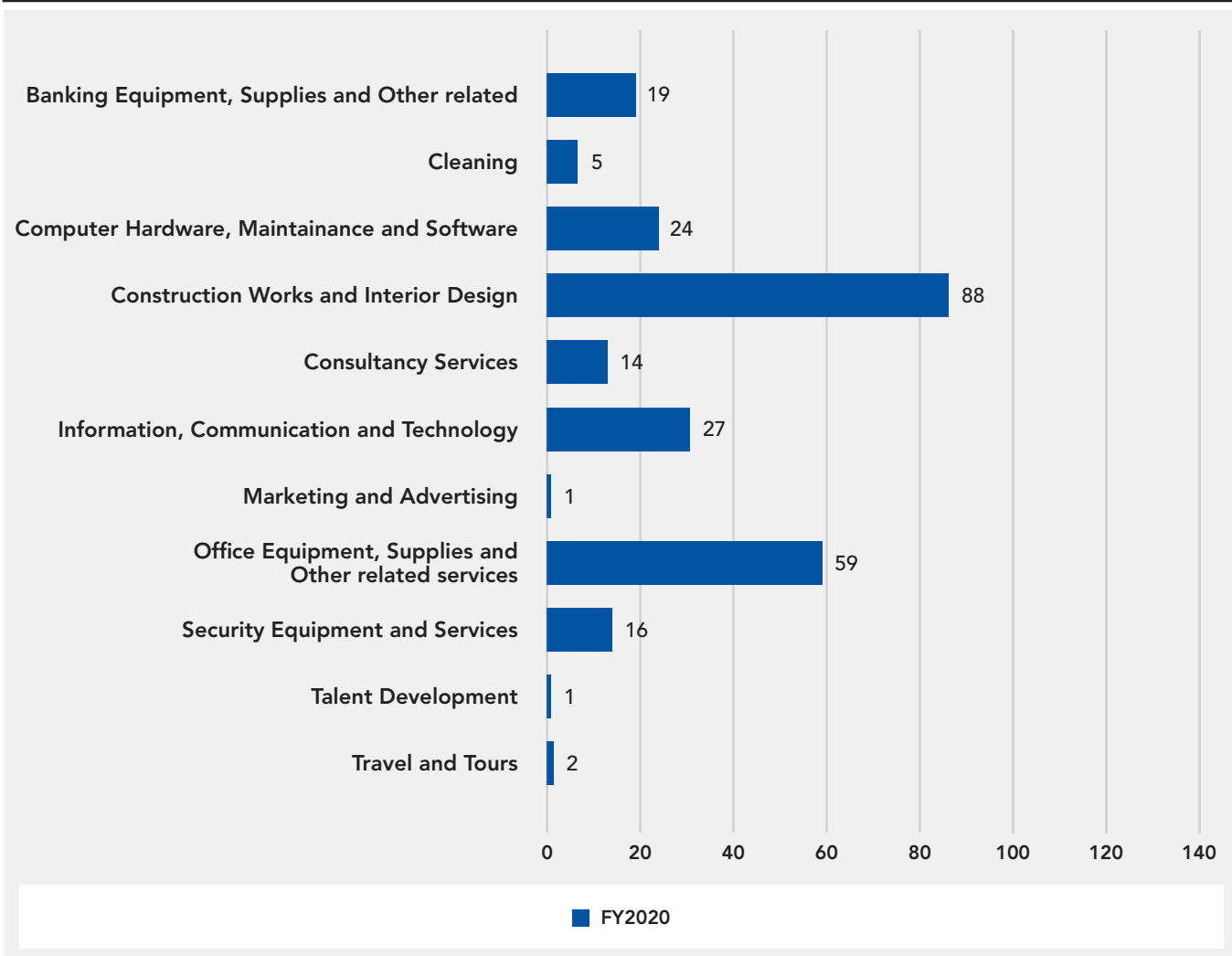
- Suppliers and Providers of Services
- Employees
- Government
- Providers of Capital
- Communities
- Retained for Future Reinvestment Growth

DELIVERING SUSTAINABLE IMPACTS
 INNOVATING VALUE THROUGH TECHNOLOGY
 Economic Performance

STRENGTHENING LOCAL SUPPLY CHAIN

Our procurement procedures and policies aim to support a sustainable supply chain with a high standard of ethics, integrity and transparency. We conduct adequate due diligence in our procurement processes to ensure that we uphold responsible business values. We support local suppliers and play a role in strengthening the local value chain ecosystem, stimulate local economic growth and create positive social impacts while minimising our environmental footprint. This year, 98.7% of value distributed to suppliers were channelled to local vendors.

Types and Number of Approved and Awarded Suppliers



Green Financing



Boundary : MBSB Bank

The climate crisis is one of the most critical challenges facing our global society and economy.

ADAPTING TO CLIMATE CHANGE

The effects of climate change have already been felt worldwide, from extreme weather events to the melting of polar ice caps. Driven by greenhouse gas ("GHG") emissions, it is a source of risk and opportunity impacting our economy, our environment and our communities.

Under the Paris Agreement, Malaysia has committed to reducing the GHG emissions intensity of GDP by 35% by 2030 relative to the emission intensity of GDP in 2005 and 45% conditionally to international support. To contribute to that, financial institutions have a significant role in aligning finance for a sustainable, low-carbon economy.

As part of climate change adaptation, we apply a prudent policy in our financing portfolio to ensure avoidance of negative areas being financed. Our green financing products consider the impacts of a project, focusing on the renewable energy ventures involving large-scale and rooftop solar, waste-to-energy, mini hydro and biogas. In FY2020, we have increased the sector limit for financing provided to renewable energy projects from RM1.2 billion to 5% of total outstanding financing amount, which is approximately RM1.8 billion as at 31 December 2020.

We have developed a rigorous risk assessment policy for renewable energy projects to be eligible for green financing. Besides ensuring projects are financially sustainable, Relationship Managers of respective clients will assess the climate risks and the environmental impact of each project. For renewable energy, projects must also acquire the relevant approvals to comply with conditions and requirements of local authorities and other regulations.

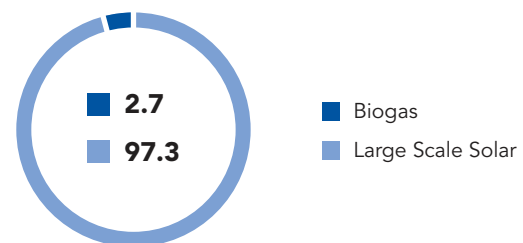
Additionally, projects must also comply with the Bank's environmental requirements where deforestation and primary jungle clearing activities are prohibited at any stage of the project. In terms of technical requirements, to be eligible for green financing, customers must ensure that project equipment and materials comply with the approved green technology listing, duly certified or endorsed by relevant authorities such as Suruhanjaya Tenaga.

Various financing mechanisms are available for projects that are eligible for green financing during the early stage of a project and project completion. At the early stage of a project, our product offerings include term financing, letter of credit and bridging financing to assist customers to secure capital expenditure and ensure liquidity throughout the project. Upon completing the project, we aim to continue our support and meet our customers' requirements by providing syndication or club deal and bilateral participation.

As at year-end, we have approved and accepted a total of RM426.0 million of green financing, cumulatively. This year, we approved an additional RM11.5 million in green financing and disbursed over RM137.7 million to eligible projects. Our portfolio of green financing projects for FY2020 comprises solar energy generation and biogas, with a clean energy generation capacity of 51.5MW.

We will continue expanding our green financing portfolio to include other renewable energy generation projects such as biomass. We are also looking to extend our solar financing facility to individual customers who wish to generate solar energy from their homes' rooftop.

Approved Projects for Green Financing (%)





MFSB
ONLINE APPLICATION

Hello!

Welcome to MFSB Bank Online Application Form

- > Personal Financing-i
- > Savings Account-i
- > Current Account-i

DELIVERING SUSTAINABLE IMPACTS
INNOVATING VALUE THROUGH TECHNOLOGY
Harnessing the power of technology



HARNESSING THE POWER OF TECHNOLOGY

Harnessing the power of technology

The convergence of banking and digitalisation stimulates and influences innovation

As we aspire to be the top progressive Islamic Bank, we leverage technology to remain competitive in the evolving digital banking landscape and meet our customers' needs and expectations. We are committed to making ongoing investments to champion digital banking and delivering a technology-enabled future. We focus on strengthening our infrastructure and developing internal capabilities to build resilience, be more agile and operate more efficiently.



Related material matters:

Innovation

Cyber Security

Our FY2020 performance



45.7%

active customers on our digital platforms



43.1%

of total IT CAPEX spent on technology improvement and upgrades

RM2.5 billion

total value of transactions performed on digital platforms

Innovation



Boundary : MBSB Bank

The digital world is transforming the way people bank

Our customers expect their banking experience to be simple, convenient and digitally enabled so they can do what they need at any time and place. In response, we have embarked on digitally transforming our business, including how we conduct our operations as well as the products and services we offer.

The COVID-19 pandemic has also changed how we work, and it has prompted the shift of consumer behaviour to increased utilisation and demand for digitally enabled products and services. Together with MCO's restrictions, the outbreak demands the acceleration in implementing our digital platform initiatives, such as our mobile application and online application system, to support customers during this unprecedented and challenging time.

Similarly, we are also leveraging on technology for our processes to be more agile towards change, conduct work more efficiently and be more resilient.

Aligned with our vision to become a Top Progressive Islamic Bank, we have established a 5-Year Technology Modernisation Strategy that focuses on integrating and leveraging technology in critical areas such as service quality, new products, security, regulatory compliance, and people support.

5-Year Technology Modernisation Strategy

VISION

To become a Top Progressive Islamic Bank

Technology Objectives

Keeping Lights On

Maintaining existing services quality

New Growth

New products or services and opportunities for growth

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



Please refer to Cyber Security section on Page 86

Regulatory - Upgrade infrastructure and security to meet regulatory requirements



Please refer to Cyber Security section on Page 86

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

DELIVERING SUSTAINABLE IMPACTS
INNOVATING VALUE THROUGH TECHNOLOGY
Innovation



KEEPING LIGHTS ON - MAINTAINING EXISTING SERVICE QUALITY AND IMPROVE OPERATIONAL EFFICIENCY

We have implemented several automation processes and collaboration to improve the operational efficiency of the Bank. Our business process management and document management system allow online application submission and automates internal banking manual processes. The system enhances process tracking and service level agreement monitoring to ensure that customer needs are appropriately addressed. We are also leveraging cloud-based tools as we began to migrate our files into SharePoint. The platform provides the capability to store, organise, share and collaborate from any device and can be securely accessed from outside the Bank's network. This year, we have extended the usage of SharePoint to increase internal efficiency and facilitate employees working from home.

To enhance our risk analysis and reporting procedures, we have the MBSB Analytics and Reporting ("SMART") system. SMART is a data warehouse that uses big data analytics to improve business decision-making, provides predictive reporting to reduce Month-In-Arrears and conducts analysis on customer behaviour and trends to develop new offerings. SMART also serves as a single source of information for our Finance department in preparing for BNM statutory reporting. In FY2020, 17 analyses were successfully performed using SMART.

We anticipate accomplishing more significant enhancements in our technology infrastructure as we complete our data centre migration and perform a technology refresh to strengthen our internal systems. Moving forward, we aim to automate more desk jobs, such as our service management tools, to increase our problem and efficiency of incident management processes.



NEW GROWTH - FUTURE NEW PRODUCTS OR SERVICES

Several products and services are in the pipeline to further strengthen our share in the digital banking ecosystem. These initiatives include collaboration with third parties and e-commerce platforms that provide electronic remittance services to be integrated into our existing platforms, developing a virtual branch to increase accessibility and convenience and online application for property financing and hire purchase.

Application Programme Interface Gateway

We have embarked on implementing Application Programme Interface ("API") Gateway, a tool that simplifies transactions or payments and enables account information inquiry via third-party service providers. As a result, the integration tool allows the Bank to grow its customer base, improve time to market and value, and reduce and avoid custom integration development. The extended collaboration with fintech companies will foster innovation within the Bank while creating new revenue sources. We are also rolling out Phase 2 of our PayNet initiative which provides MBSB Bank with more modular support through a centralised payment system.

Cash Management System

The digital age represents exciting opportunities for us to digitalize the cash management and trade services while driving a seamless customer experience through a state-of-the-art digital banking platform. The Bank is building an integrated platform that encompasses every aspect of transaction banking covering the working capital cycle from operating account to virtual account services, payments, receivables, liquidity management and trade services. We are creating a next generation digital cash management solution to center around the Corporate Treasurer's current and future needs in December 2021. Successively, the Bank will continue to integrate traditional trade and contemporary supply chain finance across a single common modern architecture by June 2022.

Electronic Know Your Customer ("e-KYC")

With our future implementation of Electronic Know Your Customer ("e-KYC"), our customer verification processes will be further simplified and accelerate the onboarding of new customers via our digital platforms. e-KYC is a technology that adopts a digital process to perform customer identity verification. The e-KYC will be integrated into the Bank's existing online application platforms and forms as part of the end-to-end application process flow. By digitalising our processes, we can amplify customer convenience and reach, thus allowing a more pleasant customer experience. This initiative will also satisfy the increasing regulatory expectations on digitalisation in a more seamless way while at the same time minimising the risk of COVID-19 exposure among our branch employees and customers and enabling banking activities to continue in the new norm.



OPPORTUNITIES FOR GROWTH – EXISTING PRODUCTS OR SERVICES



M Journey Internet Banking

With M Journey Internet Banking, retail and corporate customers can access their accounts online. The platform reduces foot traffic in our branches and offloads traditional over-the-counter tasks.

In FY2020, we have introduced enhancements to close the requirement gap and integrate more features which can be accessed within the platform. These include integration with our e-wallet where customers can quickly reload credit into their mobile devices and enable direct tax payments to Lembaga Hasil Dalam Negeri (LHDN) and self-contribution payments to Employees' Provident Fund (EPF). As at the end of FY2020, we have 21,630 of M Journey Individual users, and approximately 176,192 transactions have been performed, amounting to more than RM370 million.

Our corporate customers can utilise the M Journey Corporate, a web-enabled cash management solution to perform business transactions securely. Like M Journey Individual, the corporate online banking platform has implemented enhancements to facilitate direct and instant payment to statutory bodies, including LHDN, EPF, and Social Security Organization ("SOCSO"). This year, a total of 257 companies have performed approximately 107,399 transactions at a value of over RM2,081 million via M Journey Corporate.



Digital Branch

Our transition to a Digital Branch has been ongoing since FY2018 under the Branch Transformation Plan. We progress to complete this transition by retrofitting our branches with self-service touchpoints and enhanced branch delivery system via information tablets and digital screens. The transition also involves upgrading system and processes, infrastructure, and our employees' digital capabilities.



More information on our Branch Transformation Plan, please refer to the Market Presence section on page 67



Online Term Deposit Placement-i ("e-TDi")

Launched in November 2020, the e-TDi promotes retail term deposit placement via our retail internet banking platform, M Journey Individual, and our M Journey Mobile Application. The three-month campaign has attracted 312 accounts with total deposit amount worth RM12.1 million just two weeks after launching, signifying our customers' increased interest in digitally enabled products.

OPPORTUNITIES FOR GROWTH – EXISTING PRODUCTS OR SERVICES (CONTINUED)



Current Account-i and Savings Account-i ("CASA") Online Application

This year, we have launched the CASA Online Application initiative, a system in the online banking framework that simplifies account opening. Customers can now apply and open a bank account online without the hassle of filling in manual forms, thus saving time and minimising the physical interaction between customers and employees during the pandemic. Customers will only need to visit one of our branches to verify identity and authorisation at their convenience to complete the process. However, with the upcoming implementation of the e-KYC system, this is no longer required as customer verification can be done online. Since its launching, we have received over 3,200 application of which 2,118 accounts have been opened. This represents 40% of total accounts this year, and we target to increase this figure to 70% of total accounts opened via online application as compared to manually at branches.



E-Wallet

MBSB Bank e-wallet is the "First Shariah-Compliant" electronic money service via mobile application. The e-wallet will enable greater accessibility to our products and services, particularly for the underserved, underbanked and unbanked communities, consistent with our commitment to promote financial inclusion. Payment transactions can be done seamlessly at 136 merchants and 3,505 outlets across the country. Currently, there are 3,612 registered users of the e-wallet since launching. We will continue to expand our application and reach by adding more merchants and features to the e-wallet to meet our customers' needs.



Personal Financing Online Application ("M Fast")

M Fast is a new digital platform launched in FY2020 for new and existing customers to directly apply personal financing with ease and from the comfort of their own homes, office, or while on the move. The platform features a simplified application process and enables instantaneous verification of financing eligibility. Customers can upload relevant documents and check their financing application status anytime via M Fast with a short turnaround time of just one day. Like CASA, the M Fast platform will also be integrated with e-KYC to provide greater flexibility and accessibility to customers.



Mobile Banking Application

Our mobile banking application would direct customers to the key functions of M Journey. It provides customers with the convenience and accessibility of performing various banking services anywhere, anytime. The mobile application was launched in May 2020, and since then, 66,442 transactions have been performed by 7,743 users with a total transaction value of more than RM74 million. Enhancement plans are in the pipeline to integrate more features, including DuitNow QR and JomPAY QR Payment, Request-to-Pay, Real-Time Debit and LiveChat.

Cyber Security



Boundary : MBSB Bank

With the increased adoption of technology into our processes and offerings, a continued enhancement to our cyber security infrastructure is critical to ensure that our systems and network are safe and secure.

We are vigilant against any threats and manage our cyber security risks by identifying, detecting and mitigating any potential breach and responding appropriately in the event of any infringement of cyber security.

ENHANCE STABILITY AND RELIABILITY OF IT INFRASTRUCTURE

Our policies support the stability and reliability of our IT infrastructure. The Information Technology Security Policies ("ITSP") governs how the Bank conducts its activities, ensuring that our practices fully comply with internal, statutory and regulatory requirements. Our Management of Cyber Risk policy guides the management of cyber risks and protects us against the threats before they are materialised. These policies are overseen by the Board Information Technology Oversight Committee comprising three Independent Non-Executive Directors with vast experience and capabilities in risk management and information technology. Furthermore, our Cyber Security Working Group conducts quarterly meetings to address issues and share knowledge concerning cyber security.

We have intensified our investment in cyber security across the Bank on technology and other capabilities. We have invested in our cyber security enhancement project which has completed this year, as part of our technology modernisation strategy to strengthen our technology infrastructure and security controls. This initiative ensures that our defence mechanism is in a strong position to keep our systems and customers safe from cyber-attacks and data leakage. In FY2020, we have also deployed virtual private network ("VPN") to establish a secure connection to our network, especially for those accessing remotely as most employees observe working from home mode during MCO.

Internal capabilities are vital to create a solid cyber security culture and keep up with advancing cyber threats. All employees must

complete mandatory e-learning on cyber security and conduct a self-assessment on their level of understanding on the matter. Regular awareness programmes are also organised to ensure that all employees are aware of ongoing updates of our processes and emerging risks that may compromise our IT systems.

Under our technology modernisation strategy, we have also launched our new data centre in compliance with the requirements of RMIIT by BNM. The new data centre features a multi-tiered architecture and security system to ensure our operations run optimally and securely without any disruptions. Continuous enhancements are currently ongoing to refresh the data centre's endpoint protection system. We are also rolling out the Enterprise Mobility Management ("EMM") in 2021 to cover all remote system in addition to mobile devices, including revising the IT Security Policy to include remote access. To build our internal capacity on cyber security risk management, we have also subscribed to IBM X-Force, a threat intelligence sharing platform enabling research on security threats, aggregation of intelligence, and collaboration with peers.

Moving forward, we will increase our efforts to strengthen our infrastructure's resilience by introducing security analytics in our document management and fulfilling the requirements of RMIIT by BNM. This year, there were 379 attempts of cyber security breach against our network. Our cyber defence system successfully mitigated all potential breach through early detection and resolution to alleviate cyber-attack risk.

Deploying Digital Tools to Facilitate Remote Working

In response to COVID-19, a majority of our employees observed remote working arrangements during MCO in March 2020. As at 31 December 2020, we have assigned 10% of our workforce to work from home. We have deployed several measures and provided guidelines to facilitate this arrangement and enhance their working experience. They include:

- Enhancement on our VPN services to host more users and avoid network overload as employees access our internal network
- Introduced collaboration and communication tools such as WebEx
- Technology upskilling to increase employees' knowledge on how to effectively use digital collaboration tools
- Migrating working files from our server to SharePoint which can be accessed remotely and securely. Employees can easily retrieve relevant documents without connecting to VPN
- Guidelines to access web mail from home via bank asset
- Guidelines on effective internal communications on working arrangements such as registering working hours through digital platforms





DELIVERING SUSTAINABLE IMPACTS
OPERATING SUSTAINABLY AND RESPONSIBLY
Bridging the social gaps



BRIDGING THE SOCIAL GAPS

Bridging the social gaps

Embrace our building society heritage to improve the societal well-being

We embrace our building society heritage to improve the financial well-being of the communities we serve and to make a positive contribution to society. We aim to empower our community by promoting shared prosperity and equitable socio-economic growth through our responsible practices and financial inclusive products and services. This year, we have worked to maintain essential banking services and provide additional support to customers impacted by COVID-19.



Related material matters:

Responsible Financing

Financial Inclusion

Local Communities

Our FY2020 performance



RM3.8 mil

of community
investment



RM3.1 bil

total gross
financing
distributed
to low income
communities
(B40/M40)



RM1.4 bil

total financing
disbursed
to SMEs

RM1.9 mil

contributed to
COVID-19 relief
programmes

RM25.6 bil

total gross
financing deferred
for all retail
customers under
the 6-month
moratorium

Responsible Financing



Boundary : MBSB Bank

We are conscious of our responsibility to provide customers with products and services that are suitable, affordable and are within their means to enable customers to meet their commitments throughout their financing tenure without substantial hardships

STRENGTHENING CREDIT POLICY WITH ENVIRONMENTAL AND SOCIAL CRITERIA

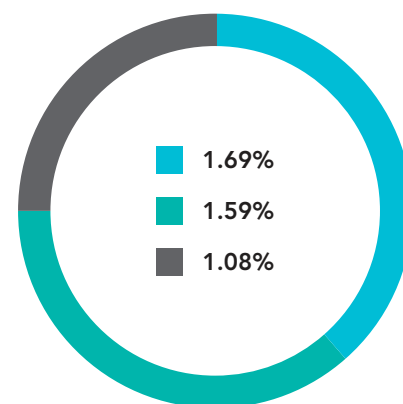
Our financing mechanism promotes prudent policy that supports responsible and transparent financing practices for our customers and protects the Bank from incurring material credit losses by minimising non-performing accounts.

We continue to strengthen our credit policy to include social and environmental considerations in our risk assessment criteria to assess and manage our financing decisions' impacts. We have developed a list of general exclusions for non-individual customers' financing to mitigate the Bank's exposure to adverse environmental and social risks. We refrain from providing financing to companies or projects that may have negative impact to the society or the environment, such as:

- Those with strong evidence of labour or human right issues
- Those with proven unethical business practices
- Those that cause or generate a significant environmental impact
- Those in the coal mining industry
- Those involved in activities related to nuclear plants or uranium-enrichment facilities

Our credit policy requires customers to complete a declaration form which entails a confirmation that any part of their operations does not fall into the areas that are excluded from financing. The Bank's relationship managers will request the declaration at the point of application. Where customers have some involvement in the activities excluded from financing, adequate justification and mitigation plans need to be provided by relationship managers to the approving authority to establish a relationship with the customer. In this respect, we are currently developing a specific policy for assessing environmental and social risks in the Bank's financing portfolio which will outline in detail the assessment of environmental and social risks of prospective customers.

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



■ FY2018 ■ FY2019 ■ FY2020



EMPOWERING SOCIETY THROUGH RESPONSIBLE FINANCING

We aim to create positive social outcomes through our financial products and services. This year, we focused on supporting customers overcome the economic and social impacts of COVID-19 and continue to alleviate the pandemic's hardships by empowering individuals, businesses and the community as a whole.

CAKNA SME Scheme

We are well aware that SMEs inherit high risk and thus experience difficulties acquiring financing or working capital due to the lack of collaterals. CAKNA SME Scheme is a financial assistance initiative spearheaded by BNM in collaboration with the Ministry of Finance ("MOF") and Islamic banks to provide quick liquidity to SMEs who supply or provide services to the government agencies of Malaysia.

Under this scheme, the Bank supports vendors' invoices that have been endorsed by the government allowing SME vendors to quickly obtain liquidity without having to wait for payment from government agencies upon delivery of goods and services. A deed of assignment will be executed upfront for the vendor to assign the contract proceeds to the Bank. After purchasing the invoices, the Bank will own the right of claim on receivables from the government.

RM1 Billion Cashline-i

RM1 Billion Cashline-i Special Program complements our existing Cashline-i product which utilises a simplified credit assessment and documentation process based on guarantee arrangement compared to the more complicated security arrangement. The RM1 billion Cashline-i Special Program aims to provide financing assistance to existing SME and non-SME customers in sustaining business operations, safeguarding jobs and encouraging domestic investment via short-term Shariah-compliant facility following the impact of COVID-19 on their business. The programme allows the facility to be disbursed faster to customers given the short and simplified processing time. Since its launch, the RM1 Billion Cashline-i Special Program has disbursed RM45.4 million to 31 customers.

Special Relief Fund Facility-i ("SRF-i")

SRF-i is a type of term financing funded by Bank Negara Malaysia (BNM) to help alleviate SMEs' short-term cash flow problems adversely affected by the COVID-19 outbreak and assist SMEs on working capital liquidity with maximum financing of RM1 million.

Special Takaful Solution Campaign

The six-month moratorium on financing repayment announced by BNM as part of COVID-19 relief has lessened the burden of customers at a time where job security is uncertain, and businesses are struggling to survive. For customers that opt-out or continue to regularise their arrears during the moratorium, they are eligible to receive personal accident takaful coverage for a period of up to six months. Through this initiative, we aim to create awareness among our customers on the importance of having personal takaful coverage, especially during uncertain times.

Financial Inclusion



Boundary : MBSB Bank

We believe in the value of shared prosperity and equitable economic growth and strive to improve society's lives and livelihood.

We promote inclusivity and fair participation by extending our financial services to small businesses, low-income groups, and underserved communities while simultaneously empowering these communities through financial literacy programmes.



FINANCING THE LOW-INCOME GROUPS

We develop inclusive financing based on BNM's directive and requirement for the lower-income group via lower risk acceptance criteria, customised payment plans and exemption of ancillary costs. We conduct a rigorous market study to ensure our products achieve the intended outcome and meet the needs of targeted pockets of society.

In line with the government's initiative to improve the lives of the B40 group, we have introduced a revised version of My First Home Scheme-i to provide financing facility for the lower-income group called My First Home Scheme-i – First Time House Buyer (Lower Income Group).

This scheme allows access to affordable homeownership for those earning less than RM5,000 and looking to buy a house for the first time without incurring any ancillary costs.

The revised scheme requires potential customers to complete a mandatory financial literacy online course conducted by Agensi Kaunseling dan Pengurusan Kredit ("AKPK") to increase their understanding of their financial commitments before purchasing a home.



STIMULATING ENTREPRENEURIAL GROWTH

We are actively participating in BNM's initiative to provide affordable financing to small businesses under its Special Fund Scheme for SMEs, and a fund set up by BNM to improve access to financing for SMEs and micro-enterprises to raise funds for capital expenditures and working capital at a reasonable cost.

As part of the initiative, we offer financing facilities targeted at SMEs to address their short-term cash flow problems under our All Economic Sector Facility ("AES"). SMEs in the agro-food sector can also access financing to increase food production for both domestic consumption and exports through our Agrofood Facility ("AF").

Besides, we incentivise SMEs to automate processes and digitalise operations through our Automation and Digitalisation Facility ("ADF"). Under our Micro Enterprises Facility ("MEF") we also extend our financing facilities to micro-enterprises' needs through an affordable financing mechanism. During the COVID-19 pandemic, additional funding was allocated to assist SMEs that were affected by the outbreak.



PROMOTING FINANCIAL LITERACY

Our financial inclusion initiatives aim to build financial literacy through capacity building and knowledge sharing to help SMEs sustain their businesses amid the uncertain economic climate. We have conducted an online workshop for SMEs titled 'Navigating 2021 – An Evolving Landscape' to provide SMEs with an outlook of the economic landscape.

Delivered by a consultant analyst, the webinar discussed current and projected economic outlook, including the impacts of political stability on SMEs and prospects for SMEs post-COVID-19 recovery. A total of 61 SMEs and other corporate customers attended this interactive webinar.

DELIVERING SUSTAINABLE IMPACTS
 OPERATING SUSTAINABLY AND RESPONSIBLY
 Financial Inclusion



ASSISTING THE MOST VULNERABLE GROUPS

The COVID-19 pandemic has disproportionately impacted vulnerable communities such as those in the lower-income bracket. Many are casual and low-skilled workers who are more likely to lose their jobs, resulting in financial hardship. We have been vigorously working with the industry and answering the government and regulators' calls to mobilise a broad range of stimulus measures to support lower-income individuals and SMEs by offering lower-cost financing and financing repayment assistance and deferment.

We have assisted over 268,537 eligible accounts with a total gross balance of RM25.6 billion by granting a 6-month moratorium to all retail customers and about 435 SME customers upon successful assessment based on the pre-determined criteria. Customers can also opt to restructure or reschedule their financing instead of deferring their financing repayment. In addition, we granted a further 3-month moratorium to 10,583 eligible accounts for B40 customers.

On the other hand, customers registered in the Bantuan Prihatin Nasional ("BPN") database are eligible for a 50% reduction in monthly financing repayments over six months under our Flexibility Payment Assistance initiative. During the year, we approved a total of 26,965 accounts under this scheme. Individual customers who had suffered a loss of income or faced financial hardships due to the pandemic may also apply for the repayment assistance. As at 31 December 2020, we assisted 1,134 accounts for loss of income and 1,313 accounts for financial hardships.

SME customers adversely affected by the pandemic can leverage our enhanced SME offerings such as Cashline-i Special Programme. Furthermore, we have provided referrals of customers to AKPK, CGC or other relevant agencies for financial consultation and alternative relief assistance.



IMPROVING OVERALL FINANCIAL ACCESSIBILITY

We also leverage on innovation to embrace inclusivity and provide greater accessibility to our products and services. Underserved, underbanked and unbanked communities with limited access to our physical branches can utilise our e-wallet and mobile banking applications to view or apply for our products and services and connect with our customer service platforms.

Through our MPrihatin campaign, new and existing customers are given complimentary smartphones upon approval of all personal financing packages. Our digital products, such as our e-wallet and mobile application, are pre-installed in the smartphones before distribution.

To further entice customers to adopt our e-wallet, we offer rewards such as e-wallet credits based on the approved financing amount.

To date, we have distributed 707 smartphones, and plans are in the pipeline to extend this campaign to our mortgage customers.

Moreover, we are also planning to provide digital infrastructure support to SMEs and micro-enterprises to enhance our e-wallet platform by further integrating third-party services and creating an e-commerce ecosystem with a digital mall concept.

DELIVERING SUSTAINABLE IMPACTS
OPERATING SUSTAINABLY AND RESPONSIBLY
Financial Inclusion

KEY FINANCIAL PORTFOLIO DATA

Corporate portfolio by size (%)

Enterprise Type	FY2018	FY2019	FY2020
Micro	8.8	4.9	1.6
Small	14.0	9.5	7.2
Medium	10.9	8.5	29.2
Large	66.3	77.1	62.0

Corporate portfolio by size (%)

	FY2018	FY2019	FY2020
Commercial and industry credit exposure by industry (%)	100.0	100.0	100.0
Accommodation and Food Service Activities	0.1	1.1	0.0
Administrative and Support Service Activities	3.5	2.9	5.1
Agriculture, Forestry and Fishing	0.1	5.7	1.1
Construction	46.3	48.4	37.3
Education	0.3	2.3	0.0
Electricity, Gas, Steam and Air Conditioning Supply	1.8	3.7	0.4
Financial and Insurance/ Takaful Activities	6.8	0.6	13.7
Human Health and Social Work Activities	0.0	0.2	0.7
Information and Communication	0.0	2.5	0.0
Manufacturing	2.7	10.0	14.9
Mining and Quarrying	0.6	8.3	1.2
Professional, Scientific and Technical Activities	1.4	0.1	6.2
Real Estate Activities	3.9	4.5	1.6
Transportation and Storage	11.9	6.3	7.0
Water Supply, Sewerage, Waste Management and Remediation Activities	0.3	0.5	0.0
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	6.7	2.9	10.8
Public Administration and Defence; Compulsory Social Security	13.6	0.0	0.0

Note: FY2018 and FY2019 data have been restated retrospectively to reflect current year change in the classification of sectors.

Total approved corporate financing by category (%)

	FY2018	FY2019	FY2020
Perumahan Penjawat Awam Malaysia	16.0	-	4.8
Green Financing	1.8	3.7	0.4
Industrial Hire Purchase	17.0	15.8	12.6
Sukuk	18.5	-	-
Plantation	-	0.5	0.5
Trade Business	-	13.7	29.9
Cashline-I	-	-	5.8
Others	46.7	66.3	46.0

Local Communities



Boundary : MBSB Bank

Our core values of empathy and passion drive our aspiration to positively impact our surrounding communities by uplifting social and economic quality of life

CORPORATE SOCIAL RESPONSIBILITY PROGRAMMES

We seek to deliver meaningful change from our social investments and better the lives of those around us. Our CSR programmes are focused on four key areas: community development, education, environment and workplace.

We have partnered with selected non-governmental organisations ("NGOs") to deliver tailored engagements in enriching underprivileged communities' lives. We consistently

encouraged our employees to get involved in these initiatives and advocate for community development and empowerment.

In FY2020, 8 volunteering hours were registered, despite the challenges and restrictions of COVID-19. This year, we have made a total contribution of over RM3.8 million through our CSR initiatives.



DELIVERING SUSTAINABLE IMPACTS
OPERATING SUSTAINABLY AND RESPONSIBLY
Local Communities

Theme	Initiative	Description	Amount Contributed (RM)
Environment	Fabric Recycling and Recycle through Refashion campaign	Installation of fabric recycling bins at Wisma MBSB to inculcate employees to be more discerning with fabric wastes and encourage the practice of repurposing clothing items. 400kg of used collected as a result of this campaign.	1,950
	Cooking Oil for Cleaning	In collaboration with EcoKnights, this initiative aims to increase awareness and educate employees on the proper way to dispose of cooking oil. Forty employees participated where they learned how to upcycle used cooking oil into soap for cleaning.	10,600
	Fabric mask from recycled content	Fabric masks were sewn by single mothers and women from impoverished and marginalized communities by using fabric from recycled materials in collaboration with Kloth Cares. 1,040 pieces of fabric masks were sold to MBSB Bank employees.	30,500
Community	Fraud Awareness Campaign	Raising awareness among the public on fraudulent financing syndicates and educate the community on how to identify phishing and scams, perform secure online transactions and practice safe banking procedures	84,800
	Cooking For A Cause in collaboration with Food Aid Foundation	We contributed to underprivileged groups, quarantine centres, B40 groups and students during COVID-19 pandemic through the nationwide distribution of food packs, culinary programmes and food handling courses as well as nutritional talk and breakfast programmes.	500,000
Workplace	Are you a Star Employee Campaign	A STEP merchandise distribution to all MBSB Bank staff during the campaign period, as part of the strategy to heighten the awareness among staff on STEP Programme and act as a reminder to all staff on upholding the service standards and culture.	9,600
	Online Coding Game Class	Children of MBSB Bank's employees are given exposure in making their own games using the coding system.	6,600
	MBSB Bank Education Excellence and High Achievement Award 2019/2020	Acknowledgement and rewards are given to students achieving educational excellence in primary and secondary schools. High Achievement Awards are given to high-performing students in higher education. A total of 17 students received the Education Excellence Award and six recipients of the High Achievement Award.	24,000
Education	School Adoption Programme	MBSB Bank adopted nine schools nationwide to improve the livelihood of children through motivational and academic programmes.	198,000
	Establishment of MBSB Bank food bank for adopted schools	This initiative aims to provide basic food i.e. rice, cooking oil, cereal, sugar, packed drinks and packed food to asnaf and B40 group students and their families. The demographics of students in the adopted schools are mainly in the lower B40 category. Some students are not able to focus in their studies because they are helping their parents make a living. With this initiative, it will provide relief to the students and their families and ultimately help them perform better in school. With the contribution, the schools can set up a store for the food and distribute it accordingly to students in need. Students or their families can arrange with the schools to collect the food despite closure of schools.	90,000

DELIVERING SUSTAINABLE IMPACTS
OPERATING SUSTAINABLY AND RESPONSIBLY
Local Communities

CONTRIBUTING TO RELIEVE THE IMPACT OF COVID-19

School Adoption Programme

Our school adoption programme continues to be one of our flagship initiatives as we believe the significant component of sustainable development is access to quality education. Despite schools being forced to close due to the pandemic, we continue contributing to the programme this year by improving the schools' infrastructure to enable home-schooling. We have contributed to upgrading the resource centre and supporting Learning Port Interactive subscription to facilitate new teaching methods and improve access to digital learning materials.

Philanthropy and humanitarianism

We understand that the pandemic has disproportionately affected the vulnerable communities, and we recognise a shared responsibility of building back the nation and relieve the socio-economic impacts.

Thus, we have made a significant contribution to help communities weather the COVID-19 pandemic, including assisting those in the frontlines. In total, we have contributed approximately RM2.0 million to COVID-relief efforts.



DELIVERING SUSTAINABLE IMPACTS
OPERATING SUSTAINABLY AND RESPONSIBLY
Local Communities

Theme	Initiative	Beneficiary	RM
Frontliners	Distribution of personal protective equipment ("PPE")	Rumah Pengasih Warga Prihatin (RPWP)	30,000
		Angkatan Belia Islam Malaysia (ABIM)	100,000
		Badan Kebajikan Keluarga Angkatan Tentera (BAKAT ATM)	20,000
		National Kidney Foundation Malaysia (NKFM)	30,000
		Hospital Pakar An-Nur Barakah Sdn Bhd	20,000
		IJN Foundation	50,000
		Selangor Contingent Police Headquarters	14,150
Community	Looking after the underprivileged	Islamic Relief Malaysia (IRM)	100,000
		Pertubuhan Tindakan Wanita Islam (PERTIWI)	50,000
		Pusat Pungutan Zakat - Majlis Agama Islam Wilayah Persekutuan (PPZ-MAIWP)	30,000
		18 Welfare Homes	603,200
		Muslim Professional Forum Berhad	30,000
		Kelab Usahawan Muslim Profesional	20,000
		Mercy Mission Malaysia	45,000
		Maahad Tahfiz Sulaimaniyyah, Bangi Selangor	10,000
		Majlis Perkhidmatan Masyarakat Sabah	90,000
		Pertubuhan Sahabat Amal Prihatin	50,000
		Persatuan Jaringan Pembangunan Manusia Luar Bandar Malaysia	18,000
Persatuan Skwad Komuniti Prihatin Sabah	10,000		
Healthcare	Aid to purchase respiratory equipment and medical supplies	Mercy Malaysia	100,000
		Association of Islamic Banking and Financial Institutions Malaysia (AIBIM)	100,000
		Kementerian Kesihatan Malaysia (KKM)	100,000
		National Cancer Council (MAKNA)	20,000
Universities	Distribution of packed foods, face masks and hand sanitisers for students	Universiti Sabah Malaysia (UMS)	30,000
		Universiti Sains Malaysia (USM)	30,000
		Universiti Teknologi Malaysia (UTM)	15,000
		Universiti Teknikal Malaysia Melaka (UTeM)	30,000
		Universiti Sultan Zainal Abidin (UNISZA)	30,000
		Universiti Sains Islam Malaysia (USIM)	30,000
		Universiti Malaysia Kelantan (UMK)	30,000
		Universiti Teknologi MARA Sabah (UiTM Sabah)	30,000
		Universiti Pertahanan Nasional Malaysia (UPNM)	10,000
Animals	Facilitation of cleaning and feeding of animals	Malaysia Zoological Society	100,000



DELIVERING SUSTAINABLE IMPACTS
OPERATING SUSTAINABLY AND RESPONSIBLY
Helping the environment



HELPING THE ENVIRONMENT

Helping the environment

Environmental risks still dominates the global risks landscape

We are cognizant of our impacts on the environment and acknowledge the devastating effects of climate change on our society. As a responsible business, we are increasingly intensifying our efforts to mitigate and reduce our GHG emissions and environmental impact by improving our electricity, water and paper consumption. We leverage our digitalisation efforts to increase paperless operations and utilise energy-efficient fixtures and fittings in our buildings.



Related material matters:

Direct Environmental Footprint

Our FY2020 performance



2,905.8
tCO₂e

indirect energy
(scope 2)
greenhouse gas
emitted



5,069
MWh

in electricity
consumption



36,092m³

in water
consumption



6.4%

reduction in
paper purchased

Direct Environmental Footprint



Boundary : MBSB Group

We are conscious of our impact on the environment and continuously work towards reducing it.

We recognise our responsibility as a business and seek to minimise our operations' environmental impact by reducing our consumption of water and paper and improving our GHG emissions by managing and monitoring our electricity consumption.

ELECTRICITY CONSUMPTION AND EMISSIONS

We initiated our indirect energy (Scope 2) GHG emissions tracking since FY2019 for our purchased electricity. We manage our Scope 2 GHG emissions by monitoring our electricity consumption for all offices and branches across the Bank's network. This year, our consumption stood at 5,069MWh resulting in 2,905.8tCO_{2e} of carbon emissions.

Our energy efficiency enhancements include retrofitting our light fixtures with more energy-efficient light-emitting diode ("LED") bulbs and introducing the inverter system for our air conditioning equipment which efficiently controls energy used for cooling. As of FY2020, we have replaced 10% of our traditional light fixtures with LED bulbs in our headquarters.

We strive to improve our electricity consumption and carbon emissions through mitigation efforts such as energy efficiency enhancement measures at our headquarters.



DELIVERING SUSTAINABLE IMPACTS
 OPERATING SUSTAINABLY AND RESPONSIBLY
 Direct Environmental Footprint

ELECTRICITY CONSUMPTION AND EMISSIONS (CONTINUED)

Energy consumption, energy intensity, (Scope 2) carbon emission and carbon intensity for core operations - MBSB Bank

Location of branches	Energy consumption (MWh)			Energy intensity (MWh/employee)			Carbon emission (tCO _{2e})			Carbon intensity per Full-Time Employee (tCO _{2e} /employee)		
	2018	2019*	2020	2018	2019*	2020	2018	2019	2020	2018	2019	2020
Central region (including HQ)	3,075.4	3,436.5	3,433.0	2.3	2.4	2.4	1,799.1	2,010.3	2,008.3	1.4	1.4	1.4
Northern region	430.1	537.6	535.1	3.4	3.9	3.9	251.6	314.5	313.0	2.0	2.3	2.3
Southern region	339.8	477.7	549.5	2.7	3.3	3.6	198.8	279.4	321.5	1.6	1.9	2.1
East Coast region	140.8	162.8	178.7	3.4	3.4	3.4	82.3	95.3	104.5	2.0	2.0	2.0
Sabah region	179.1	184.8	182.5	3.2	2.8	2.6	94.1	97.0	95.8	1.7	1.5	1.4
Sarawak region	154.0	186.3	189.7	2.9	3.3	3.0	50.8	61.5	62.7	1.0	1.1	1.1

Note:

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



DELIVERING SUSTAINABLE IMPACTS
 OPERATING SUSTAINABLY AND RESPONSIBLY
 Direct Environmental Footprint

WATER AND PAPER CONSUMPTION

We also track our water consumption in all offices and branches. We have implemented water optimisation measures to improve our consumption through the usage of cooling towers in our conditioning systems. Additionally, we continue to monitor our paper consumption through a quarterly review of our paper purchase. Through any unaccounted increment will be flagged and questioned. We also manage our paper waste by recycling destroyed documents at proper disposal facilities.

As we handle a substantial amount of confidential financial documents, there is a need to ensure that these documents' destruction is appropriately executed and disposed to maintain customer privacy. In FY2020, our paper purchase stood at 14,827 reams with an estimated monthly average usage of 1.2 million sheets per month. This year, we have disposed 10.5 tonnes of paper waste at certified recycling centres. We expect to see a downward trend of our paper consumption as we progressively move towards paperless operations as part of our digital transformation plan.

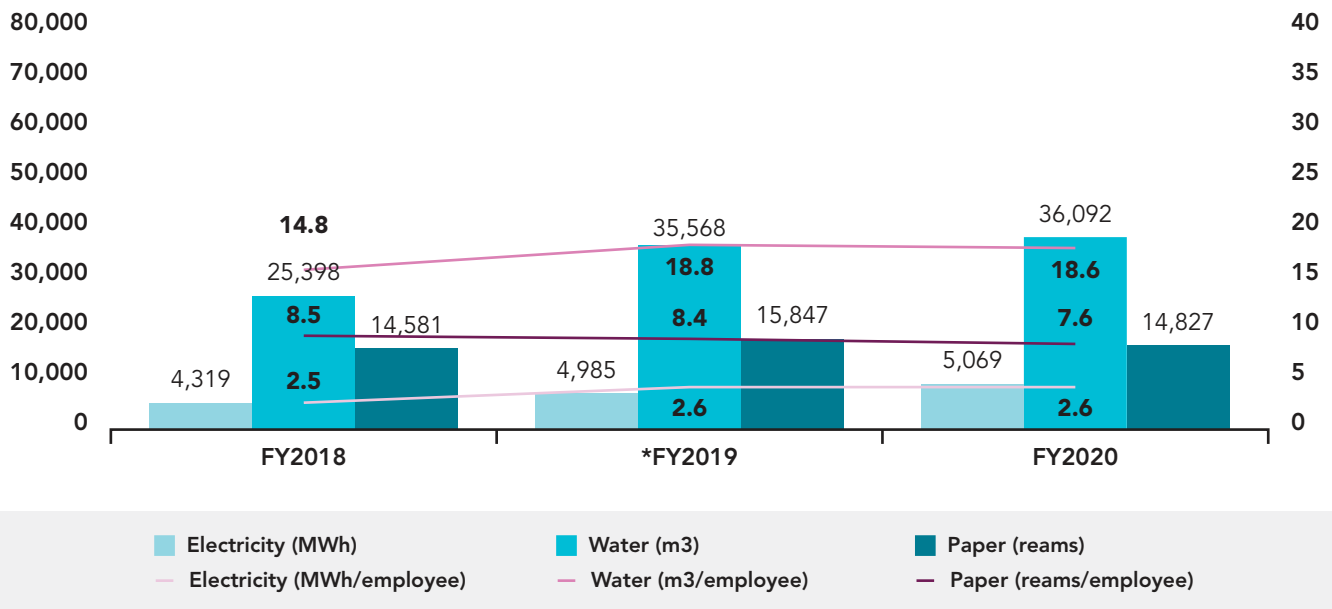
Measures to reduce our paper consumption include automating our internal processes, issuing electronic statements instead of printed statements, and introducing online application services for specific products.



More information on our digitalisation efforts, please refer to the Innovation section on page 81

As we relocate to our new headquarters, we aim to reduce our electricity, water and paper consumption, and wastage through the integration of energy-efficient building and recycling facilities. The new MBSB Bank corporate headquarters has achieved Gold certification by the US Green Building Council under its Leadership in Energy and Environmental Design ("LEED") rating system. Our new headquarters is currently in progress with 95% to completion and will be fully operational in May 2021.

Total Consumption of Electricity, Water and Paper purchased (MBSB Bank)



* Data has been restated due to errata.





TRACKING AND ANALYSING PERFORMANCE

TRACKING AND ANALYSING PERFORMANCE
FTSE4GOOD BURSA MALAYSIA INDEX

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	103	
	ECC12	Intensity of operational GHG emissions	103	
	ECC14	Three years of total operational GHG emissions data (Scope 1 & 2) is disclosed	104	
	ECC15	Three years of total energy consumption data is disclosed	104	
	ECC31	Energy use - Policy or commitment statement	103	
	ECC41	Independent verification of operational GHG emissions data	103-105	
	ECC43	Recognition of climate change	102	
Governance				
Anti-Corruption	GAC01	Bribery - Policy or commitment statement	33-34	
	GAC02	Anti-corruption - Policy or commitment statement	33-34	
	GAC03	Board has oversight of anti-corruption policy	33	
	GAC04	Due diligence of new business partners addresses corruption	33	
	GAC05	Confidential or anonymous whistle-blowing mechanism for staff	34	
	GAC07	Communication of anti-corruption policy to all employees	34	
	GAC08	Training for staff on the anti-corruption policy	36	
	GAC09	Corruption risk assessment for company operations	37	
	GAC10	Procedures are in place to address corruption in operations that are assessed to be "high risk"	33	
	GAC11	Risk assessment process for intermediaries (including contractors or agents)	33	
	GAC12	Disclosure of total amount of political contributions	37	

TRACKING AND ANALYSING PERFORMANCE
FTSE4GOOD BURSA MALAYSIA INDEX

PILLARS AND THEMES	CODE	DISCLOSURE	PAGE(S) OR URL(S) REFERENCE	OMISSION, IF APPLICABLE
Governance (continued)				
Anti-Corruption	GAC13	Disclosure of number of staff disciplined or dismissed due to non-compliance with anti-corruption policy/policies	37	
	GAC14	Disclosure of cost of fines, penalties or settlements in relation to corruption	37	
Corporate Governance	GCG01	Separate Non-Executive Chair and CEO	Integrated Annual Report 2020 - Our Leadership	
	GCG02	Disclosure of details about Directors	Integrated Annual Report 2020 - Our Leadership	
	GCG03	Number of Board Directors	Integrated Annual Report 2020 - Our Leadership	
	GCG04	Number of independent Directors on the board	Integrated Annual Report 2020 - Our Leadership	
	GCG05	Number of women on the board	Integrated Annual Report 2020 - Our Leadership	
	GCG06	Commitment to gender diversity on the board	Corporate Governance Report 2020	
	GCG07	Board addresses conflict of interest and related party transactions	Integrated Annual Report 2020 - Corporate Governance Overview Statement	
	GCG08	Periodic evaluation of board effectiveness	Integrated Annual Report 2020 - Corporate Governance Overview Statement	
	GCG09	Disclosure of Board Committee and their Charter	Integrated Annual Report 2020 - Corporate Governance Overview Statement	
	GCG010	Disclosure of number of times the board/each committee have/has met per annum	Corporate Governance Report 2020	

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PILLARS AND THEMES	CODE	DISCLOSURE	PAGE(S) OR URL(S) REFERENCE	OMISSION, IF APPLICABLE
Governance (continued)				
	GCG011	Disclosure of the attendance rate	Corporate Governance Report 2020	
	GCG014	Disclosure of fixed and variable remuneration	Corporate Governance Report 2020	
	GCG019	Annual General Meeting: Number of days between the date of notice and date of meeting	Notice of AGM	
	GCG021	Shareholders have the right to vote on executive remuneration	Notice of AGM	
	GCG022	Shareholders have the right to vote on Director appointments and dismissals	Notice of AGM	
	GCG026	Disclosure of voting results	https://www.mbsb.com.my/home.html	
	GCG027	Remuneration for senior executives included in the company's remuneration disclosures	Corporate Governance Report 2020	
	GCG029	Variable compensation takes into account performance relative to risk	Corporate Governance Report 2020	
Corporate Governance	GCG042	Does the company provide for one share one vote for all company meeting resolutions?	Integrated Annual Report 2020 - Stakeholder Information	
	GCG043	If the company does not have a separate Non-Executive Chair and CEO, does it have a Lead Director or Senior Independent Director?		Not Applicable
	GCG045	Financial expertise on the audit committee	Integrated Annual Report 2020 - Our Leadership & Corporate Governance Report 2020	
	GCG046	There is a fully non-executive Audit Committee or Audit Board with at least half independent members	Integrated Annual Report 2020 - Our Leadership & Corporate Governance Report 2020	
	GCG047	There is a fully non-executive Remuneration Committee with at least half independent members	Integrated Annual Report 2020 - Our Leadership & Corporate Governance Report 2020	

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PILLARS AND THEMES	CODE	DISCLOSURE	PAGE(S) OR URL(S) REFERENCE	OMISSION, IF APPLICABLE
Governance (continued)				
Corporate Governance	GCG049	Disclosure and Nature of fees paid to the auditor	Integrated Annual Report 2020 - Financial Statements, Additional Compliance Statement	
	GCG050	Percentage of women on the Executive committee or equivalent		57
Risk Management	GRM01	The Board has oversight of risk management and reviews effectiveness	Statement on Risk Management and Internal Control & Corporate Governance Overview Statement	
	GRM02	Senior responsibility for risk	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	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	Corporate Governance Report 2020	
	GRM07	The company's Codes/charters/policy documents or equivalent describes risk framework	Corporate Governance Report 2020	
	GRM08	The company has a corporate-wide approach to non-compliance	Corporate Governance Report 2020	
	GRM10	The company commits to regular rotation of auditors/audit partner	Corporate Governance Report 2020	
	GRM12	The company reviews compliance with its Code of Conduct/Code of Ethics and identifies any non-compliance	Corporate Governance Report 2020	
	GRM14	Provisions for fines and settlements specified for ESG issues in audited accounts		37
	GRM20	There is a confidential or anonymous whistle-blowing or equivalent mechanism to notify breaches of company codes or policies		34

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PILLARS AND THEMES	CODE	DISCLOSURE	PAGE(S) OR URL(S) REFERENCE	OMISSION, IF APPLICABLE
Governance (continued)				
Risk Management	GRM21	Legal and compliance leads are on the board, on board committees or regularly report directly into board or board committee meeting	34	
	GRM22	The board oversees risk management	Corporate Governance Report 2020	
	GRM23	There are non-executive directors with experience or knowledge in risk management	Integrated Annual Report 2020 - Our Leadership	
Social				
Human Rights	SHR03	Statement of principles or process by which community investments are made	96	
	SHR04	Policy addresses children's rights, other than child labour	37	
	SHR05	Commitment to local employment and/or sourcing	59	
	SHR15	Output/outcome of specific results, achievements or benefits of community investments	96-97	
	SHR16	Mechanisms to facilitate employee engagement and involvement with charitable partners	96	
	SHR17	Total Amount of corporate or group donations/ community investments made to registered not-for-profit organisations	96-97	
	Labour Standard	SLS03	In relation to non-discrimination, company addresses non-discrimination/equal opportunity in general disclosures	57
SLS05		Policy or statement supporting the right to freedom of association	45	
SLS06		Policy or statement supporting the right to collective bargaining	45	
SLS07		Policy/Principles/Code addressing the elimination of excessive working hours	47	
SLS08		Policy or statement supporting the right to a minimum or living wage	45	

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PILLARS AND THEMES	CODE	DISCLOSURE	PAGE(S) OR URL(S) REFERENCE	OMISSION, IF APPLICABLE	
Social (continued)					
Labour Standard	SLS11	Policy supporting the community addressing the employment of underprivileged groups, including those from deprived backgrounds, having poor social status and with no formal education or qualifications or youth unemployment initiatives, apprenticeships or graduate placements	47		
	SLS12	Company policy on labour standards communicated globally to employees	45		
	SLS16	Company has taken action to improve workforce diversity, equal opportunities, or reduce discrimination	57-59		
	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	37		
	SLS24	Full time staff voluntary turnover rates	46		
	SLS25	Percentage of employees that are contractors or temporary staff	46		
	SLS26	Amount of time spent on employee development training to enhance knowledge or individual skills	51		
	SLS29	Employee personal development training to enhance abilities or individual skills	51-52		
	SLS30	The company addresses bullying and/or harassment	33		
	SLS32	Percentage of global staff with a disability	57	We have no staff with a disability in year of review	
	SLS33	Percentage of women in the global workforce	57-59		
	SLS34	Compliance with local laws on equal pay for equal work	47		
	Supply Chain (Social)	SSC52	Company has ESG lending policies	91	
		SSC57	Evidence of green or sustainable bond issuance and lending mechanism	77	

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GRI CONTENT INDEX

GRI STANDARD	CODE	DISCLOSURE	PAGE(S) OR URL(S) REFERENCE	OMISSION, IF APPLICABLE
Organisational Profile				
GRI 102: General Disclosures 2016	102-1	Name of the organization	Integrated Annual Report 2020 - Front cover	
	102-2	Activities, brands, products, and services	Integrated Annual Report 2020 - Our Products and Services	
	102-3	Location of headquarters	Integrated Annual Report 2020 - Corporate Information	
	102-4	Location of operations	Integrated Annual Report 2020 - Where We Operate	
	102-5	Ownership and legal form	Integrated Annual Report 2020 - Overview of MBSB	
	102-6	Markets served	Integrated Annual Report 2020 - Where We Operate	
	102-7	Scale of the organization	Integrated Annual Report 2020 - Financial Statement	
	102-8	Information on employees and other workers	45-49, 57-59	
	102-9	Supply chain	76	
	102-10	Significant changes to the organization and its supply chain		Not applicable as there are no significant charges
	102-11	Precautionary Principle or approach	Statement on Risk Management and Internal Control	
	102-12	External initiatives	3, 16-18	
	102-13	Membership of associations	Integrated Annual Report 2020 - Corporate Governance Overview Statement	

Strategy

GRI 102: General Disclosures 2016	102-14	Statement from senior decision-maker	8-10
	102-15	Key impacts, risks, and opportunities	28-29

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GRI STANDARD	CODE	DISCLOSURE	PAGE(S) OR URL(S) REFERENCE	OMISSION, IF APPLICABLE
Ethics and Integrity				
GRI 102: General Disclosures 2016	102-16	Values, principles, standards, and norms of behavior	20, 33	
Governance				
	102-18	Governance structure	19, Integrated Annual Report 2020 - Corporate Governance Overview Statement	
	102-21	Consulting stakeholders on economic, environmental, and social topics	21-24	
	102-22	Composition of the highest governance body and its committees	Integrated Annual Report 2020 - Corporate Governance Overview Statement & Corporate Governance Report 2020	
	102-23	Chair of the highest governance body	Integrated Annual Report 2020 - Corporate Governance Overview Statement & Corporate Governance Report 2020	
GRI 102: General Disclosures 2016	102-25	Conflicts of interest	Integrated Annual Report 2020 - Corporate Governance Overview Statement & Corporate Governance Report 2020	
	102-28	Evaluating the highest governance body's performance	Integrated Annual Report 2020 - Corporate Governance Overview Statement & Corporate Governance Report 2020	
	102-30	Effectiveness of risk management processes	Statement on Risk Management and Internal Control	
	102-32	Highest governance body's role in sustainability reporting	19	

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GRI STANDARD	CODE	DISCLOSURE	PAGE(S) OR URL(S) REFERENCE	OMISSION, IF APPLICABLE
Stakeholder Engagement				
GRI 102: General Disclosures 2016	102-40	List of stakeholder groups	21-24	
	102-41	Collective bargaining agreements	45	
	102-42	Identifying and selecting stakeholders	21	
	102-43	Approach to stakeholder engagement	21-26	
	102-44	Key topics and concerns raised	21-27	
Reporting Practices				
GRI 102: General Disclosures 2016	102-45	Entities included in the consolidated financial statements	Integrated Annual Report 2020 - Financial Statements	
	102-46	Defining report content and topic Boundaries	2-3	
	102-47	List of material topics	27-29	
	102-48	Restatements of information	46, 48, 57, 58, 104, 105	
	102-49	Changes in reporting	25-29	
	102-50	Reporting period	2-3	
	102-51	Date of most recent report	2-3	
	102-52	Reporting cycle	2-3	
	102-53	Contact point for questions regarding the report	2-3	
	102-54	Claims of reporting in accordance with the GRI Standards	2-3	
	102-55	GRI content index	114-120	
	102-56	External assurance	121	
Economic Performance				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	75	
	103-2	The management approach and its components	75	
	103-3	Evaluation of the management approach	75	
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	75	

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GRI STANDARD	CODE	DISCLOSURE	PAGE(S) OR URL(S) REFERENCE	OMISSION, IF APPLICABLE
Market Presence				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	28,66	
	103-2	The management approach and its components	66-68	
	103-3	Evaluation of the management approach	66-68	
GRI 202: Market Presence 2016	202-2	Proportion of senior management hired from the local community	59	
Procurement Practices				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	29, 75-76	
	103-2	The management approach and its components	75-76	
	103-3	Evaluation of the management approach	75-76	
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	76	
Anti-corruption				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	28,33	
	103-2	The management approach and its components	33-37	
	103-3	Evaluation of the management approach	34-37	
GRI 205: Anticorruption 2016	205-1	Operations assessed for risks related to corruption	33	
	205-2	Communication and training about anti-corruption policies and procedures	34, 35	
	205-3	Confirmed incidents of corruption and actions taken	34	
Energy				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	29, 103-104	
	103-2	The management approach and its components	103	
	103-3	Evaluation of the management approach	103-105	
GRI 302: Energy 2016	302-1	Energy consumption within the organisation	103-105	
	302-3	Energy intensity	103-105	

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GRI STANDARD	CODE	DISCLOSURE	PAGE(S) OR URL(S) REFERENCE	OMISSION, IF APPLICABLE
Water and Effluents				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	29, 103-104	
	103-2	The management approach and its components	103	
	103-3	Evaluation of the management approach	103-105	
GRI 303: Water and Effluents	303-5	Water consumption	105	
Waste				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	29, 103-104	
	103-2	The management approach and its components	103-105	
	103-3	Evaluation of the management approach	103-105	
GRI 306: Waste 2020	306-3	Waste generated	105	
	306-4	Waste recycled	105	
Environmental Compliance				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	29, 37	
	103-2	The management approach and its components	37	
	103-3	Evaluation of the management approach	37	
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	37	
Employment				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	28, 45	
	103-2	The management approach and its components	45-49	
	103-3	Evaluation of the management approach	45-49	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	48	
	401-3	Parental leave	49	
Occupational Health and Safety				
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	28, 54-56	
	403-3	Occupational health services	54-56	

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GRI STANDARD	CODE	DISCLOSURE	PAGE(S) OR URL(S) REFERENCE	OMISSION, IF APPLICABLE
Occupational Health and Safety (continued)				
GRI 403: Occupational Health and Safety 2018	403-4	Worker participation, consultation, and communication on occupational health and safety	54-56	
	403-5	Worker training on occupational health and safety	55	
	403-6	Promotion of worker health	55	
	403-9	Work-related injuries	56	
	403-10	Work-related ill health	56	
Training and Education				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	28, 50	
	103-2	The management approach and its components	50	
	103-3	Evaluation of the management approach	50-53	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	51	
	404-2	Programs for upgrading employee skills and transition assistance programs	50-53	
	404-3	Percentage of employees receiving regular performance and career development reviews	53	
Diversity and Equal Opportunity				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	28, 57-59	
	103-2	The management approach and its components	57	
	103-3	Evaluation of the management approach	57	
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	57-59	
Local Communities				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	29, 96	
	103-2	The management approach and its components	96-99	
	103-3	Evaluation of the management approach	96-99	
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	96-99	

TRACKING AND ANALYSING PERFORMANCE
GRI CONTENT INDEX

GRI STANDARD	CODE	DISCLOSURE	PAGE(S) OR URL(S) REFERENCE	OMISSION, IF APPLICABLE
Customer Privacy				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	28, 69	
	103-2	The management approach and its components	69-71	
	103-3	Evaluation of the management approach	69-71	
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	62, 71	
Socioeconomic Compliance				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	28, 37	
	103-2	The management approach and its components	35-37	
	103-3	Evaluation of the management approach	35-37	
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	37	
GRI G4 Sector Disclosures: Financial Services				
Product Responsibility				
Product Service and Labelling	G4-DMA	Initiatives to enhance financial literacy by type of beneficiary	93	
	FS6	Percentage of the portfolio for business lines by specific region, size (e.g. Micro/SME/Large) and by Sector	95	
Product Portfolio	FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	90, 92-93, 94-95	
	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	77	
Society				
Local Communities	FS13	Access points in low-populated or economically disadvantaged areas by type	94	
	FS14	Initiatives to improve access to financial services for disadvantaged people	67, 94	

TRACKING AND ANALYSING PERFORMANCE
LIMITED ASSURANCE STATEMENT

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

Our Conclusion:

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Subject Matter as presented in Malaysia Building Society Berhad's 2020 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 PLT ("EY" or "we") was engaged by Malaysia Building Society Berhad ("MBSB") to performance a 'limited assurance engagement' as defined by International Standard on Assurance Engagements ("ISAE") 3000 Revised, Assurance Engagement other than Audits or Review of Historical Financial Information, on selected subject matters ("Subject Matter") included in MBSB's 2020 Sustainability Report (the "SR2020") for the financial year ended 31 December 2020.

Subject Matter

Our limited assurance engagement was performed for the Subject Matter listed in the table below, as presented in the SR2020:

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

The scope of our work was limited to the Subject Matter presented in the SR2020 and did not include coverage of data sets or information unrelated to the data and information underlying the Subject Matter and related disclosures; nor did it include information reported outside of the SR2020, comparisons against historical data, or management's forward-looking statements.

Criteria applied by MBSB

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

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

MBSB's Responsibility

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

EY's Responsibility

Our responsibility is to express our conclusion on whether anything has come to our attention that causes us to believe that the Subject Matter and related disclosures as presented in the SR2020 are not prepared, in all material respects, in accordance with the Criteria.

TRACKING AND ANALYSING PERFORMANCE LIMITED ASSURANCE STATEMENT

We have performed our limited assurance engagement in accordance with the terms of reference for this engagement agreed with MBSB, including performing the engagement in accordance with the ISAE 3000, issued by the International Auditing and Assurance Standards Board. This Standard requires that we plan and perform our engagement to obtain limited assurance about whether the Subject Matter and related disclosures as presented in the MBSB's 2020 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 SR2020, assessing the risks of material misstatement thereof, whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Subject Matter and related disclosures in the SR2020. We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our Independence and Quality Control

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

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

Description of procedures performed

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

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

Our procedures included:

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

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

TRACKING AND ANALYSING PERFORMANCE
LIMITED ASSURANCE STATEMENT

Inherent Limitations

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

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

Other Matters

Information relating to prior reporting periods has not been subject to assurance procedures. Our report does not extend to any disclosures or assertions relating to future performance plans and/or strategies disclosed in the SR2020. The maintenance and integrity of MBSB's website is the responsibility of MBSB's management. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to the Subject Matter and related disclosures, the SR2020 or to our independent limited assurance report that may have occurred since the initial date of presentation on the MBSB's website.

Restriction of Use

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

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

We agree to the publication of this assurance report in MBSB's SR2020 for the financial year ended 31 December 2020, provided it is clearly understood by recipients of the SR2020 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 PLT
202006000003 (LLP0022760-LCA) & AF 0039
Kuala Lumpur, Malaysia
19 May 2021

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MALAYSIA BUILDING SOCIETY BERHAD

Registration No. 197001000172 (9417-K)

11th Floor, Wisma MBSB

No. 48, Jalan Dungun

Damansara Heights

50490 Kuala Lumpur

Tel : 03-2096 3000

Fax : 03-2096 3144