

THE BOARD CHARTER

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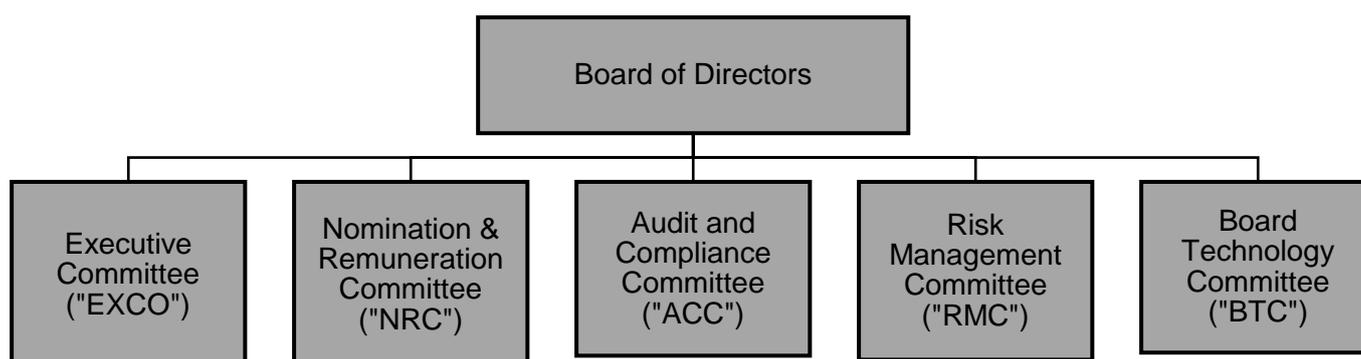
1.0 PURPOSE

- 1.1 This Board Charter aims to guide the Board in its stewardship role of MIDF Berhad by adopting related best practices and guidance from its Constitution and the laws and regulations governing the Companies in Malaysia.

2.0 SCOPE

- 2.1 This Board Charter sets out the roles and responsibilities of the Board, Board Committees and individual Directors in upholding sound corporate governance standards and practices. The Board Charter reflects the matters reserved for the Board's consideration and approval.

- 2.2 The governance structure of the Board of MIDF Berhad is as follows:



3.0 DEFINITIONS/ABBREVIATIONS

Board	Board of Directors
BNM	Bank Negara Malaysia
Company	MIDF Berhad
Connected Party	Director, substantial shareholder, or persons connected to the director or substantial shareholder
Connected Person	Person connected with a director or substantial shareholder i.e.: (a) A member of the director or substantial shareholder's family.

- (b) A body corporate which is associated with that director or substantial shareholder.
- (c) A trustee of a trust, other than a trustee for an employee share scheme or pension scheme, under which that director or substantial shareholder or a member of the director or substantial shareholder's family is a beneficiary.
- (d) A partner of that director or substantial shareholder or a partner of a person connected with that director or substantial shareholder.
- (e) A member of the director's family – the director's spouse, parent, child, including adopted child and stepchild, brother, sister and the spouse of the director's child, brother or sister.

A body corporate is associated with a director if:

- (a) The body corporate is accustomed or is under an obligation, whether formal or informal, or the majority of directors of the body corporate is accustomed, to act in accordance with the directions, instructions or wishes of that director;
- (b) The director has a controlling interest in the body corporate; or
- (c) That director, or persons connected with that director, or that director and persons connected with him, are entitled to exercise, or control the exercise of, not less than twenty per centum of the votes attached to voting shares in the body corporate.

GMD
Independent Non-Executive Director
MIDF Berhad

MIDF Berhad Group
Non-Independent Non-Executive Director
Subsidiaries

Group Managing Director
Independent Director ("INED")
Malaysia Industrial Development Finance
Berhad
MIDF Berhad and its Group of Companies
Non-Independent Director ("NINED")
Subsidiary Companies of MIDF Berhad

4.0 REFERENCES

- 4.1.1 The Companies Act 2016
- 4.1.2 The Financial Services Act 2013
- 4.1.3 The Islamic Financial Services Act 2013
- 4.1.4 Capital Markets and Services Act 2007
- 4.1.5 The Constitution
- 4.1.6 The Policy Document on Corporate Governance issued by Bank Negara Malaysia (Issued on 3 August 2016)
- 4.1.7 The Malaysian Code of Corporate Governance 2017
- 4.1.8 The Green Book on Enhancing Board Effectiveness
- 4.1.9 The Governance Standards & Best Practices for Participating Organization, Bursa Malaysia Securities Berhad (Issued on 16 June 2017)
- 4.1.10 Fit and Proper Policy (“FAP Policy”)
- 4.1.11 The Policy Document on issued by BNM on Fit and Proper Criteria (Issued on 14 June 2017)
- 4.1.12 Group Code of Conducts and Business Ethics
- 4.1.13 Whistleblowing Policy
- 4.1.14 Policy Document on Shariah Governance (Issued on 20 September 2019)
- 4.1.15 Guidelines on Conduct of Directors of Listed Corporations and their Subsidiaries issued by Securities Commission Malaysia (Issued on 30 July 2020)
- 4.1.16 Connected Party Transactions Policy
- 4.1.17 Operational Procedures for Connected Party Transactions

5.0 GENERAL POLICY

5.1 BOARD COMPOSITION AND BALANCE

- 5.1.1 The size of the Board would be determined based on, among others, the following consideration:
 - (i) The requirement of the Constitutions or such other number as may be required by the applicable laws and regulations, as amended from time to time. Currently, the Constitutions of MIDF Berhad requires minimum of five (5) and maximum of fifteen (15) directors;
 - (ii) The evolving circumstances of the Company and Group in terms of its size and scope;

- (iii) The need to achieve an appropriate balance of Executive and Non-Executive Directors and the Independent elements of Non-Executive Directors;
- (iv) The need to establish Board committees;
- (v) The quorum requirement for Board meetings; and
- (vi) 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.

5.1.2 The Board shall comprise majority of Independent Directors at all times.

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

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

- (i) is an undischarged bankrupt;
- (ii) has been convicted of an offence relating to the promotion, formation or management of a corporation;
- (iii) has been convicted of an offence involving bribery; fraud or dishonesty; has been convicted of an offence under sections 213, 217, 218, 228 and 539 of the Companies Act, 2016; and
- (iv) has been disqualified by the Court under section 199 of the Companies Act, 2016.

5.2 **BOARD AUTHORITY**

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

- (i) Be provided resources in order to perform its duties;
- (ii) Have direct access to the Senior Management team and the external auditors;

- (ii) Have direct communication channels and access to the Company Secretary, and full and unrestricted access to information, records, properties and personnel of MIDF Group in performing their duties;
- (iii) Obtain external, legal or independent professional advice as deemed necessary;
- (iv) Have immediate access to reports on fraud, irregularities and other material risk considerations from Group Control Assurance Services, Group Compliance, Group Risk Management or any other external parties being appointed to investigate fraud;
- (v) Convene meeting with the external auditors without the presence of Management and where appropriate, the Company Secretary as deemed necessary; and
- (vii) Authorise investigation into fraud, illegal acts or suspected violations of MIDF Berhad Group policies involving Management or Directors.

5.3 THE ROLES AND RESPONSIBILITIES

The roles of the Board are to promote and protect the interest of MIDF Berhad Group. The Board shoulders the ultimate responsibility of determining the direction of the Group, thereby ensuring the long-term success of the Group 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.

5.3.1 THE BOARD

- (i) The roles 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, Islamic Financial Services Act, 2013, Regulatory Guidelines on Corporate Governance, as well as Policy Document on Shariah Governance;
- (ii) The business and affairs of the Company shall be managed under the direction and oversight of its Board, subject to any written law which may be applicable to the Company. In this respect, Subdivision 3 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 company subject to limitations under the Companies Act, 2016 or in the Constitution of MIDF Berhad;

- (iii) In discharging its duties, the Board should, amongst others:
- (a) act in good faith in the best interests of the Company;
 - (b) promote, together with the Senior Management, a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviour;
 - (c) exercise reasonable care, skill and diligence by:
 - applying the knowledge, skill and experience which may reasonably be expected of a director having the same responsibilities; and
 - applying any additional knowledge, skill and experience which the director has.
 - (d) Review and oversee the implementation of strategic plan:
 - The Board should review the business strategic plan of the Company and satisfy itself that all appropriate considerations concerning every aspects of the business have been considered 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 thought 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.
 - (e) Oversee and identify appropriate risk management and internal control framework:
 - In relation to risk management, the Board shall ensure

that the Company'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 Company's assets are safeguarded against any possible losses as well as ensuring the viability and sustainability of the Company's business operations.
- (f) The Board should oversee the implementation of the Company'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 Company's business operations and strategies;
- (g) The Board should ensure the adequacy and integrity of the management information and reporting system of the Company, 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 Company's financial and non-financial information;
- (h) The Board should oversee the human capital development process, particularly on the succession planning, selection and performance of GMD, Senior Management and key personnel of the Company. This is crucial to ensure that the key persons of the Company are fit and competent to effectively and continuously lead the business operations and growth; and
- (i) Oversee and approve the recovery and resolution as well as business continuity plans to restore the Company's financial strength and maintain or preserve critical operations as well as services when the Company comes under stress;

- (iv) The size, composition, and diversity of the Board shall be reviewed and determined from time to time to reflect the Company's requirements and to facilitate effective decision-making. In this connection, the Board must establish and regularly review succession plans for the Board of its subsidiaries to promote Board renewal and address any vacancies;
- (v) In discharging its responsibilities, the Board shall, among other things, have regard to the Islamic Financial Services Act, 2013 and the relevant regulatory policies and guidelines for financial institutions as issued from time to time; and
- (vi) 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.
- (vii) Director's External Commitment
 - (a) 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 Company's operations;
 - (b) Additionally, all Board members are required to notify the Chairman of the Board before accepting new directorships outside the Group 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
 - (c) A director shall not hold more than five (5) directorships in public listed companies.
- (viii) 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 Company (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.

(ix) Reliance on Professional Advice:

- (a) A director, in exercising his duties may rely on information, professional or expert advice provided by others including officers of the Company, persons retained by the company 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
- (b) 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.

(x) 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 Company, especially when there is a conflict of interest between the appointer and Company. The nominator shall not subordinate his duty to act in the best interest of the company to his nominator.

(xi) Responsibility for Actions of Delegatee:

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

5.3.2 THE CHAIRMAN

The roles and responsibilities of the Chairman and the GMD are clearly separated, defined, documented and reviewed regularly, to ensure that the need of the Company 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.

- (i) The roles of the Chairman:
 - (a) The Chairman of the Board must not be an executive and must not have served as a GMD of the Company in the past five (5) years;
 - (b) 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 Company. The Chairman will act independently in the best interest of the Company and is responsible for ensuring Board effectiveness and standard of conduct;
 - (c) 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.

5.3.3 THE GMD

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

- (i) Developing the strategic direction of the Company and its subsidiaries;
- (ii) Ensuring that the Company and its subsidiaries strategies and corporate policies are effectively implemented;
- (iii) Ensuring that the Board's decisions are being implemented and Board directions are responded to;
- (iv) Providing directions in the implementation of short and long-term business plans of the Company and its subsidiaries;
- (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 Company and its subsidiaries' operations and ensuring enough information is distributed to the Board members; and
- (vii) Ensuring the day-to-day business affairs of the Company and its subsidiaries are effectively managed.

5.3.4 THE SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

- (i) The Board may select and appoint a Senior Independent Non-Executive Director from among its Independent Non-Executive Director.
- (ii) 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 GMD in the execution of their duties.
- (iii) 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 GMD.

- (iv) 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 5.13 below).

5.4 BOARD INDEPENDENCE

5.4.1 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 Berhad.

5.4.2 An Independent Director shall not:

- (i) have more than 5% equity interest directly or indirectly in MIDF Berhad and/or its Subsidiaries or in its related companies;
- (ii) be connected to a substantial shareholder of MIDF Berhad and/or Subsidiaries or under an obligation to act in accordance with the substantial shareholder or any other person;
- (iii) be employed in an executive position in MIDF Berhad and/or Subsidiaries or its related companies, at least two years prior to his appointment date;
- (iv) have an immediate family member who is, or has been in the past two years, employed by MIDF Berhad and/or its Subsidiaries or any of its related company as a key senior officer (a member of the Group Management Committee of MIDF). For this purpose, an ‘immediate family member’ means the spouse, parent, brother, sister, child (including adopted or stepchild) and the spouse of such brother, sister or child, of the Independent Director;
- (v) engage in any transaction or have been engaged in any transaction within the last two years with MIDF Berhad and/or its Subsidiaries, 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:
 - (a) for personal use of the said director;

- (b) for personal investment of the said director except for the purpose of carrying on a trade or business; or
 - (c) normal banking transactions other than loans and advances provided that such transactions are on normal commercial terms. A director of MIDF Berhad and/or its Subsidiaries will still be deemed independent if the company in which he is also a director, has loans with MIDF Berhad and/or its Subsidiaries, provided he is not a substantial shareholder of the company, or a guarantor of the loan and is not involved in the deliberation and decision-making process.
- (vi) be engaged as a professional adviser by MIDF Berhad and/or its Subsidiaries or any related company of MIDF Berhad and/or its Subsidiaries, either personally or through a firm or company of which he is a partner, director or major shareholder, as the case may be;
 - (vii) act as a nominee or representative of any executive director or major shareholder of MIDF Berhad and/or its Subsidiaries; and
 - (viii) 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 Berhad and/or its Subsidiaries.

5.5 BOARD MEETINGS

- 5.5.1 The Board shall meet sufficiently to discharge its duties effectively.
- 5.5.2 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 Company's Constitution. 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.
- 5.5.3 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.
- 5.5.4 The Company Secretary is the secretary to the Board and shall take minutes of the meetings.

- 5.5.5 Board members must attend at least 75% of the scheduled meetings of the Board, either via physically or virtually, 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. A director must not appoint another person to attend or participate in a board meeting on his behalf. 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.
- 5.5.6 A Director must devote sufficient time to prepare for and attend board meetings either via physically or virtually, and maintain a sound understanding of the Company's business as well as relevant market and regulatory developments.
- 5.5.7 The Company 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.
- 5.5.8 The quorum at any Board meeting, shall throughout the meeting be a minimum of three (3) Directors or 50% of total Board members (whichever is higher).
- 5.5.9 The Company 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 Company.

5.6 BOARD MINUTES

- 5.6.1 Full Board Minutes of each Board meeting are kept by the Company Secretary and are available for inspection by any Director during office hours.
- 5.6.2 The Board must ensure that clear and accurate minutes of the 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.
- 5.6.3 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/adopted by the Board.
- 5.6.4 The minutes of the Board meetings shall also be made available for inspection by internal and external auditor, as well as relevant regulators, for purposes of their respective audits on MIDF Berhad.

5.7 BOARD REVIEW PROCESS

5.7.1 FIT AND PROPER ASSESSMENT

- (i) Each Director must be assessed against the minimum requirements set out in the Constitution 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.
- (ii) A Director must immediately disclose to the Board any circumstance that may affect his ability to meet these minimum requirements.

5.7.2 BOARD EFFECTIVENESS ASSESSMENT ("BEA")

- (i) On an annual basis, the Board, with the assistance of the NRC, shall evaluate its own performance to objectively assess the performance and effectiveness of the Board, Board Committees 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 Company.
- (ii) 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.

5.8 BOARD CONTINUOUS EDUCATION TRAINING PROGRAMME

- 5.8.1 All newly appointed directors will be briefed on the structure and the business activities of the MIDF Berhad Group and are required to attend the FIDE Training Programmes as required by BNM within one (1) year of their appointment date and Islamic Finance for Board Programme ("IF4BoD") developed by International Shari'ah Research Academy For Islamic Finance ("ISRA") within two (2) years of their appointment date.
- 5.8.2 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.

5.9 BOARD COMMITTEES

- 5.9.1 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 (“TOR”) primarily to assist the Board in the execution of its duties and responsibilities.
- 5.9.2 Each Board Committee has its own specific TOR as approved by the Board. The powers and authority delegated to these Board Committees are also set out in the TOR of each of the Board Committees. As part of the Board Charter, the TOR of the Board Committees shall be reviewed at least every two (2) years consistent with the review of the Board Charter. The duly reviewed Board Charter shall be recommended by the NRC to the Board for approval.
- 5.9.3 As a living documents, the TOR of the Board Committees shall be revised as and when required. In the event the TOR is revised after the Board Charter had been reviewed and approved by the Board, the said revised TOR will be replaced in the approved Board Charter and shall remain in the Board Charter until the next review exercise.
- 5.9.4 The Board may also establish and delegate specific functions to ad hoc committees as and when required.
- 5.9.5 The TOR of the Board Committees are as per **APPENDIX 1**.

5.10 APPOINTMENT AND RE-APPOINTMENT, RE-ELECTION, TENURE OF OFFICE, RESIGNATION, VACANCY OF OFFICE AND REMOVAL OF THE BOARD

5.10.1 APPOINTMENT AND RE-APPOINTMENT

- (i) A Director must fulfil the following minimum requirements at the time of his appointment/re-appointment and on a continuing basis:
- (a) A Director must not be disqualified under Section 59(1) of the Financial Services Act 2013 or Section 68(1) of the Islamic Financial Services Act 2013 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 Company's external auditors ("Firm") until at least two (2) years after:
 - He ceases to be an officer or partner of the Firm; or
 - The Firm last served as an external auditor of the Bank.
- (ii) 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 NRC.
- (iii) Guided by the FAP Policy as well as the Bank Negara Malaysia Guidelines on Fit and Proper Criteria ("Guidelines on Fit and Proper Criteria"), the NRC recommends to the Board suitable candidates for directorships and appointment of senior personnel of the Company. The NRC 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.
- (iv) The FAP Policy and the Guidelines on Fit and Proper Criteria acts as a guide for the NRC 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/she should ideally and to the extent available, possess a diverse range of skills, including business, legal and financial expertise, professional knowledge and financial industry experience.
- (v) The written approval of BNM must be obtained before the Board's appointment/re-appointment.
- (vi) A Director whose tenure has expired and is being proposed for re-appointment must immediately cease to hold office and act in such capacity, including by participating in board meetings or holding himself out as a Director.

5.10.2 RE-ELECTION

At every Annual General Meeting of the Company, 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.

5.10.3 TENURE OF OFFICE

- (i) Non-Independent Non-Executive Director (“NINED”)
 - (a) The tenure of a NINED 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 Berhad and/or its subsidiaries.
 - (b) The shareholder of MIDF Berhad and/or MIDF Berhad (as shareholder of its subsidiaries) shall determine whether its nominee shall continue to be on the Board after the expiry of the tenure.
- (ii) Independent Non-Executive Director (“INED”)
 - (a) 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 Berhad and/or its subsidiaries.
 - (b) Upon completion of the above tenure, an Independent Director may continue to serve on the Board of MIDF Berhad and/or its Subsidiaries, subject to the director’s re-designation as a non-independent director.
 - (c) The Board may justify and seek shareholder’s approval in a general meeting in the event MIDF Berhad and/or its Subsidiaries retains as an Independent Director, a person who has served in that capacity for more than nine (9) years.

5.10.4 RESIGNATION

- (i) Generally, a director may resign from office anytime unless he has contracted to serve the company 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.

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.

- (ii) The written approval of BNM must be obtained before an independent director resigns from his position except for independent director who resigns from the Board due to his/her expiry of the term of appointment.

5.10.5 VACANCY OF OFFICE

- (i) In accordance with the Constitution, the office of a Director shall become vacant if the Director: -
 - (a) ceases to be a director by virtue of the Companies Act 2016;
 - (b) becomes bankrupt or makes any arrangement or composition with his creditors generally;
 - (c) becomes prohibited from being a Director by reason of any order made under the Companies Act 2016;
 - (d) 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;
 - (e) is absent without the permission of the Directors from more than 25% of meetings of the Directors held during that period;
 - (f) resigns his office by notice in writing to the Company;
 - (g) is directly or indirectly interested in any contract or proposed contract with the Company and fails to declare the nature of his interest in the manner required by the Companies Act 2016; and
 - (h) is removed by a resolution of the Company in a General Meeting in accordance with the Companies Act, 2016.

5.10.6 REMOVAL

The written approval of BNM must be obtained before the removal of the Independent Directors.

5.11 SHARING OF INDEPENDENT DIRECTOR

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

5.11.2 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 –

- (i) one entity is a licensed bank or licensed investment bank, and the other is a licensed Islamic bank;
- (ii) the affiliate is a holding company or subsidiary of the financial institution that is itself a financial institution; or
- (iii) 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.

5.12 BOARD PROFESSIONALISM

5.12.1 CODE OF CONDUCT AND BUSINESS ETHICS

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 Group's Code of Conduct and Business Ethics 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. The policies of the Group's Code of Conduct and Business Ethics should be integrated into group-

wide management practices.

5.12.2 CONFLICT OF INTEREST

- (i) Section 58 of the Financial Services Act 2013 require a Director to disclose to the Board, the nature and extent of his/her 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 deliberations.
- (ii) For the purpose of Section 58 (4) of the Financial Services Act 2013, BNM specifies the following:
 - (a) An existing or 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/her 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.
 - (b) An interested Director must make the disclosure by way of written notice to all members of the Board and the Company Secretary:
 - As soon as practicable after being aware of his/her interest in the material transaction or arrangement; and
 - If the material transaction or arrangement is being deliberated at a Board meeting before the commencement of that deliberation.
- (iii) The Directors have a duty to declare immediately to the Board should they be interested in any transaction to be entered into directly or indirectly by the Company. An interested Director is required to abstain from deliberations and decisions of the Board on the transaction and he/she does not exercise any influence over the Board in respect of the transaction. In the event a corporate proposal is required to be approved by shareholders, interested Directors are required to be abstain from voting in respect of their shareholdings in the Company on the resolutions pertaining to the corporate proposal, and will further undertake to ensure that persons connected to them similarly abstain from voting on the resolutions.

- (iv) The disclosure procedures as detailed in the Connected Party Transactions Operational Procedures of MIDF Berhad.

5.13 WHISTLEBLOWING POLICY

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

5.13.2 The oversight of the whistleblowing function is under the purview of the Senior INED (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.

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

- (i) To determine the legitimacy of the reported violations and to direct further action;
- (ii) To consider the outcomes of the fraud investigations and to direct further action;
- (iii) To evaluate periodic reports that monitor and assess how concerns are escalated and dealt with; and
- (iv) To oversee periodic reviews of the effectiveness of the whistleblowing policy.

5.14 DIRECTORS' REMUNERATION AND BENEFITS

5.14.1 Directors' Remuneration

- (i) The Company aims to set remuneration levels which sufficient to attract and retain the Directors needed to run the Company successfully, taking into consideration all relevant factors including the function, workload and responsibilities involved, but without paying more than is necessary to achieve this goal. The level of remuneration for the GMD and other Key Senior Management is determined by the NRC after giving due consideration to the compensation levels for comparable positions among other similar company/bank in Malaysia.
- (ii) The average annual increase of 3% per annum be adopted by MIDF

Berhad.

- (iii) The remuneration of the non-executive directors within MIDF Berhad will be reviewed every three (3) years and the Company Secretary will update the result of the remuneration for review of the NRC/Board and subsequently to the respective shareholders. The Directors' fees are approved by the shareholders at the Company's Annual General Meeting.
- (iv) The non-executive directors receive an allowance for the purpose of attending Board or Committee meetings.
- (v) The Executive Directors are not entitled to the Director's fees nor are they entitled to receive any meeting allowance for Board or Board Committee.

5.14.2 Meeting Allowance for Internal Director (Key Senior Management)

Key Senior Management who sits on the board of non-active company is entitled for a meeting allowance for the purpose of attending Board or Committee meetings with the quantum to be determined by the GMD. The directors' fees are payable to MIDF Berhad.

5.14.3 Details of Directors' Benefits as per **APPENDIX 2**.

APPENDIX 1

THE TERMS OF REFERENCE OF THE EXECUTIVE COMMITTEE (“EXCO”)

1. OBJECTIVE

The objective of the EXCO is to carry out the duties and responsibilities as delegated by the Board inter alia:

- (i) to review the business of the Development Finance Division (“DFD”), corporate performance and credit risk of the Company.
- (ii) to ensure good industrial relations and human resource practices are in place. This may involve seeking any information it requires from any employee, and all employees are directed to cooperate with, and accede to any request made by the EXCO.
- (iii) to have access to any resources required to perform its duties. It may, at the expense of the Company, seek any external legal or other independent professional advice and to secure the attendance of external parties with relevant expertise and experience if the EXCO deems it necessary.
- (iv) to have full and unlimited access to any information pertaining to the MIDF Berhad Group, subject to any regulatory restrictions.
- (v) to carry out any activity and duties within its terms of reference.

2. COMPOSITION

- (i) The Board shall appoint the EXCO members from amongst their members who are independent and non-independent Directors. The minimum number of members shall be four (4) members.
- (ii) At least one (1) member of the EXCO shall be an Executive Director.
- (iii) The Chairman of the EXCO shall be the Chairman of the Board of MIDF.

3. MEETING PROCEEDINGS

- (i) The EXCO shall meet at least six (6) times a year or as and when required to deliberate on the below responsibilities.
- (ii) The quorum for a meeting shall be three (3) members present.

- (iii) In the absence of the Chairman, the majority of the members shall elect a Chairman for the meeting, from amongst the members present.

4. DUTIES AND RESPONSIBILITIES

The EXCO shall undertake the following duties and responsibilities: -

- (i) To provide guidance on strategic policies and directions, and operational matters to Management.
- (ii) To review and approve any subsequent amendment to corporate policies as delegated by the Board.
- (iii) To approve organisation structure of company as delegated by the Board. This is made reference to any structural changes to the organization/subsidiary chart. Organization/subsidiary here means MIDF Berhad or any of the subsidiaries.
- (iv) To approve setting up of new branch office, closure or relocation of branch office of the DFD.
- (v) To approve group borrowings and related Financing arrangements, subject to the authority limits as delegated by the Board.
- (vi) To review and approve any subsequent amendment to list of authorised persons to trade and operate on the Corporate Trading Account.
- (vii) To approve human resource matters in relation to recruitment, promotion, confirmation, transfer and termination/resignation of Key Senior Management Officers.
- (viii) To approve disciplinary actions on Key Senior Management Officers.
- (ix) To approve litigation actions, subject to the authority limits as delegated by the Board.
- (x) To approve outsourcing agreements and execution of contracts and agreements (other than outsourcing agreements), subject to the authority limits as delegated by the Board.
- (xi) To approve operational expenditure and capital expenditure, including the disposal and write-off of fixed assets and write-off of debts that are above the Group Managing Director's authority, subject to the authority limits as delegated by the Board.
- (xii) To review and approve all administration matters that are above the Group Managing Director's authority, subject to the authority limits as delegated by the Board.

- (xiii) To assess and approve applications for medical board out by staff of MIDF Berhad and its subsidiaries.
- (xiv) To attend to matters relating to DFD's business operations as follows: -
 - (a) To review the performance of DFD and its business plans for meeting targets.
 - (b) To review and approve any new and/or amendments to the financings policies of DFD.
 - (c) To affirm/veto any financing approvals and other facilities approved by Credit & Investment Committee of DFD under the proprietary funds for amounts over RM5,000,000 (over RM2,000,000 for approvals on unsecured basis). This limit shall include the total DFD proprietary exposure based on principal amount outstanding and principal amount committed but not yet disbursed to a single enterprise or to a group of related companies, including the guarantees provided by the holding company or corporate shareholders or individual shareholders or individual shareholders/directors in favour of DFD with respect to the existing DFD facilities under the proprietary funds.
 - (d) To approve impairment and monitor the movement in impaired financing facilities, suspension of profit/interest and guarantee facilities.
 - (e) To waive/write-off balances due from Customers.
 - (f) To consider and approve proposals for waivers/write-off of profit/interest-in-suspense and other charges including interest on delayed payment, prepayment penalty/*Ta'widh* and miscellaneous items due from Customers on cumulative basis (but excluding principal and profit/interest) exceeding RM50,000.
 - (g) To consider and approve all proposals for waivers/write-off of principal and profit/interest due from Customers, subject to a cumulative amount of RM5,000,000 per annum.
 - (h) To consider proposals for waivers/write-off of principal and profit/interest due from Customers exceeding RM5,000,000 per annum and make the appropriate recommendation to the Board of Directors.

**THE TERMS OF REFERENCE OF
THE NOMINATION AND REMUNERATION COMMITTEE (“NRC”)**

1. OBJECTIVE

The objective of NRC is to provide a formal and transparent procedure for:-

- (i) the appointment of the MIDF Berhad Group’ Board of Directors and Key Senior Management Officers as well as assessment of the effectiveness in their roles with the exception of Head of Group Control Assurance Services and Group Chief Risk Officer of MIDF Berhad.
- (ii) the development of remuneration policy for non-executive Directors and Key Senior Management Officers of the holding company as well as development of the overall Group Human Resources policies and ensuring that these policies are competitive and consistent with the industry practice.

2. COMPOSITION

- (i) The NRC must have at least three (3) members, of which at least two (2) must be Non-Executive Directors.
- (ii) The committee should be chaired by an independent director. In order to avoid conflict of interest, a member of the committee shall abstain from participating in discussions and decisions on matters involving him/her.

3. MEETING PROCEEDINGS

- (i) NRC shall meet at least twice a year to deliberate on the below responsibilities.
- (ii) The quorum for a meeting shall be at least two (2) members present of which at least one (1) of the members must be an independent director.
- (iii) In the absence of the Chairman, the majority of the members shall elect a Chairman for the meeting, from amongst the members present.

4. DUTIES AND RESPONSIBILITIES

The NRC is responsible for the following: -

- (a) Nomination

- (i) To establish and recommend to the Board the minimum requirements for the members of Board of Directors i.e. experience, qualification, required mix of skills and other core competencies. The NRC is also responsible for establishing minimum requirements for the GMD.
- (ii) To assess and recommend to the Board the nominees for directorship, Board Committee members, as well as nominees for the Key Senior Management Officers of the holding company before an application for approval is submitted to BNM.
- (iii) To assess and recommend to the Board the nominees for Succession Planning Programme of the Shariah Committee members of the holding company.
- (iv) To assess and recommend to MIDF Berhad Group, the nominees for their directorships.
- (v) To oversee the overall composition of the Board of the holding company, in terms of the appropriate size and skills, and the balance between Executive Director, Non-executive Directors and Independent Directors through annual review.
- (vi) To establish and recommend to the Board 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 Committee, and the performance of the Key Senior Management Officers.
- (vii) To recommend to the Board the removal of a Board member, Shariah Committee member, or Key Senior Management Officers if he/she is ineffective, errant and negligent in discharging his/her responsibilities.
- (viii) To ensure that all Directors and Shariah Committee members receive an appropriate continuous training program in order to keep abreast with the latest developments in the industry.
- (ix) To oversee the appointment and management of the succession planning for the entire MIDF Berhad Group including their required training and development programme and performance evaluation of Key Senior Management Officers.
- (x) To ensure that directors, members of Shariah Committee, Key Senior Management Officers and the company secretaries fulfil the fit and proper requirements and assessments of their fitness and propriety are conducted.

- (xi) To review the Board Charter together with the Terms of References of the Board Committees at least every two (2) years prior to the same to be recommended to the Board for approval.

(b) Remuneration

- (i) To recommend to the Board a framework of remuneration for Directors, Shariah Committee members, GMD, CEOs of subsidiaries and Key Senior Management Officers of the holding company for the Board's approval.
- (ii) To recommend a framework of remuneration for Directors and CEOs, of subsidiaries for consideration by the respective companies' Remuneration Committee (if applicable) and approval by the respective subsidiaries' Board.

(Note: The remuneration framework should reflect the responsibility and commitment, which goes with the Board membership and responsibilities of the GMD, CEOs of subsidiaries and Key Senior Management Officers. The framework should cover all aspects of remuneration including directors' fees, salaries, allowances, bonuses, options, benefits-in-kind and compensation packages).

- (iii) To recommend to the Board a new or revised Group Human Resources policies including the Employees Scheme of Service.
- (iv) To determine and recommend to the Board the MIDF Berhad Group's annual average salary increment and bonus pool to the various companies in the Group.

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

1. OBJECTIVE

The ACC is to assist the Board in the following areas:-

- 1.1 To support the Board in ensuring that there is a reliable and transparent financial reporting process within Malaysian Industrial Development Finance Berhad (“MIDF Berhad”).
- 1.2 To provide independent oversight of MIDF Berhad’s internal control system and oversee the effectiveness of the internal audit and compliance functions for MIDF Berhad Group.
- 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 MIDF Berhad’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 shall have at least three members, all of which must be non-executive directors.
- 2.2 The ACC shall have a majority of independent directors.
- 2.3 The ACC shall be chaired by an independent director.
- 2.4 At least one director shall 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 an event of equality of vote, the Chairman of ACC shall have the casting vote.
- 3.3 In the absence of Chairman of ACC, an independent director shall be elected as Chairman of the meeting.
- 3.4 The ACC shall hold regular meetings, at least once every quarter and should report regularly to the Board.

4. ROLES AND RESPONSIBILITIES

- 4.1 The ACC shall have explicit authority to investigate any matter within its terms of reference, full access to and co-operation by management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.
- 4.2 The ACC shall have full and unrestricted access to information and be able to obtain independent professional advice.
- 4.3 Duties of ACC, amongst others, include the following:
- 4.3.1 Financial Statements and Reporting
- (i) Ensure fair and transparent reporting and prompt publication of the financial accounts.
 - (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;
 - significant adjustments arising from the audit;
 - the going concern assumption; and
 - 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.

4.3.2 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.
- (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, which also include shariah audit and shariah compliance review reports and ensure Management addresses the audit and compliance issues appropriately and in timely manner.
- (iv) Review and deliberate on status of outstanding audit or compliance issues for MIDF Group of Companies raised by internal auditor, compliance, external auditor and regulators.
- (iv) Ensure that the internal audit has an effective system to monitor the implementation of agreed rectification plans to address issues raised by the internal and external auditors, compliance officers and regulators, and corrective measures are taken within the agreed deadline
- (v) Approve the appointment, remuneration, evaluate performance and decide on transfer, removal or termination of the Head of Group Control Assurance Services (“HGCAS”) & Group Chief Compliance Officer (“GCCO”).
- (vi) Assess the performance and effectiveness of the internal audit and compliance functions.
- (vii) Meet with internal auditor without the presence of Management, at least annually.
- (viii) If any, note significant disagreements between the HGCAS 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.

4.3.3 Internal Controls Framework

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

4.3.4 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 MIDF Berhad 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.

4.3.5 **Related Party Transaction ("RPT"):**

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

4.3.6 **Conflict of Interest:**

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

4.3.7 **Others:**

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

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

1. OBJECTIVE

The primary objective of the RMC is to assist the Board in fulfilling its oversight function, with the objective of safeguarding shareholder’s investment and the MIDF Berhad Group’ assets, in the following manner: -

- (i) Oversee senior management’s activities in managing credit, market, liquidity, operational, legal and other risks; and
- (ii) Ensure that the risk management system is in place and functioning.

2. COMPOSITION

- (i) The Board shall appoint RMC members from amongst their members and shall comprise only non-executive directors with at least three (3) members.
- (ii) The Chairman of RMC shall be an independent non-executive director.

3. MEETING PROCEEDINGS

- (i) RMC shall hold regular meetings, at least once every quarter and the meeting shall be minuted. All confirmed minutes of meeting shall be submitted to the Board for notation.
- (ii) The quorum for RMC meeting shall be two (2) members present.
- (iii) In the absence of the Chairman, the majority of the members shall elect a Chairman for the meeting, from amongst the members present.

4. DUTIES AND RESPONSIBILITIES

In carrying out its objective, RMC shall undertake the following duties and responsibilities: -

- (i) The Risk Management, Framework and Strategies: -
 - (a) To review and recommend the MIDF Berhad Group’s risk management strategies, policies and risk tolerance for the Board’s approval.

- (b) To 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.
 - (c) To 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 organisation's risk-taking activities.
 - (d) To review Management's periodic reports on risk exposure, risk portfolio composition and risk management activities.
 - (e) To review and endorse relevant corporate policies as delegated by the Board.
 - (f) To 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.
- (ii) Group Risk Management Division
- (g) To ensure that risk management function is effective and has sufficient authority, stature, independent resources and access to the Board.
 - (h) To appoint, set compensation, evaluate performance and decide on the remuneration and dismissal of the Group Chief Risk Officer ("GCRO").
 - (i) To ensure that GCRO has access for regular and timely communication with the GMD and Key Senior Management Officers to ensure that they are kept informed of and engaged in the material risk developments that would be critical to their functions and primary responsibilities.
 - (j) To ensure risk management function is involved in the business planning process so as to ensure that the institution's growth strategy is compatible with the institution's risk appetite with adequate and independent consideration of potential risks.
 - (k) To ensure risk management function is equipped with risk management personnel who possess sufficient experience and qualifications and practical knowledge of risk disciplines to enable them to provide specialised analysis and perform effective risk reviews.

TERMS OF REFERENCE OF THE BOARD TECHNOLOGY COMMITTEE

1. OBJECTIVE

- 1.1 The Board Technology Committee (“**BTC**” or “the **Committee**”) is established to support the Board of Directors (“**Board**”) of Malaysian Industrial Development Finance Berhad (“**MIDF Berhad**”) and its subsidiaries (“**MIDF Berhad Group**”) in providing direction and oversight over technology-related matters, including risk, in line with internal, as well as relevant regulatory requirements.
- 1.2 In fulfilling this objective, the BTC shall review, evaluate and recommend technological applications and innovations for the formulation of MIDF Berhad Group's medium and long-term business strategy, and assist the Board in ensuring that the Group's technology resources and initiatives are aligned with its overall digitalisation strategy and objectives vis-à-vis revenue growth and strategic cost reduction.

2. COMPOSITION

- 2.1 The BTC shall comprise at least three (3) members amongst the Board members of the MIDF Group which is a combination of independent and non-independent.
- 2.2 The Chairman of the BTC shall not be the Chairman of the Board.
- 2.3 In the absence of the Committee Chairman, the remaining members present shall elect one of their number to chair the meeting.
- 2.4 At least one (1) member of the BTC shall possess the technology experience and competencies to promote effective technology discussions.
- 2.5 A member of the BTC shall abstain from participating in discussions and decisions on matters involving him/her which may give rise to an actual or perceived conflict of interest situation for him/her.
- 2.6 Permanent Invitees

The following shall be the permanent invitees to all BTC meetings:

- (i) Group Managing Director;
- (ii) Chairman of Group IT Steering Committee;
- (iii) Head of Group Managing Director's Office;
- (iv) Group Chief Risk Officer;
- (v) SVP/Head of Group Bank Operations;
- (vi) Chief Information Security Officer; and
- (vii) Head of Group Information Technology.

3. QUORUM AND FREQUENCY OF MEETINGS

- 3.1 The quorum to form the BTC meeting shall be two (2). Meetings with a quorum in attendance shall constitute a competent and fully empowered Committee, able to exercise all authority vested in and exercisable by the Committee.
- 3.2 The BTC shall meet on a quarterly basis or as and when required. In addition, the Chairman of the BTC shall call a meeting of the Committee if a request is made by any member of the Committee.
- 3.3 In the interim period between meetings, if the need arises, issues shall be resolved through circular resolution. A circular resolution in writing, stating the reason(s) to arrive at a recommendation or resolution, signed by a majority of all BTC members, taking the form of one (1) or more documents in writing or by other electronic communication shall be valid and effective as if it had been passed at a meeting duly convened and constituted.
- 3.4 The BTC may invite external consultants or advisers, or any other Directors or members of the senior management and employees of MIDF Berhad Group to be in attendance during meetings to assist in its deliberations on any matters within its purview.
- 3.5 The Chairman of the BTC shall report to the Board on any matter that should be brought to the Board's attention and provide the recommendations of the BTC that require the Board's approval.

4. ROLES AND RESPONSIBILITIES

- 4.1 The BTC shall have full and unrestricted access to the records of MIDF Berhad Group (including the records of all Board, Board Committee and Management Committee meetings), properties and officers in carrying out its duties and responsibilities.

- 4.2 The BTC shall also have the authority to conduct enquiries and obtain independent external legal or other professional advice if it considers necessary in discharging its duties and responsibilities, at the cost of MIDF Berhad and/or its subsidiaries. This should serve to promote informed and robust decision-making by the BTC/Board in a manner that complements and adds value to the work of senior management.
- 4.3 Review and recommend to the Board for approval, the technology risk appetite which is to be aligned with MIDF Berhad Group's risk appetite statement. In doing so, the BTC shall recommend to the Board for approval, the corresponding risk tolerances for technology-related events, key performance indicators and forward-looking risk indicators, these serving to help monitor MIDF Berhad Group's technology risk against its approved risk tolerance.
- 4.4 Ensure and oversee the adequacy of MIDF Berhad Group's IT and cybersecurity strategic plans covering a period of no less than three (3) years. This shall include reviewing their annual budgets prior to approval of MIDF Berhad Group's budgets by the Board.

These plans, which shall be in line with MIDF Berhad Group's current and envisaged operations, strategies and its business environment, shall address MIDF Berhad Group's requirements:

- (i) for technology-based infrastructure with regard to data recovery, system availability and cost effectiveness;
 - (ii) to mitigate IT and cyber security risks;
 - (iii) to manage technology obsolescence;
 - (iv) to use technology to enhance returns from MIDF Berhad Group's financial and non-financial resources; and
 - (v) to ensure compliance with internal and external regulatory requirements.
- 4.5 Oversee the effective implementation of a sound and robust Technology Risk Management Framework (“**TRMF**”)¹ and Cyber Resilience Framework (“**CRF**”)² for MIDF Berhad Group to ensure the continuity of operations and delivery of services.
- 4.6 Exercise effective oversight and address associated risks when engaging third (3rd) party service providers for critical technology functions and systems.

¹ TRMF is a framework to safeguard MIDF Berhad Group's information infrastructure, systems and data.

² CRF is a framework for ensuring MIDF Berhad Group's cyber resilience.

- 4.7 Provide oversight over cloud strategy and operational management for critical systems.
- 4.8 The BTC shall -
- (i) Regularly review the updates on the status of the key performance indicators and forward-looking risk indicators in respect of the risk tolerances for technology-related events, together with sufficiently detailed information on key technology risks and critical technology operations to facilitate strategic decision-making;
 - (ii) Review, at least once every three (3) years or at an earlier interval if so required –
 - (a) the IT and cybersecurity strategic plans;
 - (b) the TRMF and CRF to ensure the same remain relevant on an ongoing basis to guide MIDF Berhad Group’s management of technology risks;
 - (c) the outcome of the assessment in respect of the production data centre resilience and risk assessment; and
 - (d) the outcome of the assessment in respect of the network resilience and risk assessments;
 - (iii) Review the updates by the Group Information Technology Steering Committee (“GITSC”) on the key technology matters³, including any material deviation from the technology-related policies; and
 - (iv) Review the reports on the management of the risks arising from the implementation of significant technology projects on an ongoing basis throughout the implementation of the same.

³ Key technology matters include updates on critical system’ performance, significant IT and cyber-incidents, management of technology obsolescence risk, status of patch deployment activities for critical technology infrastructure, proposals for and progress of strategic technology projects, performance of critical technology outsourcing activities and utilization of the technology budget.

APPENDIX 2

**BENEFITS OF NON-EXECUTIVE DIRECTORS IS KEPT BY
GROUP SECRETARIAL & LEGAL**