

CORPORATE GOVERNANCE REPORT

STOCK CODE : 1171
COMPANY NAME : Malaysia Building Society Berhad
FINANCIAL YEAR : December 31, 2022

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

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

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

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

Intended Outcome

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

Practice 1.1

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

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

The Boards have entrusted their respective Committees with specific responsibilities to oversee the Group's affairs in accordance with the respective Committees' TOR.

The Board Committees established to support the Boards in executing their duties are as follows:

MBSB Board Committees

1. Audit Committee ("AC")

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

2. Risk Management Committee ("RMC")

The primary objectives of the RMC are to assist the Board with the risk oversight within the Group and ensuring that there is a sound framework for internal controls and enterprise risk management ("ERM"). This includes reviewing the risk management policies, risk exposure and limits, and ensuring that all risks are well managed within the Group's risk appetite by providing adequate infrastructure and resources in place to support the risk management activities.

3. Nominating and Remuneration Committee ("NRC")

The primary responsibilities of the NRC are to assist the Board in maintaining a formal and transparent procedure for the appointment of Directors, Board assessment, policy setting on Directors' remuneration, and determining appropriate remuneration packages for all Directors.

The NRC is also responsible for reviewing, appointing, removing and determining the remuneration package for the Group Chief Executive Officer ("GCEO"), Group key senior management with the C-Suites position and Company Secretary. Also, the NRC reviews the remuneration framework for the Group.

With effect from 7 February 2018, all matters concerning the Shariah members are discussed and decided at MBSB Banks's Nominating and Remuneration Committee ("BNRC").

The activities of NRC in 2022 which was carried together with the BNRC of the Bank include the following:

- Reviewed and recommended the proposed Directors' Fees, remuneration and benefits.
- Reviewed and recommended Directors and Officers Takaful Coverage.

- Reviewed and recommended Staff Group Term Takaful and Group Personal Accident Takaful Coverage
- Reviewed the Board Effectiveness Evaluation Results for year 2022.
- Reviewed the Fit & Proper Assessment for all directors
- Reviewed the Independent Directors Assessment for Independent Directors.
- Reviewed and recommended the Directors Annual Training Plan 2022.
- Reviewed and recommended the Board and Board Committees composition.
- Reviewed and recommended the Directors Retirement by rotation at the AGM 2022.
- Reviewed and recommended the re-appointment of Directors.
- Reviewed the Terms of Reference of NRC and Directors Orientation & Training Guidelines.
- Reviewed and recommended the Staff Performance Rewards for the Year 2022.
- Reviewed and recommended the Performance Assessment and Rewards of Acting Chief Executive Officer and C-Suites for year 2022.
- Reviewed the Fit and Proper Assessments of Acting Chief Executive Officer and C-Suites for year 2022.
- Reviewed and recommended the appointment of GCEO and Chief Risk Officer.
- Reviewed the progress on succession planning for C-Suites.
- Reviewed the proposed reorganisation and realignment of organisation structure.
- Reviewed and recommended Flexible Work Arrangements (“FWA”) policy and programme for MBSB Bank.

In 2022, the BNRC at the Bank also reviewed the performance of the Shariah Advisory Committee for year 2022, appointment of new Shariah Advisory Committee member and reappointment of three Shariah Advisory Committee members.

4. Restructuring Committee (“RC”)

The primary objective of RC is to oversee any proposed corporate restructuring plan including monitoring the progress of any corporate exercise to be undertaken for the MBSB Group of Companies in its efforts to chart new growth path for the Group.

MBSB Bank Board Committees

- 1. Board Audit Committee (“BAC”)** –Same function as the AC.
- 2. Board Risk Management & Compliance Committee (“BRMCC”)** – Same function as the RMC.
- 3. Board Nominating and Remuneration Committee (“BNRC”)** – Same function as the NRC. The BNRC also reviews the remuneration package of the Shariah Advisory Committee.
- 4. Board Investment and Credit Committee (“BICC”)** – The BICC is responsible for the consideration and approval/veto of credit and investment proposals subject to the limits and policies approved by the Board.

	<p>5. Board IT Oversight Committee (“BITC”) – The BITC is responsible for providing oversight function on Technology Risk. The establishment of BITC is in line with the requirements of Risk Management in Technology (“RMiT”) Guidelines issued by BNM. The BITC comprises of three Independent Non-Executive Directors and chaired by a Director with background in IT.</p> <p><u>Board responsibility</u></p> <p>Although the Boards have entrusted their Committees with specific responsibilities to oversee the Group’s affairs per the respective Committees’ TOR, the Boards remain responsible and keep abreast with the key issues and decisions made by the respective Committees through the reports escalated to the Boards as well as the minutes of meetings that capture the detailed deliberations, which were subsequently tabled to the Boards for notation.</p> <p>The matters reserved for the Boards include, amongst others, the following:</p> <ul style="list-style-type: none"> • Reviewing and approving strategic and business plan and other initiatives which would have a material impact to the Group; • Overseeing the Management’s implementation of the Group’s strategic objectives and its conduct and performance; • Identifying principal risks affecting the Group and ensuring the implementation of appropriate governance framework, risk management and internal controls framework and periodically review its appropriateness in light of the material changes to the size, nature and complexity of the Group’s operations; • Reviewing and approving annual financial statements and quarterly financial results prior to release to Bursa Malaysia Securities Berhad (“Bursa Malaysia”) and the relevant regulators; • Reviewing and adopting the strategies on the promotion of sustainability through appropriate environmental, social and governance (“ESG”) consideration in the Group’s businesses; • Overseeing and approving the recovery and resolution as well as business continuity plans for the Group to restore its strength and maintain or preserve critical operations and critical services when it comes under stress; • Promoting, together with Senior Management, a sound corporate culture within the Group which reinforces integrity, anti-corruption and bribery, ethical, prudent and professional behaviour; • Promoting Shariah Compliance as set out in the MBSB Shariah Governance Framework and to ensure its integration with the Group’s business and risk strategies; • Serving as the ultimate approving authority for all significant financial expenditure; • Approving related party transactions; • Overseeing the selection, performance, remuneration and succession plans of the GCEO and the C-Suites position as per BNM’s Guidelines on Fit and Proper Criteria and as defined in the Fit and Proper Requirements Policy.
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	<p>The Boards play an active role in developing, evaluating and monitoring the Group’s strategic direction by providing valuable advice to the Management based on their collective competency and knowledge of its members.</p> <p>The Boards also play a vital role in shaping the culture and tone of the Group, whether to place integrity in its rightful place or otherwise ensure that the direction of the Group aligns with the Integrity Governance Unit (“IGU”) vision and initiatives. The Board assumes the following responsibilities as required in relation to their oversight roles on the activities of IGU and issues on bribery, corruption and abuse of power under the Malaysian Anti-Corruption Commission (“MACC”): -</p> <ol style="list-style-type: none"> i. Approve the appointment of Head of IGU; ii. Approve IGU’s yearly plans or programs on anti-bribery, corruption and abuse of power; iii. Approve the establishment of policies which cover all high risk areas in relation to conduct of integrity, bribery, corruption and abuse of power; iv. Ensure the highest level of integrity and ethics are practiced within the Group; v. Comply with all applicable laws and regulatory requirements on anti – bribery, corruption and abuse of power; vi. Oversee the management of risks in relation to bribery, corruption and abuse of power; vii. Provide assurance to internal and external stakeholders that the Group is operating in compliance with applicable policies and regulatory requirements in relation to bribery, corruption and abuse of power; viii. Ensure that reviews by the Internal Audit function are conducted on anti-bribery, corruption and abuse of power programs; ix. Ensure a separate IGU structure answers directly to the Board so issues of pressure, isolation, rejection and unreasonable action do not arise in the Group; x. Monitor the IGU's performance through its periodic reporting; xi. Issue commands to the IGU in an effort to keep it relevant as an entity responsible for preserving integrity in the Group; xii. Ensure all bribery, corruption and abuse of power complaints are promptly escalated to the IGU Officer for investigation; xiii. Oversee the effective use of the whistleblowing channel by both internal and external parties to raise concerns in relation to real or suspected bribery, corruption and abuse of power incidents; and xiv. Attend related training on ethics, integrity, anti-bribery, corruption and abuse of power once every two (2) years. <p>The Board of MBSB, in consultation with the Board of MBSB Bank, determines the strategic direction of the Group to ensure that the Group achieves its initiatives as set out in the Business Plan and Journey 25 Roadmap.</p> <p>The Boards convene regular Board meetings to review the overall performance of the Group. This may include, the progress of the Business Plan, Digital and Technology Strategy, ESG Strategy, short and long-term</p>
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	<p>sustainable growth and budget of the Group, succession planning and the future growth for the Group.</p> <p>The Boards are also responsible for ensuring that the Group is responsive to changes in the business and economic environment when pursuing and achieving the planned goal and objectives. The Boards monitor MBSB Bank's performance from time to time through the presentation of the various reports submitted by the Finance, Risk Management, Compliance and Internal Audit Division. The Boards also monitored the scorecard achievement and progress of Business Plan initiatives through the monthly business performance report and financial report presented to the Boards.</p> <p>The Boards continue to intensify efforts and focus to provide the best and most innovative solutions/products to match and capture customers' requirements by leveraging on the strong synergy across the Group in realising MBSB Bank's vision in becoming Top Progressive Islamic bank.</p> <p>In line with the Group's strategic planning and with the approval from Bank Negara Malaysia, MBSB had submitted the application for the acquisition of the 100% shareholdings in Malaysian Industrial Development Finance Berhad from Permodalan Nasional Berhad. MBSB has on 14 April 2023 announced the approval from the regulator.</p> <p>Amongst the ongoing initiatives, MBSB Bank had revamped some of the branches to modernise branch services to provide exceptional customer experience to offer unrivalled and exceptional customer service. These initiatives would also provide a conducive work environment for employees.</p> <p>During the year, MBSB Bank introduced new products (such as General Takaful Products under Wealth Management) and entered into various collaborations with strategic partners to improve product offerings to the customers and continue to strengthen its CASA and retain Deposit growth base.</p> <p>The Boards received regular updates on the economic / industry outlook during meetings (from RAM Rating Services Berhad), in addition to attending relevant training programs to keep abreast with the updates and changes in the business environment.</p> <p>The Boards also reviewed and set the annual performance scorecard of the Group as well as targets for the GCEO and C-Suites.</p> <p>Succession planning remains a key area of focus for the Boards. The Boards were kept informed via the People & Culture Division ("PCD") dashboard reports on the progress of the programs to nurture and groom future talents and also the readiness of the successors for the key management personnel. The PCD dashboard also provides regular updates to the Boards on the manpower position of the Group which includes attrition and hiring of new recruits and also the progress of various initiatives undertaken by PCB.</p>
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	<p>For the year under review, MBSB Bank Board have also intensified adoption of technology and accelerated the development of digital offerings at MBSB Bank to improve efficiency and offer greater value including enhancing user experience for both customer and merchants.</p> <p>The Boards provide oversight on the management of sustainability matters at MBSB and MBSB Bank to ensure ESG considerations are incorporated in business plans. In 2022, the Group performed a comprehensive materiality assessment to refresh matters or issues that reflect the Group’s significant economic, environmental and social impacts. Interests and concerns for both internal and external stakeholders are reviewed through surveys and focus group discussions. The outcome from the assessment was prioritised and presented in the Materiality Matrix, which was validated and endorsed by the Boards during the year. The materiality assessment process and Materiality Matrix are disclosed in MBSB Integrated Annual Report 2022.</p> <p>During the year, the Boards have approved the Sustainability Charters, Vision and Mission Statements. The Boards have also endorsed the Scope 3 financed emissions governance process and the overall climate governance structure, including several sustainability initiatives.</p> <p>The Terms of Reference (“TOR”), policies and procedures of the Boards, Boards Committees and Management-led Committees were reviewed and revised during the year to reflect the necessary changes in the internal process and regulatory requirement for better operational efficiency and readiness.</p> <p>The Boards also takes responsibility for the governance of sustainability and sustainability risk oversight. Key governance responsibilities for the Boards are as follows:</p> <ol style="list-style-type: none"> 1. Assumes ultimate responsibility for managing sustainability matters 2. Ensures corporate strategy considers sustainability 3. Approves corporate strategy and key performance indicators 4. Approves policies on sustainability matters <p>Among the topics and strategies reviewed, deliberated and approved by the Boards during financial year 2022 are as follows: -</p> <table border="1" data-bbox="497 1547 1409 2033"> <thead> <tr> <th data-bbox="497 1547 687 1585">Areas</th> <th data-bbox="687 1547 1409 1585">Key topics/ strategies</th> </tr> </thead> <tbody> <tr> <td data-bbox="497 1585 687 2033">Strategy</td> <td data-bbox="687 1585 1409 2033"> <ul style="list-style-type: none"> • Budget, business plan initiatives and KPI for year 2022 for MBSB Group • Budget and Business Plan for 2023 for MBSB Group • MBSB Group restructuring, corporate exercise and disposal of non-core assets • Group Capital Strategy • Fixed Income portfolio Strategy • Media Strategy • Environmental, Social and Governance (“ESG”) Framework and Strategy • MBSB Bank’s Digital and Technology Strategy • MBSB Bank’s Collection & Recovery Strategy </td> </tr> </tbody> </table>	Areas	Key topics/ strategies	Strategy	<ul style="list-style-type: none"> • Budget, business plan initiatives and KPI for year 2022 for MBSB Group • Budget and Business Plan for 2023 for MBSB Group • MBSB Group restructuring, corporate exercise and disposal of non-core assets • Group Capital Strategy • Fixed Income portfolio Strategy • Media Strategy • Environmental, Social and Governance (“ESG”) Framework and Strategy • MBSB Bank’s Digital and Technology Strategy • MBSB Bank’s Collection & Recovery Strategy
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	<ul style="list-style-type: none"> • MBSB Bank’s Sustainability Initiatives • Monthly Strategy & Business Performance • Monthly Financial Performance
Risk, Compliance, Oversight	<ul style="list-style-type: none"> • Composite Risk Rating findings and the action plan • Annual Plan for 2022 for Risk, Compliance, Internal Audit and Integrity and Governance Unit (IGU). • Monthly Compliance Report • Monthly Risk Management Report • Quarterly Regulatory Compliance Report on Anti-Money Laundering/ Counter Financing of Terrorism (AML/CFT) • Quarterly Internal Audit Report • Quarterly IGU Report • Quarterly IT Risk Report • Revision of Whistleblowing Policy • Reappointment of external auditors
Governance	<ul style="list-style-type: none"> • Succession Planning for Key Management Personnel • Board and Board Committees composition • Board remuneration • Performance assessment and rewards 2021 for Key Management Personnel. • Board Effectiveness Evaluation and Fit and Proper Assessment • MBSB Integrated Report 2021, Sustainability Report 2021 and Corporate Governance Report 2021 • Terms of Reference of Board Committees

GCEO Responsibility

The Boards entrust the GCEO for developing and ensuring the MBSB Group’s strategies and Corporate Policies are effectively implemented. The GCEO is responsible for keeping the Boards fully informed of all important aspects of the Group’s operations and ensuring that sufficient information is distributed to the Boards.

The Boards had assessed the performance of Datuk Nor Azam M. Taib (“Datuk Azam”) during his tenure as the Acting Chief Executive Officer of MBSB Group and the Boards have appointed Datuk Azam as the GCEO with effect from 1 July 2022.

The GCEO is supported by a group of experienced senior management and staff. The performance of the Management and respective Divisions and Departments are closely monitored through the monthly performance review meetings. Various Management Committees have been established to oversee the day-to-day business affairs of the Group and ensure that the Board’s decisions are implemented effectively. The Management Committees’ roles and responsibilities are clearly defined in the TOR of the respective Management Committees.

	The Boards are also kept informed of the significant operational issues and the Group's performance during the Board meetings.	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 1.2

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

Application	: Applied
Explanation on application of the practice	<p>The late Tan Sri Azlan bin Mohd Zainol ("Tan Sri Azlan") was the Chairman/ Non-Independent Non-Executive Director of MBSB and MBSB Bank. The late Tan Sri Azlan was a nominee of the Employees Provident Fund Board.</p> <p>The role of the Chairman is to ensure smooth functioning of the Board and promotes positive culture in the Board. The Chairman also ensures that the guidelines and procedures in place effectively govern the Board's operation and conduct.</p> <p>In consultation with the GCEO and the Company Secretary, the late Chairman sets out the agenda for matters to be considered by the Board. The meeting agenda was aligned with the overall Group's context, including its starting position, aspirations and priorities. The late Chairman led the meeting pace and discussions to ensure the Board functions to its maximum effectiveness.</p> <p>The late Chairman also actively engaged with the Board members and had encouraged their contribution to Board deliberations. The late Chairman facilitated open and constructive communications amongst Board members and ensures full and balanced discussion of every issue on the agenda.</p> <p>The late Chairman ensures that the Board has the opportunity to maintain an adequate understanding of the Group's financial position, strategic performance, operations and the opportunities and challenges facing the Group.</p> <p>The late Chairman's excellent leadership was acknowledged by the positive feedback received via the Self and Peer Assessment of the Board members in the annual Board Effectiveness Evaluation conducted in 2022.</p> <p>The roles and responsibilities of the Chairman are clearly specified in Section 3.1 of the Board Charter, which is available on MBSB's website at: https://www.mbsb.com.my/Board_Charter.pdf.</p> <p>Following the demise of Tan Sri Azlan Zainol on 12 January 2023, the Board has initiated the process of identifying a new Chairman. In the absence of the Chairman, and as an immediate interim measure, the</p>

	duty to chair the Board meetings of MBSB will be assumed by Puan Lynette Yeow Su-Yin, the Senior Independent Non-Executive Director. At MBSB Bank, the duty to chair the Board meetings will be assumed by Datuk Johar bin Che Mat, the Senior Independent Non-Executive Director of MBSB Bank.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 1.3

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

Application	:	Applied
Explanation on application of the practice	:	<p>There is a clear division of responsibility between the Chairman and GCEO to ensure a proper balance of power and authority and promotes check and balance. The distinct and separate roles and responsibilities of the Chairman and GCEO are distinguished in the Board Charter. The roles and responsibilities of the Chairman and GCEO are provided in Section 3.0 of the Board Charter, which is available on MBSB's website at: https://www.mbsb.com.my/Board_Charter.pdf.</p> <p>The positions of Chairman and GCEO are held by two different individuals. The Chairman, leads and manages the Board by focusing on board leadership, whereas the GCEO, focuses on the business, operations and organisational issues and implementing Board's decision.</p> <p>The Chairman and the Board members are responsible for setting the policy framework within which the Management is to work. The Chairman leads the Board to ensure a collective effort in monitoring the performance of Management in meeting the corporate goals and objectives. The Chairman also guides the Board on all issues presented before them at meetings or at such other forums where the consensus of the Board is required.</p> <p>The GCEO is primarily responsible for overseeing the day-to-day management to ensure the smooth and effective running of the MBSB Group and MBSB Bank. The Boards entrust the GCEO in making sure that all decisions, directions, policies and/or instructions approved by the Boards are carried out by Management in a timely and efficient manner. The GCEO carries the primary responsibility in ensuring management competency, including the emplacement of an effective succession plan to sustain continuity. The GCEO is responsible for keeping the Boards fully informed of all important aspects of the Group's operations and ensuring that sufficient information is distributed to the Boards.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 1.4

The Chairman of the board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee

<i>Note: If the board Chairman is not a member of any of these specified committees, but the board allows the Chairman to participate in any or all of these committees' meetings, by way of invitation, then the status of this practice should be a 'Departure'.</i>	
Application :	Applied
Explanation on application of the practice :	The Chairman of the Board, the late Tan Sri Azlan was not a member of any of the Board Committees. The late Tan Sri Azlan was not an invitee for any of the Board Committees' meetings.
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

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

Practice 1.5

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

Application	:	Applied
Explanation on application of the practice	:	<p>Ms. Koh Ai Hoon, the Company Secretary and Ms. Tong Lee Mee, the Joint Company Secretary, are qualified to act as Company Secretaries under Section 235 of the Companies Act, 2016. They are Associate members of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") and holding a valid Practising Certificate of Secretary issued by the Companies Commission of Malaysia.</p> <p>The Company Secretary also possess legal qualification, which allows her to execute her responsibilities effectively.</p> <p>The Company Secretaries constantly keep themselves updated with regulatory requirements changes through attendance at relevant conferences and training programmes. The Company Secretaries have fulfilled the Mandatory Continuing Professional Development requirements imposed by MAICSA and Companies Commission of Malaysia.</p> <p>The appointment and change of Company Secretary is subject to the Board's approval.</p> <p><u>Company Secretaries Responsibility</u></p> <p>The Company Secretaries demonstrates on-going support in advising and assisting the Board on matters relating to the affairs of the Company, including issues pertaining to compliance, corporate governance and best practices, boardroom effectiveness and Directors' duties and responsibilities. This includes disclosure of Directors' interest in securities, disclosure of conflict of interest in transactions, prohibition on dealing in securities and restrictions on disclosure of price-sensitive information. The Company Secretaries are also responsible for facilitating new Directors' induction and assisting in the Director's training and development.</p> <p>The Company Secretaries advise the Board on compliance and best practices with the relevant changes to the laws, rules and regulations, which include the enforcement of Companies Act 2016, Bursa Malaysia's Main Market Listing Requirements ("MMLR"), The Malaysian Code on Corporate Governance ("MCCG") and the BNM Corporate Governance Guidelines.</p>

The responsibilities of the Company Secretaries include ensuring that the Directors have access to the knowledge and training they need. The Company Secretaries assist the NRC in assessing and evaluating the Board members' training needs on an annual basis to ensure the Board members are equipped with the necessary knowledge and updated with the evolving market, regulatory changes and development affecting MBSB Group.

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

To ensure smooth information flow between the Management and the Board, the Company Secretary is also appointed as the Secretary of several Management-led Committees, as follows:

MBSB:

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

MBSB Bank:

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

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

2022 activities

During the year, the Company Secretaries facilitated the orientation/induction programmes for the new director of MBSB i.e. Datin Hoi Lai Ping who was appointed on 1 March 2022. The Company Secretary and the relevant Management team members had briefed the Director to familiarise the Director with the business and operations of the Group.

The Company Secretaries had also arranged for the newly appointed director of MBSB i.e. Datin Hoi Lai Ping to attend Islamic Finance for Board Directors Programme in 2022 as required by BNM.

Datin Hoi Lai Ping also had attended the Mandatory Accreditation Programme (“MAP”) as required by Bursa Malaysia Securities Berhad.

	<p>All Board members have full access to the advice and services of the Company Secretaries. The Board was satisfied with the Company Secretaries' performance and support to the Board in discharging its functions based on the feedback received from the Board Effectiveness Evaluation in 2022.</p> <p>In 2022, the Company Secretaries updated the Board with the amendments to the Main Market Listing Requirements in relation to director appointment, independence and other miscellaneous changes. The Company Secretaries have also assisted the Boards and NRC in re-appointment and re-election of directors and Board remuneration review.</p> <p>The Company Secretaries also facilitated the Board Effectiveness Evaluation for year 2021 in 2022.</p> <p><u>*Note:</u> Ms. Tong Lee Mee had on 30 September 2022 resigned as Joint Company Secretary of MBSB Group and MBSB Bank. Ms. Pauline Ng Peck Kun was appointed as Joint Company Secretary of MBSB Group and MBSB Bank on 2 February 2023.</p>	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 1.6

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

Application	:	Applied
Explanation on application of the practice	:	<p>To facilitate the Directors' time planning, the annual meeting calendar is prepared and circulated in advance of each new year. The Board Charter of MBSB and MBSB Bank require the agenda and the meeting papers relevant to the business of the meeting to be circulated to all Directors on a timely basis to allow Directors to have ample time to review matters to be deliberated at the meeting and to facilitate informed decision-making. For proposals not fulfilling the agreed timeline for submission of papers, the Chairman has the discretion to decide whether to deliberate on these papers, based on the importance and urgency of the proposals.</p> <p>The Boards are conscious of the environmental impact and have agreed to go paperless for all Board and Board Committee meetings, and the same applies to the meetings for the Management Committees as well. To this end, digital copies of the meeting papers are circulated to the Board, Board Committees and Management Committees instead of hard copies. The digital copies of the meeting papers are uploaded to a secured system to allow easy access to documents in a timely and more efficient manner.</p> <p>Deliberation and decision of the Boards and Board Committees are well documented in the minutes, including matters where Directors are required to abstain from voting and deliberation. The Board's decisions are communicated to the Management normally within one (1) business day after the meeting for appropriate actions.</p> <p>The Company Secretaries will follow up on the status of actions and update the Boards and Board Committees at the subsequent meetings until the matter is eventually resolved.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
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Intended Outcome

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

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

Practice 2.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of MBSB is guided by the Board Charter, which clearly identifies the respective roles and responsibilities of the Board, individual directors, Senior Independent Director, Chairman and GCEO. Matters reserved for the Board have been clearly specified in Paragraph 2.1.3 of the Board Charter.</p> <p>The Board Charter is a dynamic document and will be updated from time to time to reflect changes to the Company's policies, procedures and processes, and amended rules and regulations of the relevant authorities. The Board Charter was last revised in 2021 and will be reviewed in 2023.</p> <p>The roles and responsibilities for the Board Committees and Management Committees are set out in the TOR of each of the Committee. The TOR for the AC, RMC and NRC are available on MBSB's website at: https://www.mbsb.com.my/corporate_governance.html.</p> <p>The Approving Authority ("AA") Manual will be reviewed from time to time to reflect the necessary changes in the internal process and regulatory requirement to ensure operational efficiency and readiness.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 3.1

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>All Directors are always required to act honestly and use reasonable care and diligence in discharging their duties and avoiding any conflict of interest. The Boards have established the Code of Ethics for Directors in line with the practices in the MCCG. The Directors observe the Code of Ethics in the performance of their duties and are fully subscribed to highly ethical standards considering the interest of all stakeholders. The Code of Ethics for Directors was last reviewed in 2022 with no change required. The Code of Ethics for Directors of MBSB is available on MBSB's website at https://www.mbsb.com.my/Code_of_Ethics_Directors.pdf.</p> <p>The Boards have also established a Directors' Conflict of Interest Policy to provide a systematic mechanism for disclosing potential and actual conflict of interest. A Director who is interested in certain transactions is required to abstain from any reporting, discussion or vote on issue that gives rise to the conflict. The interested Director is required to be absent or excused from the meeting during such deliberations. The Company Secretary shall record each Director's conflict of interest disclosed in the minutes of the said meeting. The Directors' Conflict of Interest Policy is reviewed every two years or as and when required. The Directors' Conflict of Interest Policy was reviewed in 2022 with no change required.</p> <p>The Group has also established the Code of Ethics and Conduct ("COEC") for employees, the Complaint Handling Management Policies and Procedures, as well as the Whistleblowing Policy, to set the standards of behaviour expected of its employees and to encourage employees to report on suspected fraud, misconduct behaviour and/or violations of the Code of Ethics and Conduct as well as any other directives or policies issued by the Group from time to time. This is to support the Group's values to uphold the highest standard of personal and professional integrity, ensure employees can raise concerns without fear of reprisals, and provide a transparent and confidential</p>

	<p>process for dealing with genuine concerns to safeguard the interests of the Group.</p> <p>To ensure adherence to the guidelines, the Management of MBSB and MBSB Bank have taken steps to establish an effective monitoring process. All staff is required to observe the principles and uphold the corresponding conduct to achieve a high standard of professionalism and ethics in the conduct of the Bank’s business and professional activities. The COEC is divided into two (2) areas:</p> <ol style="list-style-type: none"> 1. Code of Ethics - outlines MBSB Bank’s set of principles that guides decision making. 2. Code of Conduct - outlines specific behaviours and conduct required or prohibited within the Bank as a condition of on-going employment and the expected conduct in employees’ interaction with various key stakeholders. <p>Adherence to the COEC is a condition of employment with MBSB Bank. Each employee shall execute a declaration signifying their agreement to comply with the terms and requirements of the COEC by signing the “Employee Declaration of Compliance”.</p> <p>The COEC is to be reviewed annually or as and when required. The COEC was reviewed in November 2022 to incorporate the electronic disclosure process on gift/entertainment received and additional measures on receiving/providing gift and entertainment.</p> <p>The COEC Policy Statement of MBSB Bank is available on MBSB Bank’s website at https://www.mbsbbank.com/sites/default/files/inline-files/CodeEthicsConducts.pdf.</p> <p>MBSB Group has adopted Integrity and Anti-Bribery, Corruption & Abuse of Power (“IABCAP”) Policy, which complies with the ‘Guideline for the Management of Integrity & Governance Unit’ issued by the Malaysian Anti-Corruption Commission (“MACC”) and ‘Guidelines on Adequate Procedures’ issued by the Prime Minister’s Department. It also defines the scope and roles of Integrity & Governance Unit (“IGU”) and other relevant functions within the Group in carrying out their duties to prevent, detect and correct all instances of bribery, corruption and abuse of power as part of implementing adequate measures to enhance and uphold a high integrity culture.</p> <p>The IABCAP Policy was reviewed in October 2022 and changes were made to enhance the following:-</p> <ol style="list-style-type: none"> 1. Five governing principles as framework for the anti-corruption programme <ol style="list-style-type: none"> i) Top Level Commitment ii) Risk Assessment iii) Undertake Control Measures iv) Systematic Review, Monitoring and Enforcement v) Training and Communication 2. Incorporate risk areas to bribery and corruption.
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3. Employee's roles and responsibilities.
4. Fines and penalties for offences.

MBSB has established an IGU for MBSB Group. The main purpose of IGU is to ensure an honest with high integrity work culture amongst the employees, including members of Senior Management and the Boards and to combat bribery, corruption and abuse of power. The IGU Officer has unimpeded access to the Boards (via RMC/BRMCC) on integrity issues and activities relating to adequate procedures. The IGU Officer reports to Chief Compliance Officer on matters regarding integrity issues and activities carried out in relation to adequate procedures within the MBSB Group.

The MBSB Group adopts zero-tolerance on any form of bribery, corruption and abuse of power. The Fraud and Corruption Control Policies and Procedures are implemented to manage the risk of fraud and corruption within the MBSB Group. The Fraud and Corruption Control Policies and Procedures should be read in conjunction with the Complaint Handling and Management Policies and Procedures as well as the Whistleblowing Policy.

All employees are entrusted with the responsibility of staying alert to prevent and detect defalcations, misappropriations and other irregularities. The policy sets out the specific roles of employees in the prevention and detection of fraud and fraud discovery reporting and the procedures and processes MBSB Bank will take in respect of employees involved in fraudulent acts. The Fraud and Corruption Control Policies and Procedures are accessible to all employees via the intranet, and the employees had been notified on how to access it.

No incident of confirmed corruption was reported in year 2022.

All Directors, Shariah Advisory Committee ("SAC") members and employees of MBSB Group are required to complete the IABCAP pledge. All newly appointed external service providers or those who renewed their services with MBSB Group are required to execute the contract agreement with specific Anti-Bribery and Corruption clauses or in absence of contract agreement, the Anti-Bribery and Corruption Declaration Form.

All employees of MBSB Bank are required to complete e-learning modules on Integrity and Governance and Banking Secrecy on annual basis.

On-boarding due diligence are conducted for new Directors, SAC members, employees, customers applying for financing facilities and appointed/ renewed external service providers. On-going due diligence are also required to be conducted on all parties that have established and/or renewed relationship with the Bank including customers, employees, directors, SAC members as well as external service providers.

	<p>The Group has also established the Anti-Money Laundering and Counter Financing of Terrorism (“AML/CFT”) Policies & Procedures, which is part of the Group’s Compliance policy. The Group is committed to fully cooperate with the relevant local and international competent authorities and law enforcement agencies in combating Anti-Money Laundering and Counter Financing of Terrorism. Appropriate internal controls and procedures for money-laundering prevention are in place. The Compliance Division carries out regular checks and training to ensure that the employees are fully aware of and committed to discharging their obligations. The AML/CFT Policy was last reviewed in February 2022 and the AML/CFT Procedures was reviewed in April 2022 to incorporate the supplier / service provider screening process and implementation of electronic Know-Your-Customer.</p> <p>The Group has established the Related Party Transactions Policies that outlines the roles and responsibilities expected of the Management and the Board of Directors as well as other relevant divisions or departments within the Group. It provides guidance on transactions that involve related parties and ensuring that such transactions are conducted at an arm’s length basis and in accordance with good governance, as well as with appropriate disclosures.</p> <p>Corporate Disclosure Policy was established to ensure fair and orderly trading of securities. The officers and personnel privy to confidential information are strictly prohibited from dealing directly or indirectly in the Company’s securities unless the information had been publicly disclosed at least one (1) full market day from the announcement date.</p> <p>The Group has since established a guideline on handling confidential and sensitive information or documents. Officers and personnel privy to the confidential material information must sign a Non-Disclosure Agreement to ensure that they keep the confidential information secret and avoid any misappropriation or misuse of such confidential information.</p>	
Explanation for departure		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure		
Timeframe		

Intended Outcome

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

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

Practice 3.2

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

Application	: Applied						
Explanation on application of the practice	<p>As highlighted in Practice 3.1, the Group has in place the Complaint Handling and Management Policies and Procedures as well as the Whistleblowing Policies and Procedures to provide an avenue for the employees and members of the public or any external party to raise concerns without fear of reprisal and to promote highest possible standards of ethical and level business conduct. The said policy clearly spells out the process flow to guide the employees to raise their concerns and the assurance that the whistleblower will not be at the risk of reprisal due to raising the concerns. The policy also provides a secure, convenient channel and protects the confidentiality of the employees who make the report. The Whistleblowing Policy is periodically communicated to employees to increase awareness.</p> <p>The Whistleblowing Policy is reviewed every two (2) years or as and when required. The Whistleblowing Policy was reviewed in August 2022 and changes were made to enhance the following: -</p> <ol style="list-style-type: none"> 1. The scope of investigation 2. Handling of anonymous whistleblower 3. Roles & responsibilities of Investigation Officer, Designated Person, Board Audit Committee, and Board of Directors 4. Inclusion of Senior Independent Non-Executive Director as one of the reporting channels 5. Policy in investigating whistleblowing report <p>According to the Whistleblowing Policy, the whistleblowing reports shall be forwarded in the following manner:</p> <table border="1" style="width: 100%;"> <thead> <tr> <th style="width: 50%;">Complaint against</th> <th style="width: 50%;">Report to</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> • Chairman of the AC </td> <td>Chairman of MBSB Board</td> </tr> <tr> <td> <ul style="list-style-type: none"> • Chairman of MBSB Board • Members of the Board of MBSB (other than Chairman of the AC) • CEO • Employees • Trainee </td> <td>Chairman of the AC</td> </tr> </tbody> </table>	Complaint against	Report to	<ul style="list-style-type: none"> • Chairman of the AC 	Chairman of MBSB Board	<ul style="list-style-type: none"> • Chairman of MBSB Board • Members of the Board of MBSB (other than Chairman of the AC) • CEO • Employees • Trainee 	Chairman of the AC
Complaint against	Report to						
<ul style="list-style-type: none"> • Chairman of the AC 	Chairman of MBSB Board						
<ul style="list-style-type: none"> • Chairman of MBSB Board • Members of the Board of MBSB (other than Chairman of the AC) • CEO • Employees • Trainee 	Chairman of the AC						

	<ul style="list-style-type: none"> Chairman of MBSB Board and Chairman of the AC 	Senior Independent Non-Executive Director (SINED)
Explanation for departure	<p>Whistleblowing by members of the public or any external party (including those received via the Customer Experience Management Department) will be channelled to the Chairman of MBSB, the Chairman of the AC or SINED, where applicable. The investigation and deliberation process would be completed within one (1) month from the day the report is received. The Chairman of MBSB, the Chairman of the AC or SINED, where applicable, may inform the whistleblower of the result of the investigation at his discretion.</p> <p>Similar policies have been established at the MBSB Bank level.</p> <p>The details on whistleblowing policy is available on the website at https://www.mbsb.com.my/whistleblower_policy.html (MBSB) and https://www.mbsbbank.com/whistleblowing-policy (MBSB Bank).</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure		
Timeframe		

Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.1

The board together with management takes responsibility for the governance of sustainability in the company including setting the company's sustainability strategies, priorities and targets.

The board takes into account sustainability considerations when exercising its duties including among others the development and implementation of company strategies, business plans, major plans of action and risk management.

Strategic management of material sustainability matters should be driven by senior management.

Application	:	Applied
Explanation on application of the practice	:	<p>Sustainability oversight and management across the organisation is ultimately the responsibility of the Boards. Key governance responsibilities for the Boards are as follows:</p> <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 <p>MBSB's sustainable governance structure ensures responsibility at all levels to meet our sustainability goals. In view of this, MBSB Bank has also established a Sustainability Working Group ("SWG") in 2021 to spearhead the integration and implementation of MBSB's planned sustainability initiatives moving forward. The SWG is responsible for the following:</p> <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 <p>The organisation recognises that the successful integration of sustainability begins by strengthening our governance structure and as such, the Board approved an overall sustainability governance mechanism including the RACI matrix (Responsible, Accountable, Consulted, and Informed) in July 2022 which clearly defined roles and responsibilities and specific accountabilities to manage sustainability bank-wide.</p> <p>The Boards, with the advice from Board Risk Management and Compliance Committee (BRMCC) and Risk Management Committee</p>

	<p>(RMC) are supported by the Management Committee (“MANCO”) who acts as the Sustainability Project Steering Committee. All sustainability matters, including reporting matters, are deliberated at the MANCO level. The MANCO is responsible for reporting to the Board on sustainability matters, provides alignment of sustainability strategy with overall business strategy, ensures that MBSB Bank’s sustainability plan is implemented and tracked, provides leadership over the implementation of sustainability strategy, and monitors key sustainability performance indicators.</p>	
<p>Explanation for departure</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>		
<p>Timeframe</p>		

Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.2

The board ensures that the company's sustainability strategies, priorities and targets as well as performance against these targets are communicated to its internal and external stakeholders.

Application	: Applied
Explanation on application of the practice	<p>MBSB Group conducted a stakeholder engagement process in 2022 to obtain input on matters that are material to MBSB Bank. The stakeholder engagement is intended to ensure that the company's sustainability strategies, priorities and targets as well as performance against these targets are communicated to internal and external stakeholders.</p> <p>MBSB Bank has constantly sought to ensure transparency and responsiveness in all communications with all key stakeholders to maintain rapport and build confidence in the business operations. MBSB continues to focus on key stakeholder groups that are most impacted by MBSB Bank's business. MBSB Bank actively and regularly engage both internal and external stakeholders to obtain information and addressing their concerns as well aligning sustainability strategy and business activities to fulfil stakeholders' expectations in order to stay abreast of stakeholder priorities.</p> <p>MBSB Bank also performs a materiality assessment annually to review material matters and ensure MBSB Bank remains agile in responding to changing stakeholder concerns and to stay ahead of the evolving market environment. In 2022, MBSB Bank continues to leverage virtual communication channels to seek input from internal and external stakeholders and these inputs were analysed as part of the materiality assessment process as well as the development of business plan and sustainability roadmap.</p> <p>Engagement sessions were held in December 2022 with the Board of Directors, Shariah Advisory Committee (SAC) and top management to vote on the importance and continued relevance of the 17 material matters identified in the MBSB Integrated Report 2021 and Sustainability Report 2021. The sessions also enable the Management to obtain opinions on points of improvement, enhancement and alignment with objectives of MBSB Group including possible consolidation of material matters, where relevant.</p> <p>An employee survey and external stakeholder survey was conducted from November 2022 to January 2023. The purpose of the survey was to understand and gather stakeholders' feedback on the relative</p>

	<p>importance of different economic, environmental, social and governance matters as stakeholders of MBSB Group.</p> <p>A focus group discussion (FGD) was held for MBSB Bank’s non-executive employees in November 2022. This was the first time that non-executive employees were engaged as part of the materiality assessment process. There were a total of 31 participants from non-executive employees.</p> <p>The purpose of the FGD was to understand any concerns from non-executive employees and to provide a platform to introduce sustainability concepts, MBSB’s annual reporting process and informally discuss MBSB sustainability initiatives and its outcomes.</p> <p>MBSB analysed and evaluated current and developing trends that may present risks or opportunities to the business as well affect stakeholders. The Boards indicated a preference for merging and consolidation of material matters, therefore, the total number of material matters was consolidated from 17 matters in 2021 to 14 matters in 2022.</p>
<p>Explanation for departure</p>	<p>:</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure</p>	<p>:</p>
<p>Timeframe</p>	<p>:</p>

Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.3

The board takes appropriate action to ensure they stay abreast with and understand the sustainability issues relevant to the company and its business, including climate-related risks and opportunities.

Application	:	Applied
Explanation on application of the practice	:	<p>The Boards are ultimately responsible for sustainability risk oversight within the Group. To ensure that the sustainability risk management of the Group is adequately managed, the Risk Management Committee ("RMC") at MBSB and the Board Risk Management and Compliance Committee ("BRMCC") at MBSB Bank (collectively, the "Board Risk Committees") have been set up. The respective Board Risk Committees will be responsible for establishing the risk management and internal controls of each entity, including sustainability related risks.</p> <p>The Group is constantly improving risk assessment and management systems in order to capture relevant ESG risks and opportunities. The Board of Directors and Senior Management remain committed to incorporating sustainability principles into all elements of our operations and are actively striving to incorporate them throughout the Bank.</p> <p>MBSB Bank had established Environmental, Social and Governance ("ESG") Risk Framework for Corporate Financing Customers and Sukuk Issuers, which aims to acts as a guide for staff to identify and assess ESG risk in corporate financing customers and sukuk issuers for MBSB Bank.</p> <p>The ESG framework is guided by Value-based Intermediation Financing and Investment Impact Assessment Framework ("VBIAF") and Climate Change & Principle-based Taxonomy ("CCPT") issued by BNM and it provides an outline of the governance for managing climate related risks and provides stringent procedures to perform ESG risk identification and assessment for customers and includes a general and industry specific exclusion list, which prohibits financing to customers who significantly endanger the environment.</p> <p>Additionally, MBSB Bank continues to uphold responsible and transparent financing practices for the customers while simultaneously protecting MBSB Bank from incurring material credit losses by minimising non-performing accounts. MBSB Bank's existing credit risk policy embeds social and environmental considerations into risk assessment criteria and ensures financing decisions do not incur negative impacts to MBSB Bank. A list of general and industry-specific exclusions for non-individual customers' financing guides decision-</p>

making process and mitigates MBSB Bank's exposure to adverse environmental and social risks.

In June 2022, MBSB introduced the MBSB Sustainability Framework which outlines MBSB approach towards sustainability throughout business activities and operations. The framework highlights initiatives and targets to balance economic value with social and environmental responsibility, thus, providing a structured flow for MBSB to incorporate sustainability considerations into its decision-making processes, operations, and overall strategy. The primary purpose of the framework is to ensure long-term viability and success of MBSB's sustainability integration. The framework was constructed and developed through extensive syndication and engagement with key members of MBSB's management as well as validation from the Board of Directors.

MBSB's goals and targets highlighted in Sustainability Framework are guided by the three primary sustainability pillars, in which MBSB aims to sharpen the focus on Shariah-guided financing and realise the vision to be a Top Progressive Islamic bank.

Financed emissions represent that most material source of emissions for banks and have increasingly attracted attention from regulators, investors, customers and other stakeholders. In July 2022, the Bank completed the Scope 3 financed emissions baseline calculation and became a Partnership for Carbon Accounting Financials (PCAF) signatory as the first step to embark into decarbonisation strategy. The financed emissions which were calculated based on the PCAF standard, was based on the Bank's financing outstanding as at 31 December 2021. Next step in the decarbonisation journey is to align to BNM's guidelines on climate risk management and scenario analysis. The Bank would also start to engage with clients and customers to assist them to reduce their carbon emissions as well as identify opportunities to collaborate with them to transition.

In March 2022, the Head of Sustainability Department of MBSB Bank was accepted by Bank Negara Malaysia (BNM) to participate as part of the JC3 Sub-committee on Bridging Data Gaps. This allows MBSB Bank to capitalise the large network of the JC3 and further demonstrated the MBSB Group's strong commitment towards supporting BNM's vision on climate change mitigation and adaptation.

MBSB is also fully supportive of BNM's Value Based-Intermediation (VBI) principles for all Islamic Financial Institutions (IFIs) to focus on adoption of relevant practices, offerings and conduct that generate positive and sustainable impact to the economy, community and environment, consistent with the shareholders' sustainable returns and long-term interests. With this in mind, in December 2022, MBSB Bank participated as a member of VBI Community of Practitioners (VBI CoP) under the association of Islamic Banking and Financial Institutions Malaysia (AIBIM). MBSB Bank's participation would assist us to build capacity for VBI implementation and collaborative opportunities. This

	will be directly useful for MBSB Bank given that the risk acceptance criteria (RACs) for palm oil and other new RACs for construction and manufacturing in the pipeline to be developed by the Risk Management Division and the Sustainability Department will refer to the VBIAF Sectoral Guides.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.4

Performance evaluations of the board and senior management include a review of the performance of the board and senior management in addressing the company’s material sustainability risks and opportunities.

Application	:	Applied	
Explanation on application of the practice	:	<p>Board Effectiveness Evaluation conducted in 2022 contains an assessment on Board effectiveness in overseeing the development and implementation of sustainability strategies and ensuring ESG aspects are appropriately balances with the interest of various stakeholders.</p> <p>Based on the results of the Board Effectiveness Evaluation, the Boards recognised the importance of integration of sustainability and ESG consideration as part of the business strategy and satisfied with the Group’s sustainability progress and performance.</p> <p>The Boards provide oversight on the management of sustainability matters at MBSB and MBSB Bank and ensure ESG considerations are incorporated in the business plans.</p> <p>To demonstrate top management’s commitment on sustainability risks and opportunities, the completion of Sustainability Framework was included in the GCEO and Chief Strategy Officer (“CSO”) 2022 Scorecards. In June 2022, the Board approved the Sustainability Framework for the MBSB Group. The Framework main intention was to provide a structured flow for MBSB Group to incorporate sustainability considerations into their decision-making processes, operations, and overall strategy.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.5- Step Up

The board identifies a designated person within management, to provide dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the company.

<i>Note: The explanation on adoption of this practice should include a brief description of the responsibilities of the designated person and actions or measures undertaken pursuant to the role in the financial year.</i>	
Application	: Adopted
Explanation on adoption of the practice	: In February 2022, MBSB Bank has set up a Sustainability Department under the Corporate Strategy Division and appointed a Head of Sustainability who reports to the Chief Strategy Officer (“CSO”). The key measures undertaken in 2022 to integrate sustainability considerations bank-wide include the following: <ul style="list-style-type: none">• Development of a comprehensive sustainability framework for the organisation. The framework, which was approved by the Board in June 2022, is aimed at integrating sustainability into the bank’s business strategy and operations. The framework has 11 goals, 24 initiatives with 72 targets that will need to be implemented over a span of several years.• Oversight of the development of the financed emissions baseline which is the first step in constructing our net zero strategy. MBSB Bank defined the scope of client-generated emissions resulting from financing activities using the Partnership of Carbon Accounting Financials (PCAF) standard which is the first step to demonstrate our compliance to BNM’s PD on Climate Risk Management and Scenario Analysis.• Obtained Board approval of the overall sustainability governance mechanism and financed emissions governance process including the RACI matrix (Responsible, Accountable, Consulted, and Informed) which clearly defined roles and responsibilities and specific accountabilities to manage sustainability bank-wide. <p>The Sustainability Department developed a series of sustainability strategy papers/ insights that provided an analysis of the rapidly evolving sustainability regulatory landscape and the potential challenges and opportunities that will impact MBSB Bank as a result. These strategic papers/ insights were updated to the Boards and include the following:</p> <ol style="list-style-type: none">1. Gap Analysis and Strategy to Address EPF’s Sustainable Investment Priority Sector Policy (Banking), Climate Change

	<p>Issue Policy and Workers' Wellbeing Issue Policy (presented to Board in May 2022)</p> <ol style="list-style-type: none">2. Gap Analysis and Strategy to Address BNM's Exposure Draft on Climate Risk and Scenario Analysis Requirements (presented to Board in August 2022)3. Gap Analysis and Strategy to Improve to Data Gathering Governance Process for Scope 3 Financed Emissions (also presented in August 2022)4. Client Engagement Strategy for Climate Risk (presented in Sept 2022)
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Intended Outcome

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

Practice 5.1

The Nomination Committee should ensure that the composition of the board is refreshed periodically. The tenure of each director should be reviewed by the Nomination Committee and annual re-election of a director should be contingent on satisfactory evaluation of the director's performance and contribution to the board.

Application	:	Applied						
Explanation on application of the practice	:	<p>The NRC and BNRC reviews the composition of the Board and the tenure of the Directors on annual basis to ensure that the Boards has the right mix of skills and experience, diversity and other qualities including core competences which the directors should bring to the Boards. The NRC and BNRC also review the succession plan for the Boards and key Management.</p> <p>NRC had reviewed the Board and Board Committees composition and had identified the selection criteria for the new appointment i.e. Director with accounting/ finance and banking background. The NRC then sourced for potential candidates based on the selection criteria and also considered gender diversity for the Board of MBSB. NRC had evaluated several candidates and had proposed Datin Hoi Lai Ping ("Datin Hoi") to be appointed as Independent Non-Executive Director of MBSB. Datin Hoi is a Fellow of CPA Australia and a Member of Malaysian Institute of Accountants ("MIA").</p> <p>Datin Hoi was appointed as Independent Non-Executive Director of MBSB effective 1 March 2022 after MBSB secured the necessary approval from the regulator for the appointment.</p> <p>The NRC is also responsible in accessing and recommending the retiring Directors for re-election at the AGM for MBSB.</p> <p>The provision on retirement of Directors are provided in the Constitution of MBSB as follows:</p> <table border="1"><thead><tr><th>Clause No.</th><th>Description</th></tr></thead><tbody><tr><td>90</td><td>The Board shall have power from time to time and at any time to appoint any person to be a director, either to fill a casual vacancy or as an addition to the Board, provided that the total number of directors shall not exceed the prescribed maximum. A director so appointed shall hold office only until the next annual general meeting, and shall be then be eligible for re-election.</td></tr><tr><td>100</td><td>At each AGM, one-third of the Directors for the time being, or if their number is not three or a multiple of</td></tr></tbody></table>	Clause No.	Description	90	The Board shall have power from time to time and at any time to appoint any person to be a director, either to fill a casual vacancy or as an addition to the Board, provided that the total number of directors shall not exceed the prescribed maximum. A director so appointed shall hold office only until the next annual general meeting, and shall be then be eligible for re-election.	100	At each AGM, one-third of the Directors for the time being, or if their number is not three or a multiple of
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100	At each AGM, one-third of the Directors for the time being, or if their number is not three or a multiple of							

		<p>three, then the number nearest to one third, shall retire from office at the conclusion of the meeting PROVIDED ALWAYS that all Directors shall retire from office once at least in each three (3) years. A Director retiring at a meeting shall retain office until the close or adjournment of the meeting.</p>
	101	<p>An election of Directors shall take place each year and a retiring Director shall be eligible for re-election.</p>
<p>Explanation for departure :</p>	<p>Pursuant to Clause 90 of the Company’s Constitution, Datin Hoi shall hold office until the AGM in 2022 and was eligible to stand for re-election. Datin Hoi had offered herself for re-election and was duly re-elected.</p> <p>Pursuant to Clause 100 of the Company’s Constitution, Puan Lynette Yeow Su-Yin (“Puan Lynette”) and Encik Lim Tian Huat were due for retirement at the AGM in 2022 and both Directors were eligible to stand for re-election. Puan Lynette had offered herself for re-election at the AGM and was duly re-elected.</p> <p>Encik Lim Tian Huat did not seek for re-election at the AGM after having served on the Board of MBSB for more than 11 years since his appointment as Director on 4 April 2011. Hence, he retained office until the conclusion of the 52nd AGM, and retired in accordance with Clause 100 of the Company’s Constitution</p> <p>The retiring Directors had abstained from deliberations and decisions on their own eligibility to stand for re-election at the relevant Board and NRC meeting. The Board and NRC had considered the performance and contribution of each of the retiring Directors and also assessed the independence of the Independent Non-Executive Directors seeking re-election.</p> <p>The assessment for the re-election of director had taken into account the service tenure of the directors in accordance with the Board Charter.</p> <p>Please refer to the explanation in Practice 5.7 for more information.</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure :</p>		

Timeframe	:		
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Intended Outcome

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

Practice 5.2

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

Application	:	Applied																													
Explanation on application of the practice	:	<p>Having a majority of Independent Directors on the Board can bring expertise and objectivity, which would assure that the Group is effectively managed and in the best interest of stakeholders.</p> <p>As at 31 December 2022, the Board of MBSB and MBSB Bank was made up of 71.44% Independent Directors.</p> <table border="1"><thead><tr><th rowspan="2">Designation</th><th colspan="2">MBSB</th><th colspan="2">MBSB Bank</th></tr><tr><th>Number of Directors</th><th>Percentage (%)</th><th>Number of Directors</th><th>Percentage (%)</th></tr></thead><tbody><tr><td>Non-Independent Executive Director</td><td>1</td><td>14.28</td><td>1</td><td>14.28</td></tr><tr><td>Non-Independent Non-Executive Director</td><td>1</td><td>14.28</td><td>1</td><td>14.28</td></tr><tr><td>Independent Non-Executive Director</td><td>5</td><td>71.44</td><td>5</td><td>71.44</td></tr><tr><td>Total</td><td>7</td><td>100.00</td><td>7</td><td>100.00</td></tr></tbody></table> <p>The Independent Non-Executive Directors are independent of Management and free from any business or other relationship with the Company and the Group, which could materially affect the exercise of their independent judgment. The number of Independent Directors fulfils the requirement of Bursa Malaysia for one-third of Board members to be independent and contributes towards greater impartiality and objectivity in the Board's decision-making process.</p> <p>Each Independent Director is required to submit an annual declaration of their independence. The Boards, through the NRC/ BNRC, will assess the Independent Directors annually. The following are considered when assessing the Directors' independence:</p> <ul style="list-style-type: none">• Fulfilment of all criteria under definition of Independent Director as stated in BNM Corporate Governance Policy and Bursa Malaysia's MMLR;	Designation	MBSB		MBSB Bank		Number of Directors	Percentage (%)	Number of Directors	Percentage (%)	Non-Independent Executive Director	1	14.28	1	14.28	Non-Independent Non-Executive Director	1	14.28	1	14.28	Independent Non-Executive Director	5	71.44	5	71.44	Total	7	100.00	7	100.00
Designation	MBSB			MBSB Bank																											
	Number of Directors	Percentage (%)	Number of Directors	Percentage (%)																											
Non-Independent Executive Director	1	14.28	1	14.28																											
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Independent Non-Executive Director	5	71.44	5	71.44																											
Total	7	100.00	7	100.00																											

- Ability to function as a check and balance and bring an element of objectivity to the Board;
- Ability to constantly challenge the Management effectively and constructively;
- Actively participate and provide independent advice in all Board/Board Committees discussion; and
- Ability to act in the best interests of the Company and the Group.

The Board was satisfied with the results of the FY2022 independence assessment of the Directors. The outcome indicated that the Independent Directors were independent of management and free of any interest, position, association, or other relationship that might materially influence their capacity to act objectively in the Group and its stakeholders' best interests.

A similar process was also carried out at MBSB Bank to determine the Directors independence.

Board Composition of MBSB as at 31 December 2022

#	Name of Director	Designation
1	The late Tan Sri Azlan bin Zainol	Chairman, Non-Independent Non-Executive Director
2	Puan Lynette Yeow Su-Yin	Senior Independent Non-Executive Director
3	Encik Szalaza bin Zainuddin*	Non-Independent Executive Director
4	Ir. Moslim bin Othman	Independent Non-Executive Director
5	Encik Mohamad Abdul Halim bin Ahmad	Independent Non-Executive Director
6	Dr. Loh Leong Hua	Independent Non-Executive Director
7	Datin Hoi Lai Ping (appointed on 1 March 2022)	Independent Non-Executive Director

*** Note:**

Encik Szalaza bin Zainuddin does not hold any executive position in MBSB and does not have any management responsibilities in MBSB. His designation as Non-Independent Executive Director of MBSB is pursuant to the definition of "Executive Director" in BNM's Guidelines on Corporate Governance, which defines "Executive Director" as a director of a financial institution who has management responsibilities in the financial institution or any of its affiliates. EPF is an affiliate of MBSB, and Encik Szalaza bin Zainuddin has management responsibilities in EPF.

		Board Composition of MBSB Bank as at 31 December 2022																									
		<table border="1"> <thead> <tr> <th>#</th> <th>Name of Director</th> <th>Designation</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>The late Tan Sri Azlan bin Zainol</td> <td>Chairman, Non-Independent Non-Executive Director</td> </tr> <tr> <td>2</td> <td>Datuk Johar bin Che Mat</td> <td>Senior Independent Non-Executive Director</td> </tr> <tr> <td>3</td> <td>Encik Szalaza Bin Zainuddin*</td> <td>Non-Independent Executive Director</td> </tr> <tr> <td>4</td> <td>Datuk Azrulnizam bin Abdul Aziz</td> <td>Independent Non-Executive Director</td> </tr> <tr> <td>5</td> <td>Encik Kamarulzaman Ahmad</td> <td>Independent Non-Executive Director</td> </tr> <tr> <td>6</td> <td>Encik Arul Sothy Mylvaganam</td> <td>Independent Non-Executive Director</td> </tr> <tr> <td>7</td> <td>Encik Ho Kwong Hoong</td> <td>Independent Non-Executive Director</td> </tr> </tbody> </table>		#	Name of Director	Designation	1	The late Tan Sri Azlan bin Zainol	Chairman, Non-Independent Non-Executive Director	2	Datuk Johar bin Che Mat	Senior Independent Non-Executive Director	3	Encik Szalaza Bin Zainuddin*	Non-Independent Executive Director	4	Datuk Azrulnizam bin Abdul Aziz	Independent Non-Executive Director	5	Encik Kamarulzaman Ahmad	Independent Non-Executive Director	6	Encik Arul Sothy Mylvaganam	Independent Non-Executive Director	7	Encik Ho Kwong Hoong	Independent Non-Executive Director
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Explanation for departure	:																										
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>																											
Measure	:																										
Timeframe	:																										

Intended Outcome

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

Practice 5.3

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

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

Application	:	Applied	
Explanation on application of the practice	:	For the year under review, none of the Independent Director of MBSB have served more than (9) years in MBSB Group.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.4 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years without further extension.

Note: To qualify for adoption of this Step Up practice, a listed issuer must have a formal policy which limits the tenure of an independent director to nine years without further extension i.e. shareholders' approval to retain the director as an independent director beyond nine years.

Application :	Not Adopted
Explanation on adoption of the practice :	

Intended Outcome

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

Practice 5.5

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

Directors appointed should be able to devote the required time to serve the board effectively. The board should consider the existing board positions held by a director, including on boards of non-listed companies. Any appointment that may cast doubt on the integrity and governance of the company should be avoided.

Application	:	Applied
Explanation on application of the practice	:	<p>The Boards recognise and embrace the benefits of having a diverse Board to ensure that the Board can perform effectively by providing the necessary range of perspectives, experience and expertise. The Boards are committed to Board diversity and, at the same time, will ensure that all appointments to the respective Boards are made based on merits while considering the needs and circumstances, the present size of the Board, suitability for the role, skills, experience, knowledge, experience and diversity.</p> <p><u>Board appointment</u></p> <p>The Board has established a formal and transparent procedure for the appointment of new directors. The process of appointment is detailed out is as follows:</p> <ol style="list-style-type: none">1. Identification of Skills and Qualifications2. Selection of Candidates3. Fit and Proper Assessment on Candidates4. NRC/ BNRC deliberation5. Interaction with candidates6. Recommendation for Board's approval <p>A Board Skill Matrix was used to understand the capabilities and personal attributes of the existing Board members and use as a reference when considering the new appointment of directors. The NRC and BNRC have carried out the Fit and Proper Assessment on the candidates prior to recommending them to the Board for approval.</p> <p>The NRC and BNRC and the Boards also considered the existing directorship (including non-listed companies) of the candidates when considering the new appointment to ensure that they will be able to commit sufficient time to carry out their role as a Director and, where applicable, as a board committee member. As stated in the Board Charter, the Directors must not hold more than five (5) directorships in listed companies, listed collective investment schemes and issuers of any other listed securities.</p>

The Fit and Proper Policy outlined the criteria for the assessment of the suitability of the candidates for directorship, annual assessment for directors, re-election of directors and appointment/renewal of contracts for the GCEO, key senior management with C-Suites position and the Company Secretary:

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

In addition, background screening was conducted by independent party as part of the Fit & Proper Assessment. The background screening covers the following areas:-

- a. Identification check
- b. Malaysia Anti-Corruption Commission (“MACC”) check
- c. Malaysia / International Security check
- d. Insolvency search
- e. Global Integrity check
- f. Global Internet & Media search
- g. Industrial Courts Record check
- h. Educational loan check
- i. Professional Association Verification
- j. Malaysia Regulatory check
- k. Directorship check
- l. Civil Records check
- m. Unethical Financing & Money Laundering search
- n. Academic verification

In March 2022, the NRC and BNRC had conducted a Fit and Proper Review and Assessment on the C-Suites and the Company Secretary of the Group.

The C-Suites include the GCEO, the Chief Financial Officer, the Chief Compliance Officer, the Chief Internal Auditor, the Chief Risk Officer, the Chief People Officer, the Chief Operating Officer, the Chief Technology Officer, the Chief Corporate Officer, the Chief Strategy Officer and the Chief Treasurer and Capital Markets Officer. The NRC and BNRC were satisfied that all the above fulfilled the abovesaid requirements under the Fit and Proper Policy.

During the year, the NRC and BNRC also assessed the suitability of Acting Chief Executive Officer for the position of Group Chief Executive Officer (“GCEO”), as part of the C-Suite Succession Planning. On the recommendation of NRC and BNRC, the Boards had appointed Datuk Nor Azam M. Taib as the GCEO effective 1 July 2022.

	<p><u>Board Composition</u></p> <p>a) Board Size Through their respective NRC and BNRC, the Boards review the Board and Board committees' composition every year or as and when required. In 2022, the Board composition of MBSB and MBSB Bank have been reviewed in conjunction with the Board Effectiveness Evaluation to assess the optimum size and the required diversity. The Boards agreed that the current Board sizes are optimum to enable effective oversight and delegation of responsibilities and active participation.</p> <p>b) Board Diversity The Boards have adopted the Boardroom Diversity Policy, which covers diversity in terms of professional experience, skills, knowledge, education and background, age, ethnicity, culture and gender. The diversity of skill, experience, and knowledge of Board members in various disciplines and professions allows the Boards to address and/or resolve the various issues effectively and efficiently. A brief description of MBSB and MBSB Bank's Board members' background and experience is disclosed in the Directors Profile section of the Integrated Annual Report 2022.</p>	
<p>Explanation for departure</p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	<p>:</p>	
<p>Timeframe</p>	<p>:</p>	

Intended Outcome

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

Practice 5.6

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

If the selection of candidates was based on recommendations made by existing directors, management or major shareholders, the Nominating Committee should explain why these source(s) suffice and other sources were not used.

Application	:	Applied
Explanation on application of the practice	:	<p>The Boards of MBSB and MBSB Bank have in the past obtained the curriculum vitae of the potential director candidates through various sources, including recommendations from existing board members, industry talent pool, independent search firms and independent directors' network.</p> <p>The NRC and BNRC had also sourced for potential candidates from the FIDE FORUM which provides Directors Register services, aside from recommendation by directors and major shareholders. The Directors Register by FIDE FORUM is a joint initiative by FIDE FORUM, BNM and Perbadanan Insurance Deposit ("PIDM") that aims to enhance board governance in the area of board rejuvenation and succession planning. The Directors Register provides potential candidates who possess the right skills, expertise and aptitude to contribute as director.</p> <p>The shortlisted candidates would be recommended to the NRC and BNRC for evaluation. The NRC and BNRC would also carry out the Fit and Proper Assessment of the candidates. An interaction session with the identified candidates would be carried out by the members of the NRC and BNRC prior to making the recommendation to the Boards for approval.</p> <p>Datin Hoi Lai Ping was appointed as Independent Non-Executive Director of MBSB effective 1 March 2022. Datin Hoi Lai Ping was one of the shortlisted candidates recommended by FIDE FORUM.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 5.7

The board should ensure shareholders have the information they require to make an informed decision on the appointment and reappointment of a director. This includes details of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the listed company as a whole. The board should also provide a statement as to whether it supports the appointment or reappointment of the candidate and the reasons why.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has upon recommendation by NRC, recommended the following directors to be re-elected as directors of MBSB at the AGM in 2022:-</p> <ol style="list-style-type: none">1. Puan Lynette Yeow Su-Yin (“Puan Lynette”)2. Datin Hoi Lai Ping (“Datin Hoi”) <p>The Board and NRC had considered the performance and contribution of each of the retiring Directors, the service tenure and assessed independence of the Independent Non-Executive Directors seeking re-election.</p> <p>The Board supported the re-election of Puan Lynette and Datin Hoi as directors of MBSB at the AGM in 2022 based on the following justification:-</p> <ol style="list-style-type: none">1. The Board and NRC has assessed both directors and satisfied that both directors are not disqualified under the Companies Act, 2016 and Section 68(1) of the Islamic Financial Services Act 2013 (“IFSA”). The Directors also complied with the Fit and Proper Requirements as prescribed in the Fit and Proper Policy.2. In addition, background screening was conducted by independent party for both directors. The background screening covers the following areas:-<ol style="list-style-type: none">a. Identification checkb. Malaysia Anti-Corruption Commission (“MACC”) checkc. Malaysia / International Security checkd. Insolvency searche. Global Integrity checkf. Global Internet & Media searchg. Industrial Courts Record checkh. Educational loan checki. Professional Association Verificationj. Malaysia Regulatory checkk. Directorship check

	<ul style="list-style-type: none"> l. Civil Records check m. Unethical Financing & Money Laundering search n. Academic verification <p>3. There was no adverse finding or any interest, position or relationship that might influence, or reasonably be perceived to influence found in the background screening that could materially affect the director’s capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of MBSB.</p> <p>4. The Board and NRC had also reviewed the performance of Puan Lynette and her meeting attendance at the Board and Board Committees in 2021. The Board and NRC were satisfied with the performance and the contribution by Puan Lynette to the Board. Puan Lynette participates actively in the deliberations during the Board and Board Committee meetings and was able to provide independent and diverse viewpoints. Puan Lynette also received high score in the peer evaluation which was part of the Board Effectiveness Assessment. Puan Lynette attended more than 95% of the Board and Board Committee meetings in 2021.</p> <p>5. The Board and NRC also supported the re-election of Datin Hoi based on her vast experience specialising in change management and financial services industry. The Board and NRC were of the view that she would be able to contribute in giving opinion and provide valuable insight particularly in relation to reorganisation/ reengineering of business/ structure etc. She was also a MIA member and she participates actively during the Board and Board Committee meetings.</p> <p>The resolutions on re-election of Puan Lynette and Datin Hoi as director of MBSB were approved by the shareholders at the AGM held on 9 June 2022.</p>
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

Intended Outcome

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

Practice 5.8

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

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

Intended Outcome

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

Practice 5.9

The board comprises at least 30% women directors.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	As at 31 December 2022, there were two (2) woman directors, i.e. Puan Lynette Yeow Su-Yin and Datin Hoi Lai Ping, out of a total of 7 directors, which constitute 28.5% of the Board.
		The Board has adopted a measurable objective of maintaining at least one (1) woman director.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board and NRC will continue to look for suitable female candidate in the board recruitment process. The Board and NRC are mindful of the importance of this practise and will consciously take into account the importance of gender diversity when sourcing for potential board candidates.
Timeframe	:	Within 2 years

Intended Outcome

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

Practice 5.10

The board discloses in its annual report the company’s policy on gender diversity for the board and senior management.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>The Board has not established a specific target or policy on gender diversity for the Board and the Senior Management.</p> <p>The Boards noted the importance to promote gender diversity. The standard selection criteria based on a compelling blend of competencies, skills, extensive experience and knowledge to strengthen the Board and Senior Management should remain a priority.</p> <p>MBSB and MBSB Bank are guided by the Boardroom Diversity Policy in which the selection of Board candidates is based on merits and contributions that the selected candidate will bring to the Board. The NRC is responsible for ensuring that gender diversity objectives are adopted in the board recruitment and succession planning process.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Whilst the Board did not set a target or policy on gender diversity for the Board and Senior Management, the Board is committed to set a numerical target in its diversity policy and to track its performance against the target.	
Timeframe	:	Within 3 years	

Intended Outcome

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

Practice 6.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out its outcome, actions taken and how it has or will influence board composition.

For Large Companies, the board engages an independent expert at least every three years, to facilitate objective and candid board evaluation.

<i>Note: For a Large Company to qualify for adoption of this practice, it must undertake annual board evaluation and engage an independent expert at least every three years to facilitate the evaluation.</i>	
Application :	Applied
Explanation on application of the practice :	<p>On an annual basis, the NRC and BNRC review the effectiveness of the Board and the Board Committees as well as the performance of individual Directors.</p> <p>In 2020, with NRC/ BNRC's recommendation, the Boards had appointed FIDE FORUM, an independent external party to conduct Board Effectiveness Evaluation on MBSB and MBSB Bank. The Board Effectiveness Evaluation was conducted jointly by FIDE FORUM and PricewaterhouseCoopers.</p> <p>In 2022, the Board Effectiveness Evaluation was conducted in-house and adopts the assessment format proposed by FIDE FORUM in 2020.</p> <p>The approach of the assessment was as follows:-</p> <ol style="list-style-type: none">1. Customised questionnaire to assess the Board's, Board Committees' and individual Directors' performance and leadership qualities2. Key evaluation parameters have taken into account matters specific to Islamic Finance and include critical areas for Board's oversight such as Crisis Management and Business Continuity, Digitalisation/Technology and Non-Financial Reporting.3. The Questionnaire was developed to meet the broad objectives of corporate governance codes and guidelines. <p>The evaluation covers the following key areas: -</p> <p><u>Board and Board Committee effectiveness</u></p> <ol style="list-style-type: none">a. Overall Board Effectivenessb. Board Responsibilitiesc. Board Compositiond. Board Remuneratione. Board Committeesf. Board Cultureg. Chairmanh. Board Administration and Processi. Board Education

Directors' Self and Peer Effectiveness

- a. Board Dynamics and Participation
- b. Leadership, Integrity and Objectivity
- c. Knowledge and Expertise

Upon the completion of the questionnaire, the findings were presented to the NRC/BNRC for review and subsequently to the Boards.

The Board Effectiveness Evaluation Report indicated that the Boards are able to fulfil its responsibilities and mandate in providing oversight of MBSB and MBSB Bank as demonstrated through effective contribution and commitment by individual Directors. The Boards also have common shared values and purpose such as independence and integrity, objectivity and transparency, value creation and act in all stakeholders' interest.

The Board Effectiveness Evaluation Report also indicated that the Board Committees provides satisfactory support and value to the Board and can effectively discharge their functions and duties.

The NRC and BNRC have recommended some of the key areas for enhancement highlighted in the Board Effectiveness Evaluation Report as follows: -

MBSB

- 1. Board Remuneration
- 2. Succession planning for Board
- 3. Succession planning for key senior management and talent management
- 4. Board training and education
- 5. Oversight on business plan, strategic initiatives, KPI and performance of key talents
- 6. Continued focus in improving and strategising ESG initiatives
- 7. Continued focus on enhancing shareholders' value
- 8. Enhancing existing crisis management, Business Continuity Plan and cyber security

MBSB Bank

- 1. Board Remuneration
- 2. Consideration of sustainability and ESG into business strategy
- 3. Continued focus and prioritise strategic and critical discussions on long term and short-term strategies
- 4. Oversight on business plan, strategic initiatives, KPI and performance of key talents
- 5. Enhancing existing crisis management, Business Continuity Plan and cyber security
- 6. Board training and education
- 7. Succession planning for key senior management and talent management
- 8. Continued focus on enhancing products and services

The fit and proper assessments were also conducted annually for all Directors to ensure that all Directors fulfil the fit and proper criteria at all times.

The Boards are satisfied with the level of commitment given by the Directors during the year towards fulfilling their roles and responsibilities as Directors of MBSB. None of the Directors hold more than 5 directorships in listed issuers and the Directors attendance in the Meeting during the financial year 2022 was commendable.

In 2022, there were 28 and 26 Board meetings convened at MBSB's and MBSB Bank's Board respectively. All the Directors have complied with the minimum Board meeting attendance of 75% under BNM's CG Guidelines and as adopted by the Group.

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

MBSB:

#	Name of Director	Attendance at Meetings				
		Board	AC	RMC	NRC	RC
1	The late Tan Sri Azlan bin Mohd Zainol	26/28 (93%)				
2	Encik Szalaza bin Zainuddin	28/28 (100%)				14/15 (93%)
3	Puan Lynette Yeow Su-Yin	28/28 (100%)			12/12 (100%)	15/15 (100%)
4	Ir. Moslim bin Othman	28/28 (100%)		15/15 (100%)	12/12 (100%)	
5	Encik Mohamad Abdul Halim bin Ahmad	27/28 (96%)	19/19 (100%)	2/2 (100%)	7/7 (100%)	14/15 (93%)
6	Dr. Loh Leong Hua	28/28 (100%)	18/19 (95%)	14/15 (93%)		
7	Datin Hoi Lai Ping (Appointed on 1 March 2022)	24/24 (100%)	15/15 (100%)	13/13 (100%)		
8	Encik Lim Tian Huat (Retired on 9 June 2022)	13/13 (100%)	4/4 (100%)		5/5 (100%)	5/5 (100%)

MBSB Bank:

#	Name of Director	Attendance at Meetings					
		Board	BAC	BRMCC	BNRC	BICC	BITC
1	The late Tan Sri Azlan bin Mohd Zainol	24/26 (92%)					
2	Encik Szaliza bin Zainuddin	25/26 (96%)				24/24 (100%)	
3	Datuk Johar bin Che Mat	26/26 (100%)	10/10 (100%)		14/14 (100%)	24/24 (100%)	
4	Datuk Azrulnizam bin Abdul Aziz	25/26 (96%)			14/14 (100%)	24/24 (100%)	13/13 (100%)
5	Encik Kamarulzaman bin Ahmad	25/26 (96%)		18/18 (100%)			13/13 (100%)
6	Encik Arul Sothy Mylvaganam	24/26 (92%)	19/19 (100%)	18/18 (100%)			
7	Encik Ho Kwong Hoong	26/26 (100%)	19/19 (100%)	18/18 (100%)	10/10 (100%)		13/13 (100%)
8	Encik Aw Hong Boo (Retired on 9 June 2022)	14/14 (100%)	9/9 (100%)		4/4 (100%)		

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

The Boards through NRC and BNRC have also evaluated and identified the training requirement for 2022 based on the feedbacks received in the Board Effectiveness Evaluation. NRC and BNRC recommended and the Boards approved the following in-house training programmes for 2022:-

1. Cybersecurity, Disruptive Technology/ Digital, Information & Communication Technology
2. Sustainability
3. Transformation/ Change Management
4. Branding & Communications
5. Islamic Banking
6. AML/CFT & Anti-Corruption

The Directors attended various programmes, conferences, seminars, dialogues focusing on Corporate Governance, Information Technology / Digitalisation, Anti Money Laundering & Counter Financing Terrorism (AML/ CFT), Anti-bribery & Corruption, Cybersecurity, Accounting, Sustainability and Risk Management.

The Company Secretaries had arranged for the newly appointed director of MBSB i.e. Datin Hoi Lai Ping to attend Islamic Finance for Board of Directors Programme in 2022 as required by BNM.

All Directors of MBSB have attended the Mandatory Accreditation Programme (“MAP”) as required by Bursa Malaysia Securities Berhad.

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

The late Tan Sri Azlan bin Mohd Zainol

1.	Digital Strategy for Banks (6 April 2022)
2.	Corporate Governance, MACC Act 2009 & AMLACFT: Evolving Challenges & Expectation in Regulatory Compliance Programme (16 June 2022)
3.	Sustainability Charters under ESG Framework (EY) (1 June 2022)
4.	ESG and Value-Based Intermediaries Concept for Islamic Bank (1 August 2022)

Encik Szaliza bin Zainuddin

1.	Digital Strategy for Banks (6 April 2022)
2.	Corporate Governance, MACC Act 2009 & AMLACFT: Evolving Challenges & Expectation in Regulatory Compliance Programme (16 June 2022)
3.	Sustainability Charters under ESG Framework (EY) (1 June 2022)
4.	ISSA World Social Security Forum 2022 (21-30 October 2022)
5.	EPF Strategy Conference (19-20 October 2022)

Puan Lynette Yeow Su -Yin

1.	Digital Strategy for Banks (6 April 2022)
2.	Empowering & Rewarding the "Boardroom Brigade" - A Board Remuneration Masterclass (18 May 2022)
3.	Sustainability Charters under ESG Framework (EY) (1 June 2022)
4.	Corporate Governance, MACC Act 2009 & AMLACFT: Evolving Challenges & Expectation in Regulatory Compliance Programme (16 June 2022)
5.	Training on Information and Cyber Security and Branding & Communication (1 July 2022)
6.	ESG and Value-Based Intermediaries Concept for Islamic Bank (1 August 2022)
7.	FIDE FORUM - CGM Conversations with Chairmen: A Standing Item in Board (15 August 2022)
8.	Board Effectiveness Evaluation - Post- Launch Workshop 1 (5 September 2022)

Ir. Moslim bin Othman	
1.	Digital Strategy for Banks (6 April 2022)
2.	Empowering & Rewarding the "Boardroom Brigade" - A Board Remuneration Masterclass (18 May 2022)
3.	Sustainability Charters under ESG Framework (EY) (1 June 2022)
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5.	Training on Information and Cyber Security and Branding & Communication (1 July 2022)
6.	ESG and Value-Based Intermediaries Concept for Islamic Bank (1 August 2022)

Encik Mohamad Abdul Halim bin Ahmad	
1.	Digital Strategy for Banks (6 April 2022)
2.	Audit Oversight Board's Conversation with Audit Committees (7 April 2022)
3.	Sustainability Charters under ESG Framework (EY) (1 June 2022)
4.	Corporate Governance, MACC Act 2009 & AMLACFT: Evolving Challenges & Expectation in Regulatory Compliance Programme (16 June 2022)
5.	Training on Information and Cyber Security and Branding & Communication (1 July 2022)
6.	ESG and Value-Based Intermediaries Concept for Islamic Bank (1 August 2022)

Dr. Loh Leong Hua	
1.	BNM -FIDE FORUM Dialogue on Climate Risk Management and Scenario Analysis (8 March 2022)
2.	Digital Strategy for Banks (6 April 2022)
3.	Audit Oversight Board's Conversation with Audit Committees (7 April 2022)
4.	Talent Uprising - How Boards Should Rethink Their Talent Strategy in this ERA of Opportunity (19 May 2022)
5.	Sustainability Charters under ESG Framework (EY) (1 June 2022)
6.	Corporate Governance, MACC Act 2009 & AMLACFT: Evolving Challenges & Expectation in Regulatory Compliance Programme (16 June 2022)
7.	ESG and Value-Based Intermediaries Concept for Islamic Bank (1 August 2022)
8.	Environment, Social & Governance (ESG) and Climate Risk Impact on the Insurance Industry (23 August 2022)

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8.	GSC Engagement Session with The BOD – “Transcend MNRB Group to The Next Level of Takaful Innovation & Value Creation” (11 October 2022)
9.	MNRB – “Risk Management in Technology (RMiT) Briefing” (12 October 2022)
10.	MNRB – “Briefing on MFRS 17 Progress” (18 October 2022)

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Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 7.1

The board has remuneration policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The remuneration policies and practices should appropriately reflect the different roles and responsibilities of non-executive directors, executive directors and senior management. The policies and procedures are periodically reviewed and made available on the company's website.

Application :	Applied
Explanation on application of the practice :	<p>The Boards have established a formal Remuneration Framework for Directors. It is designed to support the strategies and long-term vision of MBSB and provide an adequate motivational incentive for Directors to pursue long-term growth and success of the Group.</p> <p>The Remuneration Framework for Directors was last reviewed in 2022 to incorporate the directors' fees and benefits approved by the shareholders at the AGM in 2022.</p> <p>The Remuneration Framework for Directors of MBSB is available on its website at: https://www.mbsb.com.my/MBSB_Remuneration_Framework_for_Directors.pdf.</p> <p>The NRC and BNRC are responsible to ensure that the Director's remuneration is competitive and aligns with the industry benchmark. The level of remuneration for the Directors shall be determined and recommended by the NRC and BNRC to the Boards after giving due consideration of all relevant factors including the Directors fiduciary duties, time commitments expected of the Directors, Company's performance, market conditions as well as the compensation level for comparable positions among other similar Malaysian public listed companies and similar sized financial institutions.</p> <p>With the Companies Act, 2016, BNM Guidelines, MCGG and MMLR in place, the duties and responsibilities of Boards have become onerous. As a result, the expectations of the Board Committees have increased. The Board Committees of MBSB and MBSB Bank are also carrying out the oversight responsibilities, particularly in ensuring that the Group complies with BNM guidelines to ensure that the current remuneration structure commensurate with the respective Directors' responsibilities.</p> <p>The NRC and BNRC review the structure of the Directors' Remuneration on an annual basis prior to making their recommendations to the Boards for approval.</p>

	<p>The NRC and BNRC may obtain advice from independent professional or other advice on the remuneration packages for the Board members, Shariah Advisory Committee members (at MBSB Bank-level) or employees in a similar industry as provided in the TOR.</p> <p>To ensure that the current remuneration structure commensurate with the respective Directors’ responsibilities and within industry benchmark, MBSB and MBSB Bank had appointed an external consultant, i.e., KPMG, in 2019 to review the remuneration structure of the Directors of MBSB and the Bank.</p> <p>As for Management, the remuneration packages of the GCEO, the C- Suites and the Company Secretary of the Group will be reviewed by the NRC and BNRC, and the same will be recommended to the Boards for decision. The remuneration of the GCEO, the C-Suites and the Company Secretary are based on their achievement of strategic initiatives established and approved by the Boards.</p> <p>The BNRC also reviews the remuneration package for the Shariah Advisory Committee Member (“SAC”) of MBSB Bank. The Board of MBSB Bank has established a Remuneration Framework for SAC in 2021.</p> <p>MBSB Bank has established a Remuneration Framework which applies to all MBSB Bank’s employees including senior management. Please refer to Section B of this CG Report for the details of the Remuneration Framework.</p>
Explanation : for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
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Intended Outcome

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

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

Practice 7.2

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

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

Application	:	Applied
Explanation on application of the practice	:	<p>The TOR of the NRC outlines the roles and responsibilities in relation to the nominating and remuneration matters and is available on MBSB's website at https://www.mbsb.com.my/TOR_NRC.pdf.</p> <p>The NRC and BNRC assessed on MBSB Group's Directors' fees and the benefits payable to the Directors of MBSB Group for the period from the date of 52nd AGM in 2022 until the next AGM of the Company in 2023 before making recommendation to the Boards.</p> <p>Although, the external consultant in the 2019 report had recommended an adjustment to align the remuneration of Directors, the Board had not recommended any increase. Similarly in 2022, the Boards, had decided in not to recommend any increase in the Directors' fee structure and payment of benefits for the period from the date of 52nd AGM i.e. 9 June 2022 until the next AGM in 2023 given the COVID-19 pandemic which had severely affected the Group, the financial sectors and the broader economy.</p> <p>The resolutions on Directors' fees structure and benefits payable to Directors were tabled at the 52nd AGM on 9 June 2022 in two (2) separate resolutions as follows:</p> <ul style="list-style-type: none">• Ordinary Resolution 1 - on the payment of Directors' fees payable to Directors for the period from the 52nd AGM to the 53rd AGM; and• Ordinary Resolution 2 – on the payment of benefits (excluding Director' fees) payable to Directors from the 52nd AGM to the 53rd AGM. <p>Both resolutions were duly passed.</p>

Directors' fees

The details of the Directors' fees structure are as follows: -

MBSB

Fees per annum	(RM)	
	Chairman	Member
Directors	140,000	100,000
Audit Committee	30,000	20,000
Risk Management Committee	30,000	20,000
Nominating & Remuneration Committee	25,000	15,000
Restructuring Committee	25,000	15,000

MBSB Bank

Fees per annum	(RM)	
	Chairman	Member
Directors	140,000	100,000
Board Audit Committee	30,000	20,000
Board Risk Management & Compliance Committee	30,000	20,000
Board Nominating & Remuneration Committee	25,000	15,000
Board Investment & Credit Committee	30,000	20,000
Board Information Technology Oversight Committee	25,000	15,000

The details of the benefits payable to Directors are as follows:

Board Meeting Allowance	RM3,000.00 per meeting
General Meeting Allowance	RM3,000.00 per meeting
Board Committee Meeting Allowance	RM2,000.00 per meeting
Any other meeting allowances (where the Directors are invited to attend)	RM2,000.00 per meeting
Other benefits	Company car and personal driver for Chairman, medical coverage, travel, communication, and other claimable benefits

GCEO and Senior Management

The GCEO's remuneration package is structured to link to corporate and individual performance, which comprises fixed and variable components,

	<p>determined based on the Key Performance Indicators, as approved by the Board. The 2021 Performance rewards for GCEO and senior management was reviewed by the NRC and the BNRC and was duly approved by the Boards in 2022.</p> <p>The NRC and BNRC also reviewed and recommended the contract for the GCEO and C-Suites position to the Boards.</p>	
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 8.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>In line with best corporate governance practice, the disclosure of the Directors' remuneration on a named basis has been made in the Annual Audited Financial Statements over the years.</p> <p>The remuneration of the directors comprises of fixed remuneration only.</p> <p>The detailed disclosure of remuneration breakdown for all Directors is set out in Note 36 of the Audited Financial Statements for the financial year ended 31 December 2022.</p> <p>The remuneration received by each of the directors of MBSB in 2022 is set out in the table below.</p> <p><i>Note:</i></p> <ol style="list-style-type: none"><i>50% of the directors' fees for Encik Sazaliza Bin Zainuddin is paid to the organisation to which the Director represents.</i><i>Encik Sazaliza Bin Zainuddin does not hold any executive position in MBSB and does not have any management responsibilities in MBSB. His designation as Non-Independent Executive Director of MBSB is pursuant to the definition of "Executive Director" in BNM's Guidelines on Corporate Governance, which defines "Executive Director" as a Director of a financial institution who has management responsibilities in the financial institution or any of its affiliates. EPF is an affiliate of MBSB, and Encik Sazaliza Bin Zainuddin has management responsibilities in EPF.</i>

No	Name	Directorate	Company ('000)							Group ('000)						
			Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total	Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total
1	The late Tan Sri Azlan bin Mohd Zainol	Non-Executive Non-Independent Director	140	39	0	0	0	0	179	280	111	0	0	31	0	422
2	Ir. Moslim bin Othman	Independent Director	145	142	0	0	0	0	287	145	142	0	0	0	0	287
3	Puan Lynette Yeow Su-Yin	Independent Director	136	142	0	0	0	0	278	136	142	0	0	0	0	278
4	Encik Szalaza bin Zainuddin	Executive Director	115*	73	0	0	0	0	188	235*	196	0	0	0	0	431
5	Dr. Loh Leong Hua	Independent Director	150	148	0	0	0	0	298	150	148	0	0	0	0	298
6	Datin Hoi Lai Ping	Independent Director	117	138	0	0	0	0	255	117	138	0	0	0	0	255
7	Encik Mohamad Abdul Halim bin Ahmad	Independent Director	157	167	0	0	0	0	324	157	167	0	0	0	0	324
8	Encik Lim Tian Huat	Non-Executive Non-Independent Director	73	67	0	0	0	0	140	73	67	0	0	0	0	140
9	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
10	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
11	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
12	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
13	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here

14	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
15	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here

Intended Outcome

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

Practice 8.2

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

Application	:	Departure												
Explanation on application of the practice	:													
Explanation for departure	:	<p>The Board is of the opinion that the remuneration of employees (including senior management) is strictly confidential, and disclosure of remuneration would encourage internal comparison and affects the employees' morale. In addition, disclosure of senior management's remuneration may give rise to the possibility of poaching by other competitors, given the highly competitive conditions in the banking industry.</p> <p>As an alternative to the recommended practice, the Board has opted to disclose the aggregate remuneration for the senior management as follows:</p> <table border="1" data-bbox="491 1193 1401 1630"> <thead> <tr> <th>Total value of remuneration for FY2022</th> <th>RM</th> </tr> </thead> <tbody> <tr> <td>Fixed Remuneration</td> <td></td> </tr> <tr> <td>- Cash-Based</td> <td>4,588,440 (Top 5 headcounts)</td> </tr> <tr> <td>Variable remuneration</td> <td></td> </tr> <tr> <td>- Cash-Based</td> <td>1,310,519 (Top 5 headcounts)</td> </tr> <tr> <td colspan="2">Definition: Senior management (including GCEO) comprises MBSB Bank Senior Officers in the category of C-Suites positions and the Company Secretary of MBSB Group.</td> </tr> </tbody> </table>	Total value of remuneration for FY2022	RM	Fixed Remuneration		- Cash-Based	4,588,440 (Top 5 headcounts)	Variable remuneration		- Cash-Based	1,310,519 (Top 5 headcounts)	Definition: Senior management (including GCEO) comprises MBSB Bank Senior Officers in the category of C-Suites positions and the Company Secretary of MBSB Group.	
Total value of remuneration for FY2022	RM													
Fixed Remuneration														
- Cash-Based	4,588,440 (Top 5 headcounts)													
Variable remuneration														
- Cash-Based	1,310,519 (Top 5 headcounts)													
Definition: Senior management (including GCEO) comprises MBSB Bank Senior Officers in the category of C-Suites positions and the Company Secretary of MBSB Group.														
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>														
Measure	:	The Board will closely monitor the developments in the market in respect of such disclosure for future consideration.												
Timeframe	:	Within 3 years												

No	Name	Position	Company					
			Salary	Allowance	Bonus	Benefits	Other emoluments	Total
1	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
2	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
3	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
4	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
5	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.

Intended Outcome

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

Practice 8.3 - Step Up

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

Application	:	Not Adopted
Explanation on adoption of the practice	:	

No	Name	Position	Company ('000)					
			Salary	Allowance	Bonus	Benefits	Other emoluments	Total
1	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
2	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
3	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
4	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
5	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 9.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>Both the AC and BAC are chaired by Independent Directors who possess the relevant qualifications and have extensive experience in accounting and finance.</p> <p>The AC is chaired by Encik Mohamad Abdul Halim bin Ahmad, an Associate Member of Institute of Chartered Accountants England and Wales ("ICAEW") and a member of the MIA. Encik Halim is not the Chairman of the Board of MBSB.</p> <p>The BAC is chaired by Encik Arul Sothy Mylvaganam, a Fellow of ACCA and CPA Australia and a member of MIA. Encik Arul Sothy Mylvaganam is not the Chairman of the Board of MBSB Bank.</p> <p>A brief description of the background and experience of the AC and BAC chairman are disclosed in the Directors Profile section of the Integrated Annual Report 2022.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 9.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>None of the AC and BAC members was a former key audit partner in the past three years.</p> <p>The requirement to observe a cooling-off period of three years for appointment of AC and BAC members is stated in the respective Terms of Reference.</p> <p>The Terms of Reference of AC and BAC are available at https://www.mbsb.com.my/TOR_AC.pdf and https://www.mbsbbank.com/TOR_BAC.pdf respectively.</p> <p>The requirement to observe a cooling-off period of three years is also stated in the External Auditor Policy.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 9.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor to safeguard the quality and reliability of audited financial statements.

Application	:	Applied
Explanation on application of the practice	:	<p>The procedures to assess the suitability, objectivity and independence of the External Auditor have been established via the External Auditor Policy, in line with BNM's External Auditor Policy and MCCG. The External Auditor Policy was last reviewed on 27 October 2021 to incorporate new requirements set out in BNM's External Auditor Policy and MCCG.</p> <p>The AC and the BAC are responsible for reviewing and monitoring the independence and objectivity of the external auditor annually. The External Auditor Policy is to provide guidance to MBSB Group on the processes and procedures to review the independence of the External Auditors. The review encompasses an assessment of the qualifications and performance of the auditors, the quality and the auditor's communication with the AC and the BAC, the auditor's independence, objectivity and professional scepticism.</p> <p>The External Auditor appointed by the Group shall meet the qualification criteria set out in the External Auditor Policy, particularly on the audit engagement team involved in making key decisions on significant matters. The AC and BAC shall also ensure that the provision of non-audit services by the External Auditor does not impair, either in fact or appearance, the auditor's objectivity, judgment or independence.</p> <p>In 2022, the AC and the Board have assessed the performance of the external auditor, Messrs. PricewaterhouseCoopers PLT ("PwC") for the financial year 2021. The AC and the Board were satisfied with the performance and the quality of the deliverables by PwC. The AC and the Board are also satisfied with their review that the non-audit services provided by PwC and its affiliates in financial year 2021 did not in any way impair their objectivity and independence as external auditors of the Group. On the recommendation by AC and BAC, the Boards have approved the submission of the application to re-appoint PwC as External Auditors of MBSB and MBSB Bank for financial year 2022 to the regulator.</p>

	<p>The regulator had approved the application for the re-appointment of PwC as External Auditors of MBSB and MBSB Bank.</p> <p>A resolution to re-appoint PwC as External Auditors of MBSB was tabled at the 52nd AGM on 9 June 2022. The resolution was duly passed.</p> <p>The roles of the AC and BAC in relation to the internal and external auditor are described in the Report of the Audit Committee section of the Integrated Annual Report 2022.</p>	
<p>Explanation for departure</p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	<p>:</p>	
<p>Timeframe</p>	<p>:</p>	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 9.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted								
Explanation on adoption of the practice	:	<u>Composition of the AC as at 31 December 2022 as follows: -</u> <table border="1"><thead><tr><th>COMMITTEE MEMBER</th><th>DESIGNATION</th></tr></thead><tbody><tr><td>Encik Mohamad Abdul Halim bin Ahmad</td><td>Chairman, Independent Non-Executive Director</td></tr><tr><td>Dr. Loh Leong Hua</td><td>Member, Independent Non-Executive Director</td></tr><tr><td>Datin Hoi Lai Ping</td><td>Member, Independent Non-Executive Director</td></tr></tbody></table>	COMMITTEE MEMBER	DESIGNATION	Encik Mohamad Abdul Halim bin Ahmad	Chairman, Independent Non-Executive Director	Dr. Loh Leong Hua	Member, Independent Non-Executive Director	Datin Hoi Lai Ping	Member, Independent Non-Executive Director
COMMITTEE MEMBER	DESIGNATION									
Encik Mohamad Abdul Halim bin Ahmad	Chairman, Independent Non-Executive Director									
Dr. Loh Leong Hua	Member, Independent Non-Executive Director									
Datin Hoi Lai Ping	Member, Independent Non-Executive Director									

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 9.5

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

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

Application	:	Applied										
Explanation on application of the practice	:	<p>All the AC and BAC members are financially literate, possess adequate knowledge and experience to understand and deliberate matters under the Audit Committee's purview, including the financial reporting process.</p> <p><u>Composition of the AC and BAC as at 31 December 2022</u></p> <table border="1"><thead><tr><th>AC</th><th>BAC</th></tr></thead><tbody><tr><td>Encik Mohamad Abdul Halim bin Ahmad (Chairman) <i>(Independent Non-Executive Director)</i></td><td>Encik Arul Sothy Mylvaganam (Chairman) <i>(Independent Non-Executive Director)</i></td></tr><tr><td>Dr. Loh Leong Hua (Member) <i>(Independent Non-Executive Director)</i></td><td>Encik Ho Kwong Hoong (Member) <i>(Independent Non-Executive Director)</i></td></tr><tr><td>Datin Hoi Lai Ping (Member) <i>(Independent Non-Executive Director)</i> <i>(appointed as AC member on 1 March 2022)</i></td><td>Datuk Johar bin Che Mat <i>(Senior Independent Non-Executive Director)</i> <i>(appointed as BAC member on 9 June 2022)</i></td></tr><tr><td>Encik Lim Tian Huat <i>(Non-Independent Non-Executive Director)</i> <i>(resigned as AC member on 1 March 2022)</i></td><td>Encik Aw Hong Boo <i>(Non-Independent Non-Executive Director)</i> <i>(vacated due to retirement as director on 9 June 2022)</i></td></tr></tbody></table> <p>Further information on the background and experience of the AC and BAC members are disclosed in the Directors Profile section of the Integrated Annual Report 2022.</p>	AC	BAC	Encik Mohamad Abdul Halim bin Ahmad (Chairman) <i>(Independent Non-Executive Director)</i>	Encik Arul Sothy Mylvaganam (Chairman) <i>(Independent Non-Executive Director)</i>	Dr. Loh Leong Hua (Member) <i>(Independent Non-Executive Director)</i>	Encik Ho Kwong Hoong (Member) <i>(Independent Non-Executive Director)</i>	Datin Hoi Lai Ping (Member) <i>(Independent Non-Executive Director)</i> <i>(appointed as AC member on 1 March 2022)</i>	Datuk Johar bin Che Mat <i>(Senior Independent Non-Executive Director)</i> <i>(appointed as BAC member on 9 June 2022)</i>	Encik Lim Tian Huat <i>(Non-Independent Non-Executive Director)</i> <i>(resigned as AC member on 1 March 2022)</i>	Encik Aw Hong Boo <i>(Non-Independent Non-Executive Director)</i> <i>(vacated due to retirement as director on 9 June 2022)</i>
AC	BAC											
Encik Mohamad Abdul Halim bin Ahmad (Chairman) <i>(Independent Non-Executive Director)</i>	Encik Arul Sothy Mylvaganam (Chairman) <i>(Independent Non-Executive Director)</i>											
Dr. Loh Leong Hua (Member) <i>(Independent Non-Executive Director)</i>	Encik Ho Kwong Hoong (Member) <i>(Independent Non-Executive Director)</i>											
Datin Hoi Lai Ping (Member) <i>(Independent Non-Executive Director)</i> <i>(appointed as AC member on 1 March 2022)</i>	Datuk Johar bin Che Mat <i>(Senior Independent Non-Executive Director)</i> <i>(appointed as BAC member on 9 June 2022)</i>											
Encik Lim Tian Huat <i>(Non-Independent Non-Executive Director)</i> <i>(resigned as AC member on 1 March 2022)</i>	Encik Aw Hong Boo <i>(Non-Independent Non-Executive Director)</i> <i>(vacated due to retirement as director on 9 June 2022)</i>											

	<p>The AC and BAC members have attended various conferences and training programmes during 2022 to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. The list of programmes, conferences, seminars or dialogues attended by each AC and BAC members are disclosed in the explanation on Practice 6.1.</p> <p>The NRC and BNRC have assessed the performance of the AC, BAC and its members through an annual Board Committee effectiveness evaluation. The assessment report indicated that the Boards are satisfied with the overall effectiveness and performance of the AC and BAC and agree that AC and BAC have provided satisfactory support and value to the Boards.</p> <p>The AC and BAC members have carried out their duties in accordance with the TOR which is available on website at https://www.mbsb.com.my/TOR_AC.pdf and https://www.mbsbbank.com/TOR_BAC.pdf respectively.</p> <p>A summary of the AC and BAC's work in discharging their functions and duties for the financial year 31 December 2022 is described in the Report of the Audit Committee section of the Integrated Annual Report 2022.</p>
Explanation for departure :	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
Measure :	
Timeframe :	

Intended Outcome

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

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

Practice 10.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is fully aware of its overall responsibility and recognises the importance of maintaining a sound risk management and internal control system, including reviewing the adequacy, integrity and effectiveness of the system to safeguard shareholders' investments and the Group's assets.</p> <p>The Board oversees the risk management and internal controls of MBSB Group and endeavours to ensure that principal risks are identified and appropriate internal controls and mitigation measures are being implemented. To ensure that the risk management of MBSB Group is adequately managed, the Risk Management Committee ("RMC") at MBSB and the Board Risk Management and Compliance Committee ("BRMCC") at MBSB Bank (collectively, the "Board Risk Management Committees") have been set up. The respective Board Risk Management Committees will be responsible for establishing the risk management and internal controls of each entity, respectively.</p> <p>The Board remains committed to operating a sound risk management and internal control system and, therefore, recognise that the system must continuously be enhanced to support MBSB Group's businesses and operations in a dynamic business environment.</p> <p>The Board has ensured appropriate controls and processes (such as policies, procedures and risk limits within MBSB Group) are in place for identifying, measuring, monitoring, controlling and reporting of significant risks as well as emerging risks that may affect the achievement of business goals and objectives, taking into consideration the changes in the business environment and regulatory requirements. The outcome of this process is closely monitored and reported to MBSB and MBSB Bank's Board of Directors for deliberation. This ongoing process has been in place for the financial year-end and up to the date of approval of this Statement for inclusion in the MBSB's Integrated Annual Report 2022.</p> <p>The Board receives and reviews reports relating to the compliance status of the internal and regulatory requirements imposed on the respective MBSB Group entities. The Board deliberates on any gaps and deficiencies reported and direct the Management to take the necessary</p>

actions, including remedial plans and follow-up actions to ensure that the gaps and deficiencies are addressed.

The risk strategy of MBSB Group focuses on the fundamental principles with respect to MBSB Bank's risk appetite while balancing the need for competitive return on equity to improve the capital base. The risk strategies for year ended 31 December 2022 focused on the following:

- i) Promoting risk awareness and enhancing risk knowledge of MBSB Bank staff, which includes on policies and/ or procedures by organizing engagement sessions and/ or briefings between Risk Management Division and other divisions of MBSB Bank;
- ii) Introducing and/ or enhancing risk management tools, processes and reports to promote sound risk management practices;
- iii) System and/ or software implementation and process automation to promote effective and efficient risk monitoring; and
- iv) To ensure compliance to regulatory requirements in relation to Information Technology ("IT") infrastructure and strengthen the level of IT security within MBSB Bank.

The Boards, through the Board Risk Management Committees, provides oversight over the risk management activities within MBSB Group to ensure that MBSB Group's risk management processes are functioning effectively. The risk governance framework of MBSB Group is established to promote active involvement from the Boards or Board Risk Management Committees to the relevant Management Committees in the risk management process to ensure effective management of risk within MBSB Group. In this regard, the RMC at MBSB and BRMCC at MBSB Bank will ensure that the risk management framework is adequate at the respective entity.

The risk governance framework includes delegation of authority from the Boards to Management Committee as well as risk controls established for material activities to ensure that the MBSB Group operates within the risk appetite. To support the Boards, Board Risk Management Committees and the relevant Management Committees in discharging their oversight over risk, the responsibility within MBSB Group in addressing and managing the risk is clearly assigned through a "three lines of defence model".

MBSB Group's risk management framework requires robust risk management practices that are integrated in the key strategic, capital, financial planning processes, including new products or new business activities as well as day-to-day business process across the MBSB Group, thereby ensuring risks are appropriately considered, evaluated and responded to in a timely manner.

	The risk management and internal control framework is disclosed further in the Statement on Risk Management and Internal Control section of the Integrated Annual Report 2022.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

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

Practice 10.2

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

Application	:	Applied	
Explanation on application of the practice	:	The details and features of MBSB’s risk management and internal control framework and adequacy and effectiveness of the key risk management internal control processes are disclosed in the Statement on Risk Management and Internal Control section of the Integrated Annual Report 2022.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

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

Practice 10.3 - Step Up

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

Application	:	Adopted										
Explanation on adoption of the practice	:	<p>The RMC and BRMCC comprises wholly of Independent Directors.</p> <p><u>Composition of RMC and BRMCC as at 31 December 2022</u></p> <table border="1"><thead><tr><th>RMC</th><th>BRMCC</th></tr></thead><tbody><tr><td>Dr Loh Leong Hua (Chairman) <i>(Independent Non-Executive Director)</i></td><td>Encik Ho Kwong Hoong (Chairman) <i>(Independent Non-Executive Director)</i></td></tr><tr><td>Ir Moslim Othman (Member) <i>(Independent Non-Executive Director)</i></td><td>Encik Kamarulzaman bin Ahmad (Member) <i>(Independent Non-Executive Director)</i></td></tr><tr><td>Datin Hoi Lai Ping (Member) <i>(Independent Non-Executive Director)</i> <i>(appointed as RMC Member on 1 March 2022)</i></td><td>Encik Arul Sothy Mylvaganam (Member) <i>(Independent Non-Executive Director)</i></td></tr><tr><td>Encik Mohamad Abdul Halim bin Ahmad (Member) <i>(Independent Non-Executive Director)</i> <i>(resigned as RMC Member on 1 March 2022)</i></td><td></td></tr></tbody></table>	RMC	BRMCC	Dr Loh Leong Hua (Chairman) <i>(Independent Non-Executive Director)</i>	Encik Ho Kwong Hoong (Chairman) <i>(Independent Non-Executive Director)</i>	Ir Moslim Othman (Member) <i>(Independent Non-Executive Director)</i>	Encik Kamarulzaman bin Ahmad (Member) <i>(Independent Non-Executive Director)</i>	Datin Hoi Lai Ping (Member) <i>(Independent Non-Executive Director)</i> <i>(appointed as RMC Member on 1 March 2022)</i>	Encik Arul Sothy Mylvaganam (Member) <i>(Independent Non-Executive Director)</i>	Encik Mohamad Abdul Halim bin Ahmad (Member) <i>(Independent Non-Executive Director)</i> <i>(resigned as RMC Member on 1 March 2022)</i>	
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Intended Outcome

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

Practice 11.1

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

Application	: Applied
Explanation on application of the practice	<p>The Boards have the overall responsibility in maintaining a sound system of internal controls to safeguard shareholders' investment and the Company's assets. The Boards have established an in-house internal audit function for MBSB and MBSB Bank who reports directly to the AC and BAC respectively and administratively to the GCEO.</p> <p>The AC and BAC, through the Internal Audit Division ("IAD"), review the effectiveness of the system of internal controls, risk management, anti-corruption, whistleblowing and governance of the Group based on the risk-based audit plan. The review covers the financial, operational and compliance controls. In addition, IAD also provides consultancy services in relation to the review of policies and procedures.</p> <p>The IAD is independent of activities and processes to ensure that they are able to perform its duties objectively. The IAD operates under an Audit Charter mandated by the AC and BAC that gives them unrestricted access to review all activities of the Group. The Audit Charter is required to be reviewed once every two years or as and when is necessary. The Audit Charter was revised in 2022 in order to maintain relevancy and applicability as well as to be updated in line the International Professional Practice Framework ("IPPF") standards.</p> <p>The IAD activities were carried out based on the Audit Plan 2022 as approved by the AC and BAC. The audit reports were reviewed by the AC and BAC. The respective management members are responsible for ensuring that corrective actions were taken on the reported weaknesses within a set timeframe. The IAD will carry out follow up audits, and the same will be reported to the AC and BAC.</p> <p>The AC and BAC had during the year reviewed the TOR and had recommended changes to the Board. The TOR of AC and BAC are available at https://www.mbsb.com.my/TOR_AC.pdf and https://www.mbsbbank.com/TOR_BAC.pdf respectively.</p> <p>The IAD personnel constantly keep themselves abreast with development in the relevant industry and regulations through attendance at Conference and trainings. The certifications obtained by IAD personnel is summarised below:</p>

	Certification	Certified / Qualified
	Chartered Banker (CB)	1
	Certified Professional Shariah Auditor (CPSA)	6
	Masters In Islamic Master Practice (MIFP)	4
	Certification for Bank Auditor (CBA)	20
	Certified Credit Executive (CCE)	5
	Business Credit Professional (BCP) formerly known as Certified Credit Professional – Business (CCP)	4
	Associate Qualification in Islamic Finance (AQIF)	5
	Intermediate Qualification in Islamic Finance (IQIF)	1
	Certified Information System Auditor (CISA)	2
	Fundamental Certification in Islamic Banking (FCIB)	2
	Advanced Certificate in Anti Money Laundering (ACAML)	1
	Certified Anti-Money Laundering & Counter Financing of Terrorism Compliance officer (CAMCO)	2
	Credit Skills Assessment	1
	Certification of Data Science	1
	Shariah Audit Certification (SAC)	5
	<p>Total IAD staff stood at 46 as of 31 December 2022. There are several staff possessing more than one of the above qualifications.</p> <p>The appointment, remuneration, performance, appraisal, transfer and dismissal of the Chief Internal Auditor must be decided by the AC and BAC.</p> <p>Further information on the IAD and the activities conducted during the year is disclosed in the Report of the Audit Committee section of the Integrated Annual Report 2022.</p>	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 11.2

The board should disclose–

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

Application	:	Applied
Explanation on application of the practice	:	<p>The IAD is independent of the business and undertakes activities as disclosed in the Report of the Audit Committee section of the Integrated Annual Report 2022.</p> <p>The IAD is headed by the Chief Internal Auditor (“CIA”), Cik Aniza binti Zakaria. She is a Chartered Banker, AICB and Senior Associate Member of Chartered Institute of Islamic Finance Professionals. She has acquired over 20 years of industry experience from various banking institutions in Malaysia. A summary of her profile and background is disclosed in the Integrated Annual Report 2022.</p> <p>IAD personnel do not have any authority or responsibility for the activities they audit. They are required to report to the CIA on any situation in which a conflict of interest or bias is present or may reasonably be inferred. Assignments are allocated so that potential and actual conflicts and bias are avoided.</p> <p>The IAD adopts the International Professional Practice Framework issued by the Institute of Internal Auditors (“IIA”) and is guided by the Internal Audit Charter, Internal Audit Manual and the AC and BAC’s TOR. The Internal Audit Manual documents audit processes, methodology, roles, duties and responsibilities of internal auditors.</p> <p>The IAD has provided the AC and BAC reports highlighting the observations, recommendations and management action plans to improve the system of internal controls. On behalf of the Boards, the AC and BAC regularly review and deliberate on internal control issues and governance practices identified in reports prepared by the internal auditors and the related actions taken by Senior Management. Key issues deliberated at the BAC and AC are presented to the Boards via the Chairman’s Report. AC and BAC will assess the effectiveness of IAD in carrying out its responsibilities annually.</p>

	<p>All the IAD personnel confirmed via the annual declaration that they are free from any relationships or conflicts of interest, which could impair their objectivity and independence, save for one IAD staff's relationship with a staff (sister-in-law) from Corporate Finance Department. The respective staff has been excluded from any assignment involving Corporate Finance Department.</p> <p>A brief statement on the Internal Audit Function and its key activities for the year are disclosed in the Report of the Audit Committee section of the Integrated Annual Report 2022.</p>	
Explanation for departure :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure :		
Timeframe :		

Intended Outcome

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

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

Practice 12.1

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

Application	:	Applied
Explanation on application of the practice	:	<p>The Board recognises the importance of communication and proper dissemination of information to its shareholders, investors, and other stakeholders, including the general public. The Directors ensure that the Group keeps the shareholders informed via announcements and timely release of quarterly financial reports, media releases, annual reports, and circulars.</p> <p><u>Financial Results</u></p> <p>The quarterly financial results are announced via Bursa LINK after the Board's approval. Analyst briefings are also conducted on the same day of the quarterly financial results announcement. This is important in ensuring equal and fair access to information is provided to the investing public to make informed decisions.</p> <p><u>Discussions, Dialogues and Briefings</u></p> <p>MBSB is committed in maintaining an open communication with analysts, investors, and regulators through online platforms to promote better understanding of the Group's financial performance, operations and other matters affecting shareholders' interests. Furthermore, communication with employees, customers and other communities were largely conveyed through website and social media.</p> <p>The GCEO together with the Chief Financial Officer conduct discussions, dialogues and briefings with fund managers, financial analyst and media, as and when necessary and/or after the Group's quarterly financial results are released to Bursa Malaysia via WebEx video conferencing. This is to promote a better understanding of the Group's financial performance, operations and other matters affecting shareholders' interest.</p> <p><u>Engagement with stakeholders</u></p> <p>MBSB conducts targeted engagement to further strengthen relationship between the Group and its stakeholders. In 2022, MBSB organised numerous engagement activities for its employees, investors, customers as well as the general public, as follows:-</p> <ol style="list-style-type: none">1. Simpan Berganda Menang Bergaya First Grand Draw Prize Giving Ceremony

2. Career Fair
3. GLC Open Day
4. Simpan Berganda Menang Bergaya Grand and Special Platinum Draw Prize Giving Ceremony
5. Gegar Raya MBSB Bank
6. Annual General Meeting
7. Simpan Berganda Menang Bergaya Grand Prize Ceremony
8. MBSB Bank Education Excellence Award
9. Webinar: Sayangi Diri Sayangi Semua
10. Islamic Finance 360 Webinar
11. 5th International Sustainable Energy Summit 2022 (ISES 2022)
12. MBSB Bank Weekend Banking UiTM's
13. International Conference 2022
14. MBSB Bank Football Viewing Fiesta
15. Quarterly Analyst briefing
16. MBSB Bank Pitstop
17. Cybersecurity Awareness Talk & Career Talk at UiTM Puncak Alam

Corporate Website

MBSB's website provides updated information on the corporate and business aspect of the Group. Media releases, announcements to Bursa Malaysia, analysts' briefings presentation slides, and quarterly results of the Group are also made available on the website, promoting the accessibility of information to the company's shareholders, stakeholders and all other market participants.

MBSB and MBSB Bank's website, which can be found at <https://www.mbsb.com.my>, and <https://www.mbsbbank.com> respectively, provide updated information on the corporate and business aspect of the Group.

Corporate Disclosure Policy

A Corporate Disclosure Policy has set out the policies and procedures for the disclosure of all material information to be released to the public. Clear roles and responsibilities of the Directors, Management and employees are provided in the Corporate Disclosure Policy, and the designated spokesperson responsible for communicating with all audience of the material information/announcement to internal and external stakeholders had been identified.

The Board, Management and employees of the Group are required to observe this Corporate Disclosure policy. The Group is mindful and will ensure timely disclosure of material information in accordance with Bursa Malaysia's MMLR and other applicable legislation.

Integrated and Sustainability Report

MBSB conducts a materiality assessment on annual basis to assess and review the material matters to better respond to changing stakeholders concerns and to keep abreast with evolving market condition.

	<p>The compilations of stakeholders’ engagements, together with the summary of concerns or interests, are disclosed in the Integrated Annual Report and Sustainability Report. MBSB embarked on the Integrated Reporting journey using the internationally recognised framework – the International Integrated Reporting Council’s Integrated Reporting Framework. MBSB aims to demonstrate its commitment to long-term value creation for stakeholders and improve its decision making process by adopting the “integrated thinking” concept of the <IR> Framework.</p> <p>Stakeholders are welcomed and encouraged to reach out to us via email at enquiry@mbsbbank.com if they have any inquiries.</p>	
<p>Explanation for departure</p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	<p>:</p>	
<p>Timeframe</p>	<p>:</p>	

Intended Outcome

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

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

Practice 12.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>MBSB acknowledges the importance of enhancing its corporate reporting and communicating its value creation for stakeholders over the short, medium and long term. MBSB sees integrated reporting as more than a reporting framework; it is a tool to unify and enhance internal processes for more effective decision-making and resource allocation.</p> <p>MBSB prepares its Integrated Annual Report and Sustainability report with reference to the International Integrated Reporting Council's (IIRC) International Integrated Reporting <IR> Framework. 2022 is MBSB's third year of adopting the <IR> Framework. MBSB continued to progress in its <IR> journey to improve depth of disclosures in 2022 pertaining to value creation, risk and opportunities, outlook, short to long-term strategy, and financial and non-financial performance.</p> <p>In addition, as part of the <IR> journey, MBSB conducted internal and external stakeholder engagement surveys to identify material matters that may affect the stakeholders. We will continuously improve our annual reporting on our journey towards effectively adopting the International <IR> Framework.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 13.1

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

Application	:	Applied	
Explanation on application of the practice	:	<p>The AGM for year 2022 was held on 9 June 2022. The Notice of AGM was despatched to the shareholders on 29 April 2022. The requirement for at least 28 days' notice is fulfilled in adherence to the MCCG.</p> <p>In addition, MBSB also distributes an Administrative Guide together with the notice of the AGM, which provides information to the shareholders regarding the details of the AGM, their right to appoint a proxy and guidance to attend the fully virtual AGM via remote participation and voting.</p> <p>The notes in the Notice provide detailed explanations on each resolution proposed to enable shareholders to make informed decisions in exercising their voting rights.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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

Practice 13.2

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

Application	:	Applied
Explanation on application of the practice	:	<p>The AGM of MBSB is the primary forum for dialogue and interaction with its shareholders.</p> <p>The Board decided to conduct a virtual general meeting for its 52nd AGM held on 9 June 2022 using the Remote Participation and Voting (“RPV”) facilities provided by Tricor Investor & Issuing House Services Sdn. Bhd. (“Tricor”) via its TIIH Online website.</p> <p>All directors of MBSB and MBSB Bank including the Chairman, Chair of the Board Committees and the Acting Chief Executive Officer participated in the 52nd AGM.</p> <p>There was no question directed to the Chair of the AC, NRC and RMC by the shareholders in the last AGM.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

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

Practice 13.3

Listed companies should leverage technology to facilitate–

- voting including voting in absentia; and
- remote shareholders' participation at general meetings.

Listed companies should also take the necessary steps to ensure good cyber hygiene practices are in place including data privacy and security to prevent cyber threats.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board had conducted a virtual general meeting for its 52nd AGM held on 9 June 2022 using the Remote Participation and Voting (“RPV”) facilities provided by Tricor Investor & Issuing House Services Sdn. Bhd. (“Tricor”) via its TIIH Online website.</p> <p>The RPV facilities allow shareholders to submit any question in advance and attend the meeting remotely and pose questions to the Board and Management. The RPV facilities also allow shareholders to vote remotely and vote in absentia.</p> <p>MBSB distributes an Administrative Guide together with the notice of the AGM, which provides information to the shareholders regarding the details of the AGM, their right to appoint a proxy and guidance to attend the fully virtual AGM via remote participation and voting. Dedicated personnel were assigned to answer any queries by the shareholders in relation to the RPV facilities and the contact information is stated in the Administrative Guide.</p> <p>Tricor has implemented an IT policy and Information Security policy, endpoint controls, data classification for cyber hygiene practices of the staff. Stress test and penetration testing have been performed on TIIH online in May 2021 to test its resiliency to provide further assurance to the public. Tricor is ISO27001 certified in October 2021. In addition to this, the TIIH Online is hosted in a secure cloud platform and the data centre is ISO27001 certified.</p> <p>Dry run of the AGM was conducted prior to the AGM to test the bandwidth connection and ensure that the RPV facilities run smoothly. The dry run also gives opportunities to the participants to familiarise with the platform.</p> <p>A total of 1,161 shareholders/ proxies had attended the 52nd AGM using the RPV facilities.</p>

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

Intended Outcome

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

Practice 13.4

The Chairman of the board should ensure that general meetings support meaningful engagement between the board, senior management and shareholders. The engagement should be interactive and include robust discussion on among others the company's financial and non-financial performance as well as the company's long-term strategies. Shareholders should also be provided with sufficient opportunity to pose questions during the general meeting and all the questions should receive a meaningful response.

<i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to.</i>	
Application	: Applied
Explanation on application of the practice	: <p>The Board allows shareholders to submit the question using the Remote Participation and Voting ("RPV") facilities provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor") via its TIH Online website prior to the AGM to ensure that the shareholders have sufficient opportunity to pose any questions to the Board and the Management. The guide to submit question in advance is stated in the Administrative Guide which was sent together with the notice of the AGM.</p> <p>During the 52nd AGM, the Acting Chief Executive Officer ("ACEO") (appointed GCEO with effect from 1.7.2022) presented the Group's financial performance in 2021, Journey 25 roadmap and the strategic roadmap for 2022 – 2023 to the shareholders before proceeding with the business of the meeting. The ACEO then presented the responses to questions submitted in advance of the AGM by the Minority Shareholder Watchdog Group and responded to a total of 23 questions submitted by the shareholders in advance.</p> <p>The late Chairman also invited remote participants to submit live question using the query box via RPV during the AGM to give opportunities to remote participants to enquire on MBSB's financial statements, proposed resolutions and other items to promote better understanding of the Group's financial performance, operations and other matters affecting shareholders' interests before proceeding with the voting of the resolutions. The Management and the Board had responded to 47 live questions submitted by remote participants during the AGM. In addition, the senior management, external auditors, and other advisors were available to provide answers and clarifications to shareholders.</p> <p>Due to time constraint, not all questions could be answered during the AGM. For questions that were not answered in the AGM, the Management have e-mailed the responses to the respective shareholder after the AGM.</p>

	<p>The Board have appointed Coopers Professional Scrutineers Sdn Bhd (“CPS”) to act as Independent Observer during the AGM to ensure that questions received before and during the AGM have been addressed and answered during or after the AGM by the Boards and the Management.</p> <p>CPS had reviewed all questions received before and during the AGM and confirmed that all questions had been addressed and answered by the Board and the Management.</p> <p>The questions and answers during the AGM are attached together with the Minutes of AGM on MBSB’s website at https://www.mbsb.com.my/general_meeting.html.</p>	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

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

Practice 13.5

The board must ensure that the conduct of a virtual general meeting (fully virtual or hybrid) support meaningful engagement between the board, senior management and shareholders. This includes having in place the required infrastructure and tools to support among others, a smooth broadcast of the general meeting and interactive participation by shareholders. Questions posed by shareholders should be made visible to all meeting participants during the meeting itself.

<i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to. Further, a listed issuer should also provide brief reasons on the choice of the meeting platform.</i>	
Application	: Applied
Explanation on application of the practice	: <p>In line with the measures to curb the spread of the Coronavirus Disease (“Covid-19”) infection in Malaysia, the Board had conducted a virtual general meeting for its 52nd AGM using the Remote Participation and Voting (“RPV”) facilities provided by Tricor Investor & Issuing House Services Sdn. Bhd. (“Tricor”) via its TIIH Online website.</p> <p>The Board decided to opt for RPV facilities for the 52nd AGM as the RPV facilities offer integrated AGM online platforms which provide end-to-end experience for shareholders to attend the general meetings (via live stream), pose questions and comments (via chat-boxes) and vote on resolutions (via instantaneous polling).</p> <p>The Question and Answer session of about 60 minutes has served as an interaction between the Directors, Management and Shareholders during the virtual AGM. Questions submitted by the shareholders were made visible to all meeting participants.</p> <p>During the AGM, the Management and the Board had responded to questions submitted by the Minority Shareholder Watchdog Group and 23 questions submitted by the shareholders in advance of the AGM. The Management and the Board also responded to 47 live questions submitted by remote participants.</p> <p>The RPV facilities also allow shareholders and members to login and cast their votes electronically in advance of the general meeting.</p>
Explanation for departure	:

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

Measure :		
Timeframe :		

Intended Outcome

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

Practice 13.6

Minutes of the general meeting should be circulated to shareholders no later than 30 business days after the general meeting.

<i>Note: The publication of Key Matters Discussed is not a substitute for the circulation of minutes of general meeting.</i>	
Application	: Applied
Explanation on application of the practice	: The Minutes of the 52 nd AGM held on 9 June 2022 was published in the MBSB's website on 15 July 2022. The minutes of AGM is available on MBSB's website at https://www.mbsb.com.my/general_meeting.html .
Explanation for departure	:
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	:
Timeframe	:

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

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

Board of Directors of MBSB

Explanation on the application of the practice:

The key personal and detailed background of the Directors are disclosed in the Integrated Annual Report 2022 and are available on MBSB's website at www.mbsb.com.my/ar/html.

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

The records of attendance at Board Meeting held in the financial year ended 31 December 2022 are as follows:

#	Member	Attendance	Percentage
1	The late Tan Sri Azlan bin Mohd Zainol Chairman / Non-Independent Non-Executive Director	26/28	93%
2	Encik Szaliza bin Zainuddin Non-Independent Executive Director	28/28	100%
3	Puan Lynette Yeow Su-Yin Senior Independent Non-Executive Director	28/28	100%
4	Ir. Moslim bin Othman Independent Non-Executive Director	28/28	100%
5	Encik Mohamad Abdul Halim bin Ahmad Independent Non-Executive Director	27/28	96%
6	Dr. Loh Leong Hua Independent Non-Executive Director	28/28	100%
7.	Datin Hoi Lai Ping Independent Non-Executive Director (Appointed on 1 March 2022)	24/24	100%
8.	Encik Lim Tian Huat Non-Independent Non-Executive Director (Retired on 9 June 2022)	13/13	100%

Board Committee

(i) Audit Committee

The principal function of the AC is to assist the Board in fulfilling its fiduciary responsibilities, particularly in the areas of accounting and management controls and financial reporting, including:

- to ensure financial statements comply with applicable financial reporting standards;
- to reinforce the independence and objectivity of the Internal Audit Division;
- to provide the focal point for communication between external auditors, internal auditors, risk managers, Directors and the Management on matters in connection with accounting, reporting, risks and controls and providing a forum for discussion independent of the Management; and
- to undertake additional duties as may be deemed appropriate and necessary to assist the Board.

The record of attendance of the AC members during the year 2022 is as follows:

#	Member	Attendance	Percentage
1	Encik Mohamad Abdul Halim bin Ahmad (Chairman) (Independent Non-Executive Director)	19/19	100%
2	Dr. Loh Leong Hua (Member) (Independent Non-Executive Director)	18/19	95%
3	Datin Hoi Lai Ping (Member) (Independent Non-Executive Director) (Appointed as AC member on 1 March 2022)	15/15	100%
4	Encik Lim Tian Huat (Non-Independent Non-Executive Director) (Resigned as AC member on 1 March 2022)	4/4	100%

(ii) Risk Management Committee

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

The record of attendance of the RMC members during the year 2022 is as follows:

#	Member	Attendance	Percentage
1	Dr Loh Leong Hua (Chairman) (Independent Non-Executive Director)	14/15	93%
2	Ir Moslim Othman (Member) (Independent Non-Executive Director)	15/15	100%
3	Datin Hoi Lai Ping (Member) (Independent Non-Executive Director) (Appointed as RMC member on 1 March 2022)	13/13	100%
4	Encik Mohamad Abdul Halim bin Ahmad (Independent Non-Executive Director) (Resigned as RMC member on 1 March 2022)	2/2	100%

(iii) Nominating and Remuneration Committee

The primary responsibilities of the NRC are to assist the Board of Directors to maintain a formal and transparent procedure for the appointment of directors, Board assessment, policy setting on directors' remuneration, and to determine appropriate remuneration packages for all directors.

The NRC is also responsible for reviewing, appointing, removing, and determining the remuneration package for the GCEO, key senior management with the C-Suites position, Company Secretary, and members of the Shariah Advisory Committee. In addition, the NRC also reviews the remuneration framework for the Group.

The record of attendance of the NRC members during the year 2022 is as follows:

#	Member	Attendance	Percentage
1	Ir. Moslim bin Othman (Chairman) <i>Independent Non-Executive Director</i>	12/12	100%
2	Puan Lynette Yeow Su-Yin (Member) <i>Senior Independent Non-Executive Director</i> <i>Non-Independent Non-Executive Director</i>	12/12	100%
3	Encik Mohamad Abdul Halim bin Ahmad (Member) (Independent Non-Executive Director) (Appointed as NRC member on 9 June 2022)	7/7	100%
4	Encik Lim Tian Huat <i>Non-Independent Non-Executive Director</i> (Vacated as NRC member on 9 June 2022)	5/5	100%

(iv) Restructuring Committee

The principal function of Restructuring Committee is to oversee appropriate structure to enhance and maximize value for the MBSB Group.

#	Member	Attendance	Percentage
1	Puan Lynette Yeow Su-Yin (Chairman) <i>Senior Independent Non-Executive Director</i> (Redesignated as RC Chairman on 9 June 2022)	15/15	100%
2	Encik Mohamad Abdul Halim bin Ahmad (Member) <i>Independent Non-Executive Director</i>	14/15	93%
3	Encik Szalza bin Zainuddin (Member) <i>Non-Independent Executive Director</i>	14/15	93%
4	Encik Lim Tian Huat <i>Non-Independent Non-Executive Director</i> (Vacated as RC Chairman on 9 June 2022)	5/5	100%

Board Training

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

The late Tan Sri Azlan bin Mohd Zainol	
1.	Digital Strategy for Banks (6 April 2022)

2.	Corporate Governance, MACC Act 2009 & AMLACFT: Evolving Challenges & Expectation in Regulatory Compliance Programme (16 June 2022)
3.	Sustainability Charters under ESG Framework (EY) (1 June 2022)
4.	ESG and Value-Based Intermediaries Concept for Islamic Bank (1 August 2022)
Encik Szaliza bin Zainuddin	
1.	Digital Strategy for Banks (6 April 2022)
2.	Corporate Governance, MACC Act 2009 & AMLACFT: Evolving Challenges & Expectation in Regulatory Compliance Programme (16 June 2022)
3.	Sustainability Charters under ESG Framework (EY) (1 June 2022)
4.	ISSA World Social Security Forum 2022 (21-30 October 2022)
5.	EPF Strategy Conference (19-20 October 2022)
Puan Lynette Yeow Su -Yin	
1.	Digital Strategy for Banks (6 April 2022)
2.	Empowering & Rewarding the "Boardroom Brigade" - A Board Remuneration Masterclass (18 May 2022)
3.	Sustainability Charters under ESG Framework (EY) (1 June 2022)
4.	Corporate Governance, MACC Act 2009 & AMLACFT: Evolving Challenges & Expectation in Regulatory Compliance Programme (16 June 2022)
5.	Training on Information and Cyber Security and Branding & Communication (1 July 2022)
6.	ESG and Value-Based Intermediaries Concept for Islamic Bank (1 August 2022)
7.	FIDE FORUM - CGM Conversations with Chairmen: A Standing Item in Board (15 August 2022)
8.	Board Effectiveness Evaluation - Post- Launch Workshop 1 (5 September 2022)
Ir. Moslim bin Othman	
1.	Digital Strategy for Banks (6 April 2022)
2.	Empowering & Rewarding the "Boardroom Brigade" - A Board Remuneration Masterclass (18 May 2022)
3.	Sustainability Charters under ESG Framework (EY) (1 June 2022)
4.	Corporate Governance, MACC Act 2009 & AMLACFT: Evolving Challenges & Expectation in Regulatory Compliance Programme (16 June 2022)

5.	Training on Information and Cyber Security and Branding & Communication (1 July 2022)
6.	ESG and Value-Based Intermediaries Concept for Islamic Bank (1 August 2022)
Encik Mohamad Abdul Halim bin Ahmad	
1.	Digital Strategy for Banks (6 April 2022)
2.	Audit Oversight Board's Conversation with Audit Committees (7 April 2022)
3.	Sustainability Charters under ESG Framework (EY) (1 June 2022)
4.	Corporate Governance, MACC Act 2009 & AMLACFT: Evolving Challenges & Expectation in Regulatory Compliance Programme (16 June 2022)
5.	Training on Information and Cyber Security and Branding & Communication (1 July 2022)
6.	ESG and Value-Based Intermediaries Concept for Islamic Bank (1 August 2022)
Dr. Loh Leong Hua	
1.	BNM -FIDE FORUM Dialogue on Climate Risk Management and Scenario Analysis (8 March 2022)
2.	Digital Strategy for Banks (6 April 2022)
3.	Audit Oversight Board's Conversation with Audit Committees (7 April 2022)
4.	Talent Uprising - How Boards Should Rethink Their Talent Strategy in this ERA of Opportunity (19 May 2022)
5.	Sustainability Charters under ESG Framework (EY) (1 June 2022)
6.	Corporate Governance, MACC Act 2009 & AMLACFT: Evolving Challenges & Expectation in Regulatory Compliance Programme (16 June 2022)
7.	ESG and Value-Based Intermediaries Concept for Islamic Bank (1 August 2022)
8.	Environment, Social & Governance (ESG) and Climate Risk Impact on the Insurance Industry (23 August 2022)
9.	PIDM-FIDE FORUM Recovery and Resolution Planning Sharing Session (20 September 2022)
10.	Understanding the Challenges of Compliance with Listing Requirements (13 October 2022)
11.	Bribery & Corruption Risk in a Volatile Climate: are you prepared? (10 November 2022)
12.	SDG Investment Forum Malaysia (23 November 2022)

13.	The Emerging Trends Threats and Risks to the Financial Services Industry - Managing Global Risk Investment and Payment System (24 November 2022)
14.	FIDE FORUM-ICDM: Board Risk Committee Dialogue (8 December 2022)

Datin Hoi Lai Ping	
1.	Digital Strategy for Banks (6 April 2022)
2.	Islamic Finance for Board of Directors Programme (9-10 March 2022)
3.	Audit Oversight Board's Conversation with Audit Committees (7 April 2022)
4.	Sustainability Charters under ESG Framework (EY) (1 June 2022)
5.	Corporate Governance, MACC Act 2009 & AMLACFT: Evolving Challenges & Expectation in Regulatory Compliance Programme (16 June 2022)
6.	Leadership Committee Meeting (29 June 2022)
7.	Training on Information and Cyber Security and Branding & Communication (1 July 2022)
8.	ESG and Value-Based Intermediaries Concept for Islamic Bank (1 August 2022)

INTERNAL FRAMEWORK

Explanation on the application of the practice:

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

The details of MBSB's risk management and internal control framework and adequacy and effectiveness of the key risk management internal control processes are disclosed in the Statement on Risk Management and Internal Control section of the Integrated Annual Report 2022.

The details of the internal audit function are disclosed in the Report of the Audit Committee 2022 section of the Integrated Annual Report 2022.

REMUNERATION

Explanation on the application of the practice:

The Board has established a Directors Remuneration Framework, which is tailored to support the strategies and long-term vision of the Company as well as provide adequate motivational incentives for Directors to pursue long-term growth and success of MBSB. The NRC is responsible to review the Directors' remuneration on an annual basis prior to making its recommendations to the Board for approval. The Directors Remuneration Framework was last reviewed in March 2022.

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

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

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

The NRC reviews the structure of the Directors' Remuneration on an annual basis prior to making its recommendations to the Board for approval. The NRC had in 2019 requested for an external consultant to be appointed to review the remuneration structure of Directors for both MBSB and MBSB Bank. Although, the external consultant had recommended an adjustment to align the remuneration of directors, the Boards, had decided not to recommend any increase in the fee structure for the Directors to the shareholders at the AGM in 2022 given the COVID-19 pandemic which had severely affected the Group, the financial sectors and the broader economy.

The remuneration and benefits payable to Directors are determined by shareholders resolution in accordance with the Companies Act, 2016 and the Company's Constitution.

In line with best corporate governance practice, the disclosure of the Directors' remuneration on a named basis has been made in the Annual Audited Financial Statements over the years.

The details of the remuneration received by each of the directors of MBSB in 2022 are set out in Practice 8.1.

The remuneration packages of the GCEO, the C-Suites and the Company Secretary of MBSB Group will be reviewed by the NRC and BNRC, and the same will be recommended to the Boards for decision. The remuneration of the GCEO, the C-Suites and the Company Secretary are based on their achievement of strategic initiatives established and approved by the Boards. BNRC also reviews the remuneration package for the SAC.

Remuneration Framework of MBSB Bank

MBSB Bank's Remuneration Policy sets out the steps involved in setting and assessing employees' performance through MBSB Bank's performance as a whole and how it ties with the remuneration paid.

The Remuneration Policy - designed based on a comparison against other financial institutions' practices and BNM's Corporate Governance Policy and Procedures - also sets out the requirements and standards to ensure performance excellence and governing remuneration for all employees as part of MBSB Bank's effort in ensuring proper governance exercise.

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

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

1. Group Chief Executive Officer
2. Senior management, which is composed of MBSB Bank's Senior Officers as defined under MBSB Bank's Fit and Proper Requirements Policies & Procedures.
3. MBSB Bank employees who are identified as "other material risk takers" ("OMRT") which refers to an officer who is not a member of senior management and who can materially commit or control significant amounts of MBSB Bank's resources or whose actions are likely to have a significant impact on its risk profile. The list of OMRT must be maintained and reviewed regularly by MBSB Bank.
4. All other employees of MBSB Bank.
5. However, for all non-executive employees governed by the Union, they shall follow the terms and conditions as stipulated in the Collective Agreement ("CA").

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

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

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

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

This approach is also in line with BNM's Corporate Governance Policy, where the Remuneration Payout schedule must reflect the time horizon of risks and consider the potential for financial risks to crystallise over a more extended period of time.

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

The total value of remuneration paid out to the Senior Management of the Group for FY2022 are as follows:

Total value of remuneration for FY2022	RM
Fixed Remuneration	
- Cash-based	8,784,927 (13 headcounts)
Variable remuneration	
- Cash-based	2,516,112 (13 headcounts)
Definition: Senior management (including GCEO) comprises MBSB Bank's Senior Officers in the category of C-Suites positions and the Company Secretary of MBSB Group.	

The breakdown of the total amount of remuneration awarded to the GCEO and ACEO for the financial year is as follows:

Name	Category	Cash-based (RM '000)	Total (RM '000)
Datuk Nor Azam M. Taib (ACEO) (01 January 2022 – 30 June 2022)	Fixed Remuneration	761	761
	Variable remuneration		
	• Non deferred	445	445
	• Deferred	-	-
	Total remuneration for FY2022	1,206	1,206

Name	Category	Cash-based (RM '000)	Total (RM '000)
Datuk Nor Azam M. Taib (GCEO) (01 July 2022 – 31 December 2022)	Fixed Remuneration	702	702
	Variable remuneration		
	• Non deferred	-	-
	• Deferred	-	-
	Total remuneration for FY2022	702	702

Remuneration data disclosure	ACEO
Total Pay (RM)	1,206,000

Remuneration data disclosure	GCEO
Total Pay (RM)	702,000

Remuneration data disclosure (Annual pay)	Employee
Mean pay (RM)	116,585
Median pay (RM)	82,506
Lowest total pay (RM)	1,912
Highest total pay (RM)	1,908,000

