# THE BOARD CHARTER

**Table of Contents** **Page No.**

## 1.0 PURPOSE

The purpose of this Board Charter is to guide the Board of MIDF Investment in its stewardship role of MIDF Investment.

## 2.0 SCOPE

This Board Charter sets out the requirements of the Board of MIDF Investment based on:

(i) Companies Act 2016

(ii) Financial Services Act 2013

(iii) Capital Markets Services Act 2007

(iv) Memorandum and Article of Association/Constitution

(v) BNM Policy Document on Corporate Governance 2016

(vi) The Malaysian Code of Corporate Governance 2017

## 3.0 DEFINITIONS/ABBREVIATIONS

| | |
|---|---|
| Board | Board of Directors |
| BNM | Bank Negara Malaysia |
| Bank | MIDF Investment |
| Independent Non-Executive | Independent |
| MIDF | Malaysia Industrial Development Finance Berhad |
| MIDF Group | MIDF and its subsidiaries |
| MIDF Investment | MIDF Amanah Investment Bank Berhad |
| NC | Nomination Committee of MIDF Investment |
| Non-Independent Non-Executive | Non-Independent |
| RC | Remuneration Committee of MIDF Investment |

## 4.0 REFERENCES

The Policy Document on Corporate Governance, BNM (Issued on 3 August 2016).
The Companies Act, 2016.
The Governance Standards & Best Practices for Participating Organization, Bursa Malaysia Securities Berhad (Issued on 16 June 2017).
The Malaysian Code on Corporate Governance 2017.
Code of Conduct for Directors and Employees Policies (Dated 31 October 2017)

## 5.0 GENERAL POLICY

5.1 The size of the Board would be determined based on, among others, the following consideration:

(a) The requirement of the Articles of Association/Constitutions or such other number as may be required by the applicable laws and regulations, as amended from time to time. Currently, the Articles of Association/Constitutions of MIDF Investment requires minimum of five (5) and maximum of twelve (12) directors.

(b) The evolving circumstances of the Bank in terms of its size and scope;

(c) The need to achieve an appropriate balance of Executive and Non-Executive Directors and the Independent elements of Non-Executive Directors;

(d) The need to establish Board committees;

(e) The quorum requirement for Board meetings; and

(f) Other factors such as technical knowhow or experience in specific industry sector as well as the Board's diversity of professional experience, ethnicity, gender and age.

5.2 The Board of MIDF Investment shall comprise a majority of Independent Directors at all times.

5.3 The skill sets required of the Board must be reviewed regularly to ensure alignment with the strategic direction and emerging challenges faced by the Bank.

5.4 A person shall not hold office as a director of the Bank or whether indirectly or directly be concerned with or takes part in the management of the Bank, if the person:

(a) is an undischarged bankrupt;

(b) has been convicted of an offence relating to the promotion, formation or management of a corporation;

(c) has been convicted of an offence involving bribery; fraud or dishonesty;

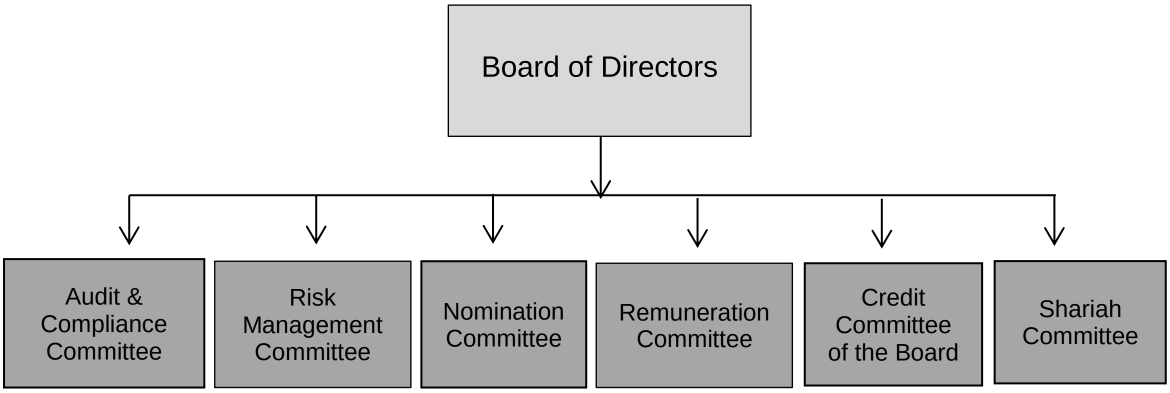
(d) has been convicted of an offence under sections 213, 217, 218, 228 and 539 of the Companies Act, 2016; and

(e) has been disqualified by the Court under section 199 of the Companies Act, 2016.

5.5 The Board governance structure:

5.5.1 The role of the Board is to promote and protect the interest of MIDF Investment. The Board shoulders the ultimate responsibility of determining the direction of the Bank, thereby ensuring the long term success of the Bank and the delivery of sustainable value to its stakeholders. The Board provides thought leadership and advice in fine-tuning corporate strategies, championing good governance and ethical practices, and ensures the effective execution of these strategies.

5.5.2 The governance structure of the Board of MIDF Investment is as follows:




5.6 Authorities of the Board:

5.6.1 The Board is authorised to do the following at the expense of MIDF Investment:

(a) Be provided resources in order to perform its duties;

(b) Have direct access to the Senior Management team and the external auditors;

(c) Have direct communication channels and access to the Company Secretary, and full and unrestricted access to information, records, properties and personnel of MIDF Investment in performing their duties;

(d) Obtain external, legal or independent professional advice as deemed necessary;

(e) Have immediate access to reports on fraud, irregularities and other material risk considerations from Group Control Assurance Services (“GCAS”), Compliance Department, Risk Management Department or any other external parties being appointed to investigate fraud;

(f) Convene meeting with the external auditors and/or GCAS without the presence of Management and where appropriate, the Company Secretary as deemed necessary; and

(g) Authorise investigation into fraud, illegal acts or suspected violations of MIDF Investment policies involving Management or Directors.

5.7 Roles and Responsibilities of the Board, the Chairman and the Chief Executive Officer:

5.7.1 Principal Responsibilities of the Board:

(a) The duties and responsibilities of the Board comprise those at common law namely, fiduciary duties and those stipulated under the Companies Act 2016, Financial Services Act 2013, Regulatory Guidelines on Corporate Governance, as well as BNM Guidelines on Shariah Governance Framework for Islamic Financial Institutions ("IFI");

(b) The business and affairs of the Bank shall be managed under the direction and oversight of its Board of Directors, subject to any written law which may be applicable to the Bank. In this respect, Subdivision 3, Division 2 of the Companies Act, 2016, provides that the Board has all the powers necessary for managing, directing and supervising the management of the business of the Bank subject to limitations under the Companies Act, 2016 or in the Constitution/Memorandum & Articles of Association ;

(c) In discharging its duties, the Board should, amongst others:

(i) Act in good faith in the best interests of the Bank;

(ii) Promote, together with the Senior Management, a sound corporate culture within the Bank which reinforces ethical, prudent and professional behaviour;

(iii) Exercise reasonable care, skill and diligence with:

- The knowledge, skill and experience which may reasonably be expected of a director having the same responsibilities; and

- Any additional knowledge, skill and experience which the director has.

(iv) Review and oversee the implementation of strategic plan:

- The Board should review the business strategic plan of the Bank and satisfy itself that all appropriate considerations concerning every aspects of the business have been taken into account by the Management;

- The review by the Board should include, amongst others, analysing the existing corporate strategy against internal and external factors, and evaluating the progress and performance towards achieving the designated business objectives;

- The Board shall provide the strategic leadership that influences financial position and future direction of an organisation; and

- The Board shall promote sustainability through appropriate environmental, social and governance considerations in the business strategies.

(v) Oversee and identify appropriate risk management and internal control framework:

- In relation to risk management, the Board shall ensure that the Bank's corporate objectives are supported by a sound risk strategy and effective risk management framework that is appropriate to the nature, scale and complexity of its activities. Additionally, the Board must provide effective oversight of senior management's actions to ensure consistency with the risk strategy and policies approved by the board, including the risk appetite framework; and

- The Board shall review the effectiveness of internal control system and risk management processes as to ensure the interest of the stakeholders and the Bank's assets are safeguarded against any possible losses as well as ensuring the viability and sustainability of the Bank's business operations.

(vi) The Board should oversee the implementation of the Bank's governance framework and periodically review such framework to ensure it remains appropriate and relevant with the changes to the size, nature and complexity of the Bank's business operations and strategies;

(vii) The Board should ensure the adequacy and integrity of the management information and reporting system of the Bank, including the system of reporting on internal controls, financial and regulatory compliance. In addition, the Board should fulfil its fiduciary role in scrutinizing the management information performance and the quality, reliability and transparency of both the Bank's financial and non-financial information;

(viii) The Board should oversee the human capital development process, particularly on the succession planning, selection and performance of Chief Executive Officer ("CEO"), Senior Management and key personnel of the Bank. This is crucial to ensure that the key persons of the Bank are fit and competent to effectively and continuously lead the business operations and growth;

(ix) Oversee and approve the recovery and resolution as well as business continuity plans to restore the Bank's financial strength and maintain or preserve critical operations as well as services when the Bank comes under stress;

(d) The size, composition, and diversity of the Board shall be reviewed and determined from time to time to reflect the Bank's requirements and to facilitate effective decision-making. In this connection, the Board must establish and regularly review succession plans for the Board to promote Board renewal and address any vacancies;

(e) In discharging its responsibilities, the Board shall, among other things, have regard to the Financial Services Act, 2013 and the relevant regulatory policies and guidelines for financial institutions as issued from time to time; and

(f) In the case of an independent director, the Board shall make recommendation and provide justifications to shareholders at a general meeting should it seek to retain the director as an Independent Director. Alternatively, the Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director.

(g) Director's External Commitment:

(i) A director is required to commit his time, to regularly update his knowledge and enhance his skills, as appropriate, to enable him to discharge his duties effectively. The director is expected to commit in terms of both time and focus by way of attending meetings as well as ensuring adequate preparation to participate effectively at these meetings, with the overriding view to ensuring an effective board oversight over all key aspects of the Bank's operations;

(ii) Additionally, all Board members are required to notify the Chairman of the Board before accepting new directorships outside the Bank and indicating the time that will be spent on the new directorship. Similarly, the Chairman of the Board shall also do likewise before taking up any additional appointment of directorships; and

(iii) A director shall not hold more than five (5) directorships in public listed companies.

(h) Business Judgment Rule

A director who makes a business judgment is deemed to meet the above requirements on duty of directors if his decision was made in good faith for a proper purpose, does not have material personal interest in the subject matter, was informed about the subject matter as he believed to be appropriate and reasonably believed that the business judgment was in the best interest of the Bank (Section 214 of the Companies Act 2016). The objective of this provision is to protect the authority of directors in the exercise of their duties in good faith and for proper purpose.

(i) Reliance on Professional Advice:

(i) A director, in exercising his duties may rely on information, professional or expert advice provided by others including officers of the Bank, persons retained by the Bank for their skills on the subject matter, another director (within that director's authority) and any Board committees which the director did not serve (Section 215 of Companies Act 2016); and

(ii) The director's reliance would be deemed to be made on reasonable grounds if it was made in good faith and independent assessment of the information provided had been made. The objective of this provision is to enable directors to rely on others, provided made reasonably.

(j) Responsibility of a Nominee Director

Section 217 of the Companies Act 2016 recognises the current commercial reality of major shareholders appointing their nominee directors on the respective boards. As such, the law now makes clear that the primary duty of nominee directors is to act in the best interest of the Bank, especially when there is a conflict of interest between the appointer and Bank. The nominator shall not subordinate his duty to act in the best interest of the Bank to his nominator.

(k) Responsibility for Actions of Delegatee:

(i) Except as is otherwise provided by the Act, the constitution or any resolution of the Board or members of the Bank, the directors may delegate any power of the Board to any committee of the Board, director, officer, employee, expert or any other person; and

(ii) Where the directors have delegated any power, the directors are responsible for the exercise of the power by the delegatee as if the power had been exercised by the directors themselves (Section 216(2) of Companies Act 2016).

(l) Conflict of Interest:

(i) A Director is required to disclose to the Board, the nature and extent of his interest in a material transaction or material arrangement, and, if such material transaction or material arrangement is being deliberated during a board meeting, to be absent from the meeting during such deliberation (Section 58 of the Financial Services Act 2013); and

(ii) An existing proposed transaction or arrangement will be considered "material" if it is one which a Director is required to declare under Section 221 of the Companies Act 2016, unless the Director or any person linked to him cannot reasonably be expected to derive a benefit or suffer a detriment from the transaction or arrangement in a way that will place the director in a position of conflict.

5.7.2 Roles and Responsibilities of the Chairman and the CEO

(a) The roles and responsibilities of the Chairman and the CEO are clearly separated, defined, documented and reviewed regularly, to ensure that the need of the Bank is met. This distinction allows for a better understanding and distribution of jurisdictional responsibilities and accountabilities. The clear hierarchical structure with its focused approach and attendant authority limits also facilitates efficiency and expedites informed decision-making.

(b) The roles of the Chairman:

(i) The Chairman of the Board must not be an executive and must not have served as a CEO of the Bank in the past five (5) years;

(ii) The Chairman is elected by the Board to provide leadership at Board level and will preside at all Board meetings and general meetings of the Bank. The Chairman will act independently in the best interest of the Bank and is responsible for ensuring Board effectiveness and standard of conduct;

(iii) The Chairman, in leading the Board, is responsible for the effective overall functioning of the Board. In fulfilling this role, the Chairman must:

- Ensure the smooth functioning of the Board, the governance structure and inculcating positive culture in the Board;

- Ensure that appropriate guidelines and procedures are in place to govern the Board's operation and conduct;

- Ensure that decisions are taken on a sound and well-informed basis, including by ensuring that all strategic and critical issues are considered by the Board, and that directors receive relevant information on a timely basis as well as ensuring that all relevant issues are on agenda for Board meeting;

- Encourage healthy discussion and ensure that dissenting views can be freely expressed and discussed. The Chairman must provide avenues for all Directors to participate openly in the discussion; and

- Provide leadership to the Board and responsible to address the Board's developmental needs.

(c) The roles of the CEO

The CEO holds an executive function and his responsibilities include, amongst others:

(i) Developing the strategic direction of the Bank;

(ii) Ensuring that the Bank's strategies and corporate policies are effectively implemented;

(iii) Ensuring that the Board's decisions are implemented and Board directions are responded to;

(iv) Providing directions in the implementation of short and long term business plans;

(v) Providing strong leadership i.e. effectively communicating a vision management philosophy and business strategy to the employees;

(vi) Keeping the Board fully informed of all business aspects of the Bank's operations and ensuring sufficient information is distributed to the Board members; and

(vii) Ensuring the day-to-day business affairs of the Bank are effectively managed.

5.7.3 The Roles of the Senior Independent Non-Executive Director

(a) The Board may select and appoint a Senior Independent Non-Executive Director from among its Independent Non-Executive Director.

(b) The selection of Senior Independent Non-Executive Director is based on his experience and the significant influence he has within the Board, ability to convey concerns of the Independent Non-Executive Director on the Board to the other members of the Board and in the event of dissention between the Chairman and/or CEO in the execution of their duties.

(c) The duties of the Senior Independent Non-Executive Director shall include acting as a sounding board for the Chairman, an intermediary for other Directors when necessary, and the point of contact for shareholders and other stakeholders with concerns which have failed to be resolved or would not be appropriate to be communicated through the normal channel of the Chairman and/or CEO.

(d) The Senior Independent Non-Executive Director shall serve as the principal conduit between the Independent Non-Executive Director and the Chairman on sensitive issues, such as issues that arise from "whistleblowing" (Further details as set out in paragraph 16 below).

5.8 Directors' Independence:

5.8.1 An Independent Director is a director who is independent of management and free from any business or other relationships, which could interfere with the exercise of independent judgment or the ability to act in the best interest of MIDF Investment.

5.8.2 An Independent Director shall not:

(a) Have more than 5% equity interest directly or indirectly in MIDF Investment and its affiliates ;

(b) Be connected[1] to a substantial shareholder of MIDF Investment or under an obligation to act in accordance with the substantial shareholder or any other person;

(c) Be employed in an executive position in MIDF Investment, at least two years prior to his appointment date;

(d) Have an immediate family member who is, or has been in the past two years, employed by MIDF Investment or any of its related company as a key senior officer[2]. For this purpose, an 'immediate family member' means the spouse, parent, brother, sister, child (including adopted or step child) and the spouse of such brother, sister or child, of the Independent Director;

(e) Engage in any transaction, or have been engaged in any transaction within the last two years with MIDF Investment and its affiliates , whether with other persons or through a firm or company of which he is a partner, director or major shareholder, the value of which exceeds RM1.0 million. However, 'transactions' as stated above shall exclude the following transactions:

(i) For personal use of the said director;

(ii) For personal investment of the said director except for the purpose of carrying on a trade or business; or

(iii) Normal banking transactions other than loans and advances provided that such transactions are on normal commercial terms. A director of MIDF Investment will still be deemed independent if the company in which he is also a director, has

[1] A person is connected to a substantial shareholder (that is holds >5% of the equity interest) if he is :

- Spouse, parent, brother, sister, child (including adopted or step child) and the spouse of such brother, sister or child, of the substantial shareholder;
- Under an obligation, whether directly or indirectly, to act in accordance with the instructions or directions of the substantial shareholder; or
- Any other person deemed by BNM to be connected with the substantial shareholder.

[2] A member of the Management Committee of MIDF Investment.

loans with MIDF Investment, provided he is not a substantial shareholder of the Bank, or a guarantor of the loan and is not involved in the deliberation and decision-making process.

(f) be engaged as a professional adviser by MIDF Investment, either personally or through a firm or company of which he is a partner, director or major shareholder, as the case may be;

(g) act as a nominee or representative of any executive director or major shareholder of MIDF Investment; and

(h) have served the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interest of MIDF Investment.

5.9 Board Meetings:

5.9.1 The Board shall meet sufficiently to discharge its duties effectively.

5.9.2 Reasonable notice of meetings and the business to be considered shall be given to members of the Board. The proceedings of the Board will be governed by the Bank's Constitution/Articles of Association. The Chairman, at his discretion, may invite the senior management or other senior executives or professional advisers to attend and to be heard at the Board meetings.

5.9.3 A detailed agenda, together with the supporting documentation, must be circulated, in advance of each meeting to the members of the Board and other invitees. Board members must be fully prepared for Board meetings to be able to provide appropriate and constructive input on matters for discussion and decisions.

5.9.4 The Company Secretary is the secretary to the Board and shall take minutes of the meetings. The minutes must be completed as soon as possible after the meeting and circulated to the Chairman and members of the Board for review thereof. The minutes must be formally approved by the Board at its next scheduled meeting.

5.9.5 Board members must attend all scheduled meetings of the Board, including meetings called on an ad-hoc basis for special matters unless prior apology, with reasons, has been submitted to the Chairman or Company Secretary. If the Chairman of the Board is absent from a meeting, the directors present must elect one of the directors present to act as chairman.

5.9.6 A Director must devote sufficient time to prepare for and attend board meetings, and maintain a sound understanding of the Bank's business as well as relevant market and regulatory developments.

5.9.7 A Director must attend at least 75% of the board meetings held in each financial year, and must not appoint another person to attend or participate in a board meeting on his behalf.

5.9.8 The Bank must ensure that attendance at board meetings, by way other than physical presence, remains an exception rather than the norm, and is subject to appropriate safeguards to preserve the confidentiality of deliberations.

5.9.9 The quorum necessary for the transaction of the business of the Directors shall be three (3) members of the Board or fifty per centum (50%) of the total number of Board members, whichever is higher.

5.9.10 The Board must ensure that clear and accurate minutes of board meetings are maintained to record the decisions of the Board, including the key deliberations, rationale for each decision made and any significant concerns or dissenting views. The minutes must indicate whether any Director abstained from voting or excused himself from deliberating on a particular matter.

5.9.11 The Bank must provide the Board with access to advice from third party experts on any matter deliberated by the Board as and when required, and the cost of such advice shall be borne by the Bank.

5.10 Board Review Process:

5.10.1 Fit and Proper Assessment

(a) Each Director must be assessed against the minimum requirements set out in the Articles of Association of the Bank both prior to initial appointment and at a regular interval of at least annually, or as and when the Board becomes aware of information that may materially compromise the Director's fitness and propriety, or any circumstance that suggest that the Director is ineffective, errant or otherwise unsuited to carry out his responsibilities.

(b) A Director must immediately disclose to the Board any circumstance that may affect his ability to meet the minimum requirements.

5.10.2 Board Performance Evaluation

(a) On an annual basis, the Board, with the assistance of the NC, shall evaluate its own performance to objectively assess the performance and effectiveness of the Board, Board Committee and individual Directors. This is important to enable the Board to identify areas for professional development and process improvements, having regard to the changing needs of the Bank.

(b) The Board must dedicate sufficient resources towards the on-going development of its members. This must include dedicating an adequate budget, having in place development plans for directors and regularly updating such plans to ensure each director possesses the knowledge and skills necessary to fulfil his responsibilities.

5.11 Directors' Training and Continuous Education Training:

5.11.1 All newly appointed directors will be briefed on the structure and the business activities of the Bank and are required to attend the FIDE Training Programmes as required by BNM and the Capital Market Directors' Programme as required by the Securities Commission Malaysia.

5.11.2 All directors are encouraged to attend a continuous education or suitable training programme each year to ensure that each director receives regular briefings and updates on changes in risks, laws and regulations, economic scenario and the industry climate affecting the business, and to continuously upgrade their knowledge and understanding of their roles and responsibilities as directors.

5.12 Board Committees:

5.12.1 The Board has established Board Committees to assist the Board in exercising its roles and responsibilities. The Board delegates certain governance responsibilities to the Board Committees, which operate within clearly defined terms of references primarily to assist the Board in the execution of its duties and responsibilities.

5.12.2 Each Committee has its own specific terms of reference as approved by the Board. The powers and authority delegated to these Committees are also set out in the terms of reference of each of the Committees. The terms of reference of the Committees will be reviewed as and when needed and amended accordingly after approval by the Board.

5.12.3 The Board may also establish and delegate specific functions to ad hoc committees as and when required.

5.12.4 The terms of reference of the Board Committees of the respective Companies in the Group are as per **APPENDIX 1**.

5.13 Appointment of Director, Re-Election ofDirector, Tenure of Office of a Director, Resignation of Director, Vacancy of Office and Removal of Director:

5.13.1 A Director must fulfil the following minimum requirements at the time of his appointment and on a continuing basis:

(a) A Director must not be disqualified under Section 59(1) of the Financial Services Act 2013, Section 75 of the Capital Market Services Act 2007 and must comply with the fit and proper requirements;

(b) A Director must not have competing time commitments that impair his ability to discharge his duties effectively;

(c) A Director must not be an active politician;

(d) A Director must not be appointed from any of the officers of the Bank's external auditors ("Firm") until at least two (2) years after:

(i) He ceases to be an officer or partner of the Firm; or

(ii) The Firm last served as an external auditor of the Bank.

5.13.2 Appointment of Director

(a) There is a formal and transparent procedure for the appointment of new directors to the Board, the primary responsibility of which has been delegated to the Nomination Committee ("NC") of MIDF Investment.

(b) Guided by the Fit and Proper Policy ("FAP Policy") as well as the BNM Guidelines on Fit and Proper Criteria ("Guidelines on Fit and Proper Criteria"), the NC recommends to the Board suitable candidates for directorships and appointment of senior personnel of the Bank. The NC also ensures candidates satisfy the relevant requirements on the skills and core competencies of a director and are deemed fit and proper to be appointed as director in accordance with the FAP Policy and the Guidelines on Fit and Proper Criteria.

(c) The FAP Policy and the Guidelines on Fit and Proper Criteria acts as a guide for the NC and the Board to determine the overall suitability of a candidate to be appointed to the Board. It outlines the attributes and qualifications of a candidate to determine his suitability, amongst others, his management and leadership experience, which ought to be at the most senior level in a reputable local or international financial services group or professional bodies. In respect of the candidate's skills, expertise and background, he should ideally and to the extent available, possess a diverse range of skills, including, in particular, business, legal and financial expertise, professional knowledge and financial industry experience.

5.13.3 Re-election of Director

(a) At every Annual General Meeting of the Bank, one third (1/3) of the Directors, or if their number is not three or any multiple of three, then the number nearest to one-third shall retire from office, but be eligible for re-election.

5.13.4 Tenure of Office of a Director

(a) Non-independent non-executive director ("Non-INED")

(i) The tenure of a non-independent non-executive Director shall not exceed a cumulative and maximum term of nine (9) years. The tenure shall be a consecutive service of a full term of nine (9) years with MIDF Investment.

(ii) The shareholder of MIDF Investment shall determine whether its nominee shall continue to be on the Board after the expiry of the tenure.

(b) Independent non-executive director

(i) The tenure of an Independent Director shall not exceed a cumulative and maximum term of nine (9) years. The tenure shall be a consecutive service of a full term of nine (9) years with MIDF Investment.

(ii) Upon completion of the above tenure, an Independent Director may continue to serve on the Board of MIDF Investment, subject to the director's re-designation as a non-independent director.

(iii) The Board may justify and seek shareholder's approval in a general meeting in the event MIDF Investment retains as an Independent Director, a person who has served in that capacity for more than nine (9) years.

5.13.5 Resignation of Director

(a) Generally, a director may resign from office anytime unless he has contracted to serve the Bank for a fixed term and that term has expired. In which case, the resignation of the executive director must be in accordance with his terms of employment, otherwise he will be liable for breach of contract.

(b) The resigning director is to submit his resignation letter to the Chairman of the Board and the Board would consider and accept his resignation letter.

(c) The written approval of BNM must be obtained before:

(i) The Bank removes an Independent Director; and

(ii) An Independent Director resigns from his position.

5.13.6 Vacancy of Office

(a) In accordance with the Bank's Articles and Association/Constitution, the office of a Director shall become vacant if the Director: -

(i) Ceases to be a director by virtue of the Companies Act 2016;

(ii) Becomes bankrupt or makes any arrangement or composition with his creditors generally;

(iii) Becomes prohibited from being a Director by reason of any order made under the Companies Act 2016;

(iv) Becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder;

(v) Is absent without the permission of the Directors from more than 25% of meetings of the Directors held during that period;

(vi) Resigns his office by notice in writing to the Bank;

(vii) Is directly or indirectly interested in any contract or proposed contract with the Bank and fails to declare the nature of his interest in the manner required by the Companies Act 2016; and

(viii) Is removed by a resolution of the Bank in a General Meeting in accordance with the Companies Act, 2016.

5.13.7 Removal of Director

All resignations and removal of Independent Directors from the Board shall only take effect after the Board has cleared the resignation and removal of the Independent Directors with BNM.

5.14 Sharing of Independent Director:

5.14.1 Sharing of Independent Director within MIDF Group is allowed provided the director gives a declaration on his independence and that he is not taking instructions from any person including MIDF as the parent company.

5.14.2 While common directors on the board of a financial institution and its affiliates can contribute to group oversight and alignment, inordinate overlaps in board membership can raise conflicts, particularly where issues affect the financial institution and its affiliate in different ways. To ensure that group interests are appropriately balanced against the fiduciary and statutory duties that directors owe towards each legal entity they serve, directors who are board members of a financial institution and its affiliates must remain in the minority of the financial institution's board if –

(a) one entity is a licensed bank or licensed investment bank, and the other is a licensed Islamic bank;

(b) the affiliate is a holding company or subsidiary of the financial institution that is itself a financial institution; or

(c) there are strong operational dependencies (where the relevant institutions operate under centralised or shared services arrangements, particularly in respect of control functions) between the financial institution and the affiliate.

5.15 Code of Conduct and Ethics:

5.15.1 The Board shall formalise and maintain a set of ethical standards of behaviour expected of all Directors, Management, employees and, where applicable, counterparts and business partners through the Code of Conduct for Directors and Employees and together with Management implement its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

5.15.2 The policies of the Code of Conduct for Directors and Employees should be integrated into group-wide management practices.

5.16 Whistleblowing Policy:

5.16.1 The Board should establish, review and together with Management implement appropriate policies and procedures on whistleblowing.

5.16.2 The oversight of the whistleblowing function is under the purview of the Senior Independent Non-Executive Director (appointed as Non-Executive Director for Whistleblowing) who shall ensure that all reported violations are properly investigated. The Non-Executive Director for Whistleblowing is also responsible for reviewing the effectiveness of the actions taken in response to all concerns raised.

5.16.3 The Non-Executive Director for Whistleblowing shall have the authority:

(a) To determine the legitimacy of the reported violations and to direct further action;

(b) To consider the outcomes of the fraud investigations and to direct further action;

(c) To evaluate periodic reports that monitor and assess how concerns are escalated and dealt with; and

(d) To oversee periodic reviews of the effectiveness of the whistleblowing policy.

5.17 Directors' Remuneration and Benefits

5.17.1 Directors' Remuneration

(a) The average annual increase of 3% per annum be adopted by MIDF Investment; and

(b) The remuneration of the non-executive directors within MIDF Investment will be reviewed every three (3) years and the Company Secretary will update the result of the remuneration for review of the RC/Board.

5.17.2 Directors' Benefits

As per **APPENDIX 2**.

**APPENDIX 1**

## MIDF AMANAH INVESTMENT BANK BERHAD

## THE TERMS OF REFERENCE OF THE NOMINATION COMMITTEE ("NC")

### 1. Objectives

1.1 To provide a formal and transparent procedure for the appointment of directors and chief executive officer.

1.2 To provide a formal and transparent procedure for assessment of the effectiveness of individual directors, board as a whole and performance of chief executive officer and senior management officers.

### 2. Composition

2.1 The NC must have at least three members, of which at least two must be non-executive directors.

2.2 The NC must have a majority of independent directors.

2.3 The NC must be chaired by an independent director.

### 3. Quorum And Frequency Of Meeting

3.1 The quorum to form NC meeting shall be two, out of which one must be an independent director.

3.2 In the event of equality of vote, the Chairman shall have the casting vote.

3.3 The NC shall meet at least twice a year to deliberate on the responsibilities set out in Paragraph 4.

### 4. Roles And Responsibilities

4.1 The NC may be delegated with decision-making powers and should be reporting its recommendation to the board.

4.2 Duties of NC amongst others are to:

(i) Establish minimum requirements for the board i.e. the required mix skills, experience, qualification and other core competencies required of a director.

(ii) Establishing minimum requirements for the chief executive officer. The requirements and criteria should be approved by the board.

(iii) Recommend and assess the nominees for directorship, board committee members as well as nominees for the chief executive officer. This includes assessing directors for reappointment, before an application for approval is submitted to Bank Negara Malaysia. The actual decision as to who shall be nominated should be the responsibility of the board.

(iv) Oversee the overall composition of the board, in terms of the appropriate size and skills, and the balance between executive directors, non-executive directors and independent directors through annual review.

(v) Recommend to the board the removal of a director/Chief Executive Officer from the board/management if the director/Chief Executive Officer is ineffective, errant and negligent in discharging his responsibilities.

(vi) Establish a mechanism for the formal assessment on the effectiveness of the board as a whole and the contribution of each director to the effectiveness of the board, the contribution of the board's various committees and the performance of the Chief Executive Officer.

(vii) Ensure that all directors receive an appropriate continuous training program in order to keep abreast with the latest developments in the industry.

(viii) Assess the appointment of senior management officers for recommendation to the Board for approval, in instances where the proposed remuneration package exceeds the job band.

(ix) Oversee the management succession planning program of senior management officers who report directly to the Chief Executive Officer.

(x) Assess, on an annual basis, that the directors and Chief Executive Officer are not disqualified under Section 59(1) of the Financial Services Act 2013 [FSA].

## 5. <u>Review Of Terms Of Reference</u>

The Terms of Reference of the NC are to be reviewed once in every two years.

**APPENDIX 1**

## THE TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE ("RC")

### 1. Objectives

1.1 To provide a formal and transparent procedure for developing remuneration policy for directors, chief executive officer and key senior management officer.

1.2 To ensure that compensation is competitive and consistent with the licensed institution's culture, objective, and strategies.

### 2. Composition

2.1 The RC must have at least three members, all of which must be non-executive directors.

2.2 The RC must have a majority of independent directors.

2.3 The RC must be chaired by an independent director.

### 3. Quorum And Frequency Of Meeting

3.1 The quorum to form RC meeting shall be two and one of them must be an independent director.

3.2 In the event of equality of vote, the Chairman shall have the casting vote.

3.3 The RC should meet at least twice a year and where necessary, to make recommendations to the Board.

### 4. Roles And Responsibilities

4.1 Duties of RC amongst others are to:

(i) Recommend a framework of remuneration for directors, chief executive officer, and key senior management officers for the board's approval. The remuneration framework should support the licensed institution's culture, objectives, and strategy and should reflect the responsibility and commitment, which goes with board membership and responsibilities of the chief executive officer and senior management officers. There should be a balance in determining the remuneration package, which should be sufficient to attract and retain directors of calibre, and yet not excessive to the extent the licensed institution's funds are used to subsidise the excessive remuneration packages. The framework should cover all aspects of remuneration including directors' fees, salaries, allowances, bonuses, options, and benefits-in-kind.

(ii) Recommend specific remuneration packages for executive directors and the chief executive officer. The remuneration package should be structured such that it is competitive and consistent with the licensed institution's culture, objectives, and strategy. Salary scales drawn up should be within the scope of the general business policy and not be dependant on short-term performance to avoid incentives for excessive risks taking.

(iii) In cases where the proposed remuneration package of key senior management officers (who report directly to the Chief Executive Officer) exceeds the job band, the RC shall assess the proposed remuneration package and recommend to the Board of Directors for approval.

## 5. Review Of Terms Of Reference

The Terms of Reference of the RC are to be reviewed once in every two years.

**APPENDIX 1**

## THE TERMS OF REFERENCE OF THE AUDIT AND COMPLIANCE COMMITTEE (“ACC”)

### 1. OBJECTIVE

1.1 To support the Board in ensuring that there is a reliable and transparent financial reporting process within the Bank.

1.2 To provide independent oversight of the Bank’s internal control system and oversee the effectiveness of the internal audit and compliance functions of the Bank.

1.3 To exercise oversight over the external auditor, in accordance with the expectations set out in the policy document on External Auditor.

1.4 To oversee the Bank’s management of compliance risk in respect of compliance with applicable laws, rules and regulations as well as internal policies and procedures.

### 2. COMPOSITION

2.1 The ACC must have at least three members, all of which must be non-executive directors.

2.2 The ACC must have a majority of independent directors.

2.3 The ACC must be chaired by an independent director.

2.4 At least one director must have accounting expertise or experience in the field of finance.

### 3. QUORUM AND FREQUENCY OF MEETING

3.1 The quorum to form ACC meeting shall be two and one of them must be an independent director.

3.2 In the event of equality of vote, the Chairman shall have the casting vote.

3.3 The ACC should hold regular meetings, at least once every quarter and should report regularly to the Board.

## 4. AUTHORITY

4.1 ACC is authorized by the Board to undertake the following:-

4.1.1 investigate any matter within its terms of reference;

4.1.2 have full and unrestricted access to information to enable it to perform its duties;

4.1.3 have full discretion to invite any directors and request the presence of senior management officers to attend the meetings; and

4.1.4 have access to reasonable resources required to enable it to discharge its functions properly. ACC can obtain independent professional advice at the expense of the Company and to secure the attendance of outsiders with relevant expertise and experience if the ACC deems it necessary.

## 5. ROLES AND RESPONSIBILITIES

5.1 Roles of ACC, amongst others, cover the following areas:

5.1.1 Financial Statements and Reporting

(i) Ensure fair and transparent reporting and prompt publication of the financial accounts.

a) (ii) Review the interim, quarterly financial statements and the annual financial statements for recommendation to the Board for approval, focusing particularly on:Any changes in accounting policies and practices;

b) Significant adjustments arising from the audit;

c) The going concern assumption; and

d) Compliance with accounting standards and other legal and regulatory requirements.

(iii) Review the accuracy and adequacy of the chairman's statement in the directors' report, corporate governance disclosures, interim financial reports and preliminary announcements in relation to the preparation of financial statements.

5.1.2 Effectiveness of Internal Audit and Compliance Functions

(i) Oversee the functions of the Internal Audit and Compliance as per the requirements of Bank Negara Malaysia Guidelines on Internal Audit Function of Licensed Institutions, Bank Negara Malaysia Guidelines on Corporate Governance, the Securities Commission Guidelines on Performance of Supervisory Functions and the Rules of Bursa Malaysia Securities.

(ii) Review and approve the following:-

a) audit charter/policy, audit plan and budget, and scope of the internal audit programme and frequency; and

b) compliance charter/policy, compliance plan and budget, and scope of compliance programme and frequency.

(iii) Review and approve the internal audit and compliance reports and ensure Management addresses the audit and compliance issues appropriately and in timely manner.

(iv) Assess the performance and effectiveness of the internal audit and compliance functions and communicate the results of the assessment on internal audit and compliance to ACC of MIDF Berhad and Board of MIDF Investment, respectively.

(v) Meet with internal auditor without the presence of Management, at least annually.

(vi) If any, note significant disagreements between the Chief Internal Auditor (CIA) and the Management team, irrespective of whether these have been resolved, in order to identify any impact the disagreements may have on the audit process or findings.

5.1.3 Internal Controls Framework

Oversee the implementation of the Bank's internal control framework, and periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of the Bank's operations.

5.1.4 External Auditor

(i) Recommend the appointment, remuneration and removal of the external auditors.

(ii) Assess objectivity, performance and independence of external auditor (e.g. by reviewing and assessing the various relationships between the external auditor and the Bank or any other entity).

(iii) Review the external auditor's management letter and response.

(iv) Approve the provision of non-audit services by the external auditor.

(v) Ensure that there are proper checks and balances in place so that the provision of non-audit services does not interfere with the exercise of independent judgement of the external auditor.

(vi) Review the external auditor's report and recommendations, and ensure that issues are being managed by Management and rectified appropriately and in a timely manner.

(vii) Have direct communication channels with the external auditors and able to meet with the external auditor without the presence of management, at least annually.

5.1.5 Related Party Transaction ("RPT")

Review all RPT and keep the board informed of such transactions.

5.1.6 Conflict of Interest

Monitor compliance with the board’s conflicts of interest policy.

5.1.7 Others

Review third-party opinions on the design and effectiveness of the Company’s internal control framework.

## 6. REVIEW OF TERMS OF REFERENCE

The Terms of Reference of the ACC are to be reviewed once in every two years.

**APPENDIX 1**

## THE TERMS OF REFERENCE OF THE RISK MANAGEMENT COMMITTEE (“RMC”)

### 1. Objective

1.1 To oversee senior management’s activities in managing credit, market, liquidity, operational, legal, Shariah and other risks.

1.2 To ensure that the risk management process is in place and functioning.

### 2. Composition

2.1 The RMC must have at least three members, all of which must be non-executive directors.

2.2 The RMC must have a majority of independent directors.

2.3 The RMC must be chaired by an independent director.

### 3. Quorum And Frequency Of Meeting

3.1 The quorum to form RMC meeting shall be two, out of which one must be an independent director.

3.2 In the event of equality of vote, the Chairman shall have the casting vote.

3.3 The RMC should hold regular meetings, at least once every quarter and should report regularly to the Board.

### 4. Roles And Responsibilities

4.1 Duties of RMC amongst others are to:

(i) Review and recommend risk management strategies, policies and risk tolerance for board’s approval.

(ii) Review and assess adequacy of risk management policies and framework in identifying measuring, monitoring and controlling risk and the extent to which these are operating effectively.

(iii) Ensure infrastructure, resources and systems are in place for risk management i.e. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the financial institutions’ risk taking activities.

(iv) Review management’s periodic reports on risk exposure, risk portfolio composition and risk management activities.

(v) Assist in the implementation of a sound remuneration system, examine whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the board remuneration committee.

## 5. Review Of Terms Of Reference

The Terms of Reference of the RMC are to be reviewed once in every two years.

**APPENDIX 1**

## THE TERMS OF REFERENCE OF THE CREDIT COMMITTEE OF THE BOARD ("CCB")

### 1. Objective

To review and oversee the development of credit strategy, policies and procedures governing the Bank's credit operations.

### 2. Composition

2.1 The CCB must have at least three members, all of which must be non-executive directors.

2.2 The CCB must have a majority of independent directors.

2.3 The CCB must be chaired by an independent director.

### 3. Quorum And Frequency Of Meeting

3.1 The quorum to form CCB meeting shall be any two members and one of them must be an independent director.

3.2 In the event of equality of vote, the Chairman shall have the casting vote.

3.3 The CCB should hold regular meetings, at least once every month and where necessary, to provide report to the Board.

### 4. Roles And Responsibilities

Duties of CCB amongst others are to:

4.1 Oversee, review and endorse the Bank's credit strategy, policies and limits governing the Bank's credit operations.

4.2 Review the adequacy of credit policies and procedures and that credit operations are in line with approved credit strategy, policies and limits.

4.3 Review and thereafter affirm or veto applications for credit facilities (covering direct lending/financings and underwriting of and/or subscription of Corporate Bonds/Sukuk but excluding facilities outlined in paragraph 4.4 and 4.6), renewals and/or extensions, annual reviews and any variations to previously approved terms and conditions for amount exceeding certain predetermined threshold based on credit risk rating but up to a Single Counterparty Exposure Limit ("SCEL") which has been approved by the Credit Committee ["CC"] and where appropriate, impose additional or more stringent terms and conditions as deemed necessary.

4.4 Review and thereafter affirm or veto **new** application of share margin financing ["SMF"] for amount exceeding RM10 million up to a SCEL which has been approved by the CC and where appropriate, impose additional or more stringent terms and conditions as deemed necessary.

4.5 Review and thereafter affirm or veto the **margin renewal** of **existing** account of SMF with limit exceeding RM10.0 million (in aggregate basis as per the SCEL) as per criteria stipulated in Bank-Wide Risk Management Policies (Section 6: Credit Risk and Credit Concentration Risk Management Policy).

4.6 Review and thereafter affirm or veto all proposals for underwriting/sub-underwriting of equity and equity-linked securities approved by the CC.

4.7 Review and thereafter affirm or veto the restructuring and rescheduling of non-performing loans/financing or defaulted Corporate Bonds/Sukuk approved by CC.

4.8 Consider and approve the disposal of collateral quoted shares and other pledged assets on non-performing loan accounts/financings under circumstances as provided for in the Credit Policy.

4.9 Perform such other functions as delegated by the Board of Directors from time to time.

## 5. Review Of Terms Of Reference

The Terms of Reference of the CCB are to be reviewed once in every two years.

**APPENDIX 2**

Directors Benefit is kept by Group Secretarial & Legal