

**THE BOARD CHARTER OF MIDF  
AMANAH ASSET MANAGEMENT  
BERHAD**

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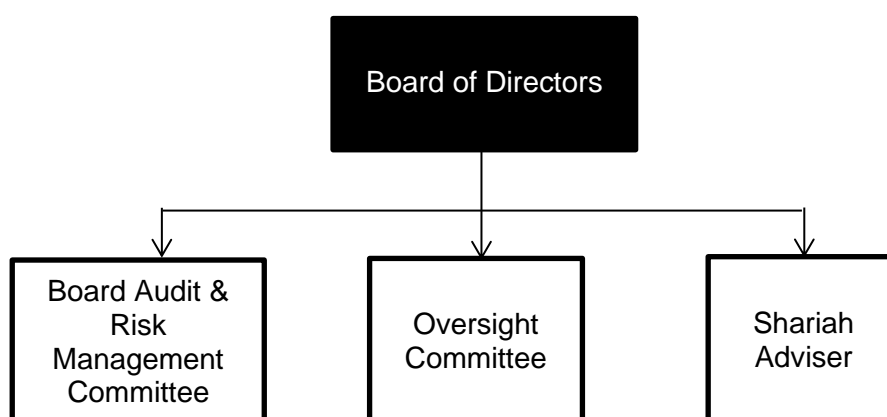
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## 1.0 PURPOSE

- 1.1 This Board Charter aims to guide the Board in its stewardship role of MIDF Asset Management 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 Asset Management is as follows:



## 3.0 DEFINITIONS/ABBREVIATIONS

Board	Board of Directors
Company	MIDF Asset Management
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.: <ol style="list-style-type: none"> <li>A member of the director or substantial shareholder's family.</li> <li>A body corporate which is associated with that director or substantial shareholder.</li> <li>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</li> </ol>

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.

CEO

Chief Executive Officer

Independent Non-Executive Director MIDF Berhad

Independent Director ("INED"), Malaysian Industrial Development Finance Berhad

MIDF Berhad Group

MIDF Berhad and its Group of Companies

MIDF Asset Management

MIDF Amanah Asset Management Berhad

NRC

Nomination and Remuneration Committee of MIDF Berhad

Non-Independent Director or NINED

Non-Independent Non-Executive Director

SC

Securities Commission of Malaysia

#### **4.0 REFERENCES**

- 4.1 Anti-Bribery and Corruption ("ABC") Policy
- 4.2 Capital Markets and Services Act 2007
- 4.3 Connected Party Transactions Policy

- 4.4 Environmental Social and Governance (“ESG”) Policy
- 4.5 Fit and Proper Policy of MIDF Group (“FAP Policy”)
- 4.6 Guidelines on Corporate Governance For Capital Market Intermediaries (Issued 31 December 2021)
- 4.7 Guidelines On Unlisted Capital Market Products Under The Lodge And Launch Framework (Revised 28 October 2022)
- 4.8 Group Code of Conduct and Business Ethics
- 4.9 Operational Procedures for Connected Party Transactions
- 4.10 The Companies Act, 2016
- 4.11 The Constitution of the Company
- 4.12 The Malaysian Code on Corporate Governance (28 April 2021)
- 4.13 The Green Book on Enhancing Board Effectiveness
- 4.14 SC Guidelines on Unit Trust Funds (Revised on 21 December 2021-1 March 2022)
- 4.15 SC Licensing Handbook (Revised on (14<sup>th</sup> Revision) 11 October 2022)
- 4.16 SC Guidelines On Islamic Fund Management SC-GL/IFM – 2007 (R2-2021)
- 4.17 Whistleblowing Policy of MIDF Group

## 5.0 GENERAL POLICY

### 5.1 **BOARD COMPOSITION AND BALANCE**

- 5.1.1 The size of the Board would be determined based on, amongst 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 Asset Management requires minimum of two (2) 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.
  - (vi) The need to fulfil boardroom gender diversity, which shall comprise a minimum of 30% female representation on Board; and
  - (vii) Other factors such as technical knowhow or experience in specific industry sector as well as the Board's diversity of professional experience, ethnicity and age.
- 5.1.2 The Board of MIDF Asset Management shall comprise individuals with appropriate mix of skills, knowledge, experience and independence that fit the objectives and strategic goals of the CMSL Holder.
- 5.1.3 At least half of the Board comprises Independent Directors<sup>1</sup> and one (1) Licensed Director.
- 5.1.4 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.
- 5.1.5 A person shall not hold office as a director of the Company or whether indirectly or directly be concerned with or takes part in the management of the Company, if the person:
- (i) is an undischarged bankrupt;

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<sup>1</sup> Guided by MCCG 2021 [Practice 5.2 of Principle A - Board Composition]. There are no regulatory requirements for the INED of MIDF Asset Management to be majority.

- (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.
- (iv) has been convicted of an offence under sections 213, 217, 218, 228 and 539 of the Companies Act, 2016;
- (v) has been convicted of an offence under paragraph 65(1)(d), (e), (f), (g), (i), (j), (k) or (l) of Capital Markets and Services Act 2007;
- (vi) would be contrary to the interest of the public for the person to continue to hold the office of a director of a holder of a Capital Markets Services Licence as specify under paragraph 75(6)(b) and (8)(b) in the Capital Markets and Services Act 2007; and
- (vii) has been disqualified by the Court under section 199 of the Companies Act, 2016.

## 5.2 BOARD AUTHORITY

5.2.1 The Board is authorised to do the following at the expense of MIDF Asset Management:

- (i) Be provided resources in order to perform its duties;
- (ii) Have direct access to the Senior Management team and the external auditors;
- (iii) Have direct communication channels and access to the Company Secretary, and full and unrestricted access to information, records, properties and personnel of MIDF Asset Management in performing their duties;
- (iv) Obtain external, legal or independent professional advice as deemed necessary;
- (v) Have immediate access to reports on fraud, irregularities and other material risk considerations from Group Control Assurance Services ("GCAS"), Group Compliance ("GC"), Group Risk Management ("GRM") or any other external parties being appointed to investigate fraud;
- (vi) Convene meeting with the external auditors and/or GCAS 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 Asset Management 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 Asset Management. The Board shoulders the ultimate responsibility of determining the direction of the Company, thereby ensuring the long-term success of the Company and the delivery of sustainable value to its stakeholders. The Board sets corporate values and culture and provides thought leadership and advice in fine-tuning corporate strategies, championing good governance and ethical, prudent and professional practices in upholding the highest standard of business integrity, as well as 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, Capital Markets and Services Act 2007 and Regulatory Guidelines on Corporate 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, Part III (Division 2)(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 Company's Constitution ;
- (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:
    - to satisfy the business strategic plan of MIDF Berhad Group and all appropriate considerations concerning every aspects of the business have been taken into account by the Management;



- to analyse the existing corporate strategy against internal and external factors, and evaluating the progress and performance towards achieving the designated business objectives;
  - to provide the strategic leadership that influences financial position and future direction of an organisation; and
  - to promote sustainability through appropriate environmental, social and governance (“ESG”) considerations in the MIDF Berhad Group’s business strategies.
- (e) oversee and identify principal risks and ensuring the implementation of appropriate internal controls and mitigation measures :
- 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
  - 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) 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) ensure the adequacy and integrity of the management information and reporting system of the Company’s, 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) 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 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;

- (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;
- (j) oversee the development and implementation of a Communication Policy for the Company to enable effective communication with its shareholders and other stakeholders;
- (k) oversee all ESG related decisions, actions and considerations in achieving the MIDF Berhad Group's goal to be a sustainable and responsible organisation, and exercising effective oversight of sustainability related (ESG, climate change) risks to safeguard the MIDF Berhad Group's resilience against any sustainability related risks impacts.
- (l) ensure that overall effective implementation of sound and robust technology risk management for MIDF Asset Management to sustain its operations and deliver financial services:
  - Delegate IT governance, risk and compliance management matters to Board Technology Committee ("BTC") of MIDF Berhad.
  - Provide oversight and guidance in strategy alignment at the group level collectively.
  - Promote sustainability through appropriate environmental, social and governance considerations in the business strategies.
  - Review and approve the IT and cybersecurity strategic plans endorsed by BTC.
  - Review and approve the technology related frameworks endorsed by BTC.
  - Ensure effectiveness of risk management, compliance and audit functions.
  - Commission, review, approve, monitor progress of major IT projects.
- (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 to promote Board renewal and address any vacancies;

- (v) In discharging its responsibilities, the Board shall, among other things, have regard to the relevant regulatory policies and guidelines for asset management company as issued from time to time;
- (vi) In the case of an independent director who has reached the maximum tenure of nine (9) years, the Board shall make recommendation and provide justification to shareholders at a general meeting should it seeks to redesignate an independent director to non-independent director.
- (vii) The appointment of a License Director should be in compliance with the SC Licensing Handbook. If the position of licensed director becomes vacant, the CMSL holder is expected to take the necessary steps to fill the position within three (3) months from the date of the vacancy. The requirement is to ensure that a person with board representation will be able to provide direction and feedback to the board on issues relating to the carrying on of the regulated activity, as well as supervising representatives with respect to such an activity.
- (viii) Director's External Commitment:
  - (a) A director is required to commit his/her time, to regularly update his/her knowledge and enhance his skills, as appropriate, to enable him/her to discharge his/her 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) All Board members are required to notify the Company within fourteen (14) days of any change in particulars of directors in compliance with Section 58 of the Companies Act, 2016; and.
  - (c) A director shall not hold more than five (5) directorships in public listed companies.
- (ix) Business Judgment Rule

A director who makes a business judgment is deemed to meet the above requirements on duty of directors if his/her 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/she 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.

- (x) Reliance on Professional Advice:
  - (a) A director, in exercising his/her 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.
  
- (xi) Responsibility of a Nominee Director
  - (a) Section 217 of the Companies Act 2016 recognises the current commercial reality of major shareholders appointing their nominee directors on the respective boards of its subsidiaries ("nominee company"). As such, the law now makes clear that the primary duty of nominee directors is to act in the best interest of the nominee company, especially when there is a conflict of interest between the nominator and nominee company. The nominator shall not subordinate his/her duty to act in the best interest of the nominee company to his/her nominator.
  - (b) Nevertheless, the nominee director will discharge his/her duty to both the nominee company and the nominator as well as navigate these dual duties with vigilance, good faith, diligence and integrity.
  - (c) A nominee director shall remain at the respective boards of nominee company as long as the nominator is the shareholder of the nominee company.
  
- (xii) 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

- (i) 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 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.
- (ii) The roles of the Chairman:
  - (a) The Chairman of the Board must be a non-executive member of the Board and must not have served as a CEO 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.
  - (d) The Chairman of the Board should not be a member of Audit and Compliance Committee and Nomination and Remuneration Committee.

### 5.3.3 THE CEO

The CEO holds an executive function and his/her appointment shall be approved by the SC. His responsibilities include, amongst others:

- (i) Developing the strategic direction of the Company;
- (ii) Ensuring that the Company'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 Company's operations and ensuring sufficient information is distributed to the Board members, particularly on matters relating to:
  - (a) The performance, financial condition and operating environment of the Company;
  - (b) Failures relating to internal control systems, corruption risk management systems and management information systems, including breaches of risk limits and the Anti-Bribery and Corruption Policy;and
  - (c) Legal and regulatory obligations, including supervisory concerns and actions taken to address them.
- (vii) Ensuring the day-to-day business affairs of the Company is 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/her experience and the significant influence he/she 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.

- (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 CEO.
- (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 Asset Management. He/She should navigate his/her duties with vigilance, good faith, diligence and integrity.

5.4.2 An Independent Director shall not:

- (i) have more than 5% equity interest directly or indirectly in MIDF Asset Management and its affiliates;
- (ii) be connected to a substantial shareholder of MIDF Asset Management 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 Asset Management, at least two (2) years prior to his/her appointment date;
- (iv) have an immediate family member who is, or has been in the past two (2) years, employed by MIDF Asset Management or any of its related company as a key senior officer<sup>2</sup>. 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;
- (v) engage in any transaction or have been engaged in any transaction within the last two (2) years with MIDF Asset Management and its affiliates, whether with other persons or through a firm or company of which he/she 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;

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<sup>2</sup> A member of the Management Committee of MIDF Asset Management.

- (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 Asset Management will still be deemed independent if the company in which he/she is also a director, has loans with MIDF Berhad, holding company of MIDF Asset Management or its affiliates, 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 Asset Management, 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 Asset Management; 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 Asset Management.

## 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/her 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/her 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 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 of 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 necessary for the transaction of the business of the Directors shall be two (2) members of the Board.
- 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 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/herself 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 Asset Management.

## 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 of the Company 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/her responsibilities.

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

#### 5.7.2 BOARD EFFECTIVENESS ASSESSMENT

- (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 as a whole, Board Committee and individual Directors (“BEA”). 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 shall appoint an independent external party at least once every three (3) years, to conduct the BEA in part or in whole. The external party is required to report its findings to the NRC and the Board.

### 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 Company and are required to attend the Capital Market Director Programme (CMDP) as required by the SC within six (6) months 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.
- 5.8.3 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.

### 5.9 **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 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 amended accordingly after approval by the Board.
- 5.9.3 As a living document, 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**.
- 5.9.6 The TOR of the Shariah Adviser is captured in the Shariah Adviser Charter.

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

5.10.1 APPOINTMENT AND RE-APPOINTMENT

- (i) A Director must fulfil the following minimum requirements at the time of his/her appointment and on a continuing basis:
- (a) A Director must not be disqualified under Section 198 of the Companies Act, 2016, 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 Company's external auditors ("Firm") until at least two (2) years after:
    - He/She 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 Section 75 of the Capital Markets and Services Act 2007 the NRC recommends to the Board suitable candidates for directorships and appointment of senior personnel of the Company. Nevertheless, pursuant to SC Licensing Handbook, apart from Licensed Director, the appointment of director is not required to obtain SC's approval. 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 Capital Markets and Services Act 2007.
- (iv) The FAP Policy 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/her suitability, amongst others, his/her 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.
- (v) The Company shall notify the SC on the appointment of its Director(s) within two (2) business days of his/her appointment.
- (vi) In the case of a Licensed Director, the Company must comply with the requirements of SC Licensing Handbook where the Company must have at least one (1) director who:
  - (a) has minimum of 10 years' relevant experience in the licensed regulated activity;
  - (b) holds CMSRL for the regulated activity; and
  - (c) must be approved by the SC prior to undertaking the function as a licensed director.

Pursuant to SC Licensing Handbook, if the position of licensed director becomes vacant, the Company is expected to take the necessary steps to fill the position within three (3) months from the date of the vacancy.

#### 5.10.2 RE-ELECTION

At every Annual General Meeting of the Company, per the Company's Constitution, 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 Asset Management.
  - (b) The shareholder of MIDF Asset Management 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 INED 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 Asset Management.
  - (b) In the case of an independent director who has reached the maximum tenure of nine (9) years, the Board shall make recommendation and provide justification to shareholders at a general meeting should it seeks to redesignate an independent director to non-independent director”.

### 5.10.4 RESIGNATION

- (i) Generally, a director may resign from office anytime unless he/she 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/her terms of employment, otherwise he/she will be liable for breach of contract.
- (ii) The resigning director is to submit his/her resignation letter to the Chairman of the Board, in accordance with the Companies Act, 2016, and the Board would accept his/her resignation letter.
- (iii) A director is prohibiting from resigning in accordance with Sections 196<sup>3</sup> and 209<sup>4</sup> of the Companies Act, 2016.
- (iv) The Company shall notify the SC on the resignation of its Director(s) immediately via email to the Head of Authorisation and Licensing Department, followed by submission of the relevant forms within 14 days of the occurrence of the event.

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<sup>3</sup> This section prohibits a director from resigning if the result of the resignation is that the number of directors of the company would fall below the minimum number required. Any purported resignation or vacation of office in contravention of this section is **deemed to be ineffective** unless a person is appointed in that director's place.

<sup>4</sup> This section provides that where a person is the last remaining director, he shall not resign from his/her office until a meeting is called to appoint one or more new directors. This restriction applies to companies that only have 1 director left.

#### 5.10.5 VACANCY OF OFFICE

- (i) In accordance with the Company's 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/her 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 for more than 25% of the total Board's meetings held during that period;;
  - (f) resigns his/her office by notice in writing to the Company;
  - (g) is directly or indirectly interested in any contract or proposed contract with the Bank and fails to declare the nature of his/her 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.
  - (i) has his appointment revoked by his appointer;
  - (j) who being an employee of the Company ceases to be so employed by the Company.

#### 5.10.6 REMOVAL

- (i) In accordance to the Company's Constitution, the Board may by ordinary resolution remove any director before the expiration of his period of office and by an ordinary resolution appoints another person in his stead.
- (ii) The Company shall notify the SC on the removal of its Director(s) immediately via email to the Head of Authorisation and Licensing Department, followed by submission of the relevant forms within 14 days of the occurrence of the event.

## 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/her independence and that he/she 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) 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 deliberations.

- (ii) Section 151 of the Capital Markets and Services Act 2007 specifies that a disclosure shall be recorded in the minutes of the meeting and after the disclosure, the member having an interest shall not participate or be present in any deliberation or decision of the company on that matter; and be disregarded for the purpose of constituting a quorum or the meeting for the deliberation and decision on that matter.
- (iii) 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. A director who knowingly contravenes Section 221 of the Companies Act, 2016 shall be guilty of an offence against the Companies Act, 2016.
- (iv) 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 abstained 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.
- (v) The disclosure procedures as detailed in the Connected Party Transactions Operational Procedures of MIDF Berhad.

### 5.12.3 ETHICAL AND INTEGRITY STANDARDS

- (i) The Board is expected to observe the highest standards of integrity and ethical behaviour and shall not engage in any transaction that can be construed as having contravened the anti-corruption laws of Malaysia.
- (ii) The Group’s Code of Conduct and Business Ethics and the Anti-Bribery and Corruption Policy apply to all Board members and employees of the Company.

## 5.13 **GROUP’S 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 for Whistleblowing who shall ensure that all reported violations are properly investigated. The Senior INED for Whistleblowing is also responsible



for reviewing the effectiveness of the actions taken in response to all concerns raised.

5.13.3 The Senior INED 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 need 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 remuneration for the CEO and other Key Senior Management is determined by the NRC/Board after giving due consideration to the compensation levels for comparable positions among other similar company in Malaysia.
- (ii) The average annual increase of 3% per annum be adopted by MIDF Asset Management. The average increase is subject to the approval of the shareholder.
- (iii) The remuneration of the non-executive directors of MIDF Asset Management 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 shareholder. The Directors' fees are approved by the shareholder at the Company's Annual General Meeting.
- (iv) The non-executive directors receive an allowance for the purpose of attending Board or Board 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 Committees.

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 Group Managing Director. 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 BOARD AUDIT AND RISK MANAGEMENT COMMITTEE (“BARMC”)**

### **1. OBJECTIVE**

- 1.1 The primary duty of the Board Audit and Risk Management Committee (“BARMC” or “the Committee”) is to assist the Board of Directors in fulfilling its oversight functions, with the objective of safeguarding shareholders investments and the Company’s assets, in the following areas:
- (i) Providing independent oversight of the Company’s financial reporting, risk management, environmental, social and governance (“ESG”), technology (including cyber) and other risks as well as internal control system and ensuring checks and balances within the Company.
  - (ii) Reviewing the adequacy and the integrity of the Company’s internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives, and guidelines.
  - (iii) Identifying principal risks and ensure the implementation of appropriate systems to manage these risks.
  - (iv) Reviewing the systems and processes for the identification and management of risks of the Company; and
  - (v) Reviewing the roles of and assessing the performance of the internal and external auditors.

### **2. COMPOSITION**

- 2.1 The Board shall appoint the Committee members from amongst their members, comprising of no fewer than three (3) Directors, the majority of whom shall be independent non-executive Directors of the Company.
- 2.2 At least one (1) director must have accountancy expertise or experience in the field of finance.
- 2.3 The Chairman of the Board shall not be the Chairman and a member of BARMC.

### **3. AUTHORITY**

- 3.1 The Committee is authorised by the Board:
- (i) To investigate any matter, carry out any activity and duties within

its terms of reference.

- (ii) To seek any information, it requires from any employee, and all employees are directed to cooperate with and accede to any request made by the Committee.
- (iii) To have access to any resources required to perform its duties. It may obtain at the expense of the Company, any outside legal or other independent professional advice and to secure the attendance of outsiders with relevant expertise and experience if the Committee deems it necessary.
- (iv) To have full and unlimited access to any information pertaining to the Company, subject to any regulatory restrictions.
- (v) To have direct access to the internal and external auditors, the risk management personnel, and the senior management of the Company. The Committee shall meet with the internal and external auditors to discuss any matters with the Committee, without the presence of the management at least annually.
- (vi) To have full discretion to invite any Board members and request the presence of senior management members to attend the meetings.

#### **4. ROLES AND RESPONSIBILITIES**

4.1 In carrying out its primary objectives, the Committee shall undertake the following duties and responsibilities:

##### 4.1.1 External Audit

- (i) Recommend the appointment of the external auditor, the audit fee and any question of resignation or dismissal of the auditors;
- (ii) Discuss with the external auditor before the audit commences, the nature and scope of the audit and ensure co-ordination where more than one firm is involved;
- (iii) Discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss;
- (iv) Monitor the implementation of recommendations of the external auditors to ensure that there is no undue delay in their implementation;

- (v) Approve the provision of non-audit service by the external auditors or their related entities;
- (vi) 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 judgment of the auditors; and
- (vii) Review the external auditor's management letter and response;
- (viii) Assess the objectivity, performance and independence of external auditor (for example by reviewing and assessing the various relationships between the external auditors and the Company or any other entity);
- (ix) Review and evaluate internal controls systems with the external auditor;
- (x) Review the assistance given by employees of the Company to the external auditor.

#### 4.1.2 Internal Audit and Compliance

- (i) Review and approve the internal audit and compliance plans and budget, consider the major findings of internal audit and compliance investigations and ensure co-ordination between the internal auditors, compliance officers and external auditors.
- (ii) Ensure that the internal auditors and compliance officers have the necessary authority to carry out their work and provided with an independent reporting channel in the Company.
- (iii) Review the adequacy of the scope, functions and resources of the internal audit function and the effectiveness of the internal audit function.
- (iv) Make recommendations on the Audit and Compliance Reports issued by Group Control Assurance Services and Group Compliance to the Board of Directors.
- (v) Monitor the implementation of recommendations of the internal auditors and compliance officer to ensure that there is no undue delay in their implementation.

- (vi) Regularly review the audit findings and ensuring that issues are being managed and rectified appropriately in a timely manner.
- (vii) Regularly review the compliance report and ensuring that issues are being managed and rectified appropriately in a timely manner.

#### 4.1.3 Risk Management

- (i) Review and recommend the risk management's policies and framework to the Board.
- (ii) Review and recommend risk management strategies to the Board.
- (iii) Review management's periodic reports on risk exposure, risk portfolio composition and risk management activities.
- (iv) Ensure that the risk management strategies are aligned with business strategies.
- (v) 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.

#### 4.1.4 Internal Controls

Review the effectiveness of the internal controls and risk management processes.

#### 4.1.6 Financial Reporting

- (i) Ensure fair and transparent reporting and prompt publication of the financial accounts.
- (ii) Review the interim and annual financial statements for recommendations 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.

#### 4.1.7 Related Party transaction

Review all related party transactions and keep the board informed of such transactions.

### 5. **FREQUENCY AND QUORUM OF MEETING**

- 5.1 The quorum for a meeting shall be two (2), whereby at least one of the members present must be an independent non-executive Director.
- 5.2 In the event of equality of vote, the Chairman shall have the casting vote.
- 5.3 The Committee should hold regular meetings, at least once every quarter and report regularly to the full Board.

### 6. **REVIEW OF TERMS OF REFERENCE**

The Terms of Reference of the BARMC are to be reviewed once in two (2) years.



## **TERMS OF REFERENCE OF THE OVERSIGHT COMMITTEE (“OC”)**

### **1. OBJECTIVE**

The objective of the OC is to ensure that the fund is managed in accordance with the Terms of Reference of the Oversight Committee and to ensure that the arrangement for the oversight function must be appropriate and proportionate to the nature and complexity of funds being managed by MIDF Amanah Asset Management Berhad (“the Company”).

### **2. AUTHORITY**

The OC is authorised by the Board to:

- (i) Obtain external legal or independent professional advice relevant to its duties at the Company’s expense; and
- (ii) Secure the attendance of outsiders with relevant experience and expertise, if necessary.

### **3. ROLES AND RESPONSIBILITIES**

This OC acts as an oversight committee of the Board and is responsible for the following functions:

- (i) To ensure that the fund is managed in accordance with:
  - (a) the fund’s investment objective;
  - (b) the deed;
  - (c) the prospectus;
  - (d) the requirements prescribed under the Guidelines of Unit Trust Funds (“GUTF”) and securities laws;
  - (e) the internal investment restrictions and policies; and
  - (f) acceptable and efficacious practices within the unit trust industry.
- (ii) The OC’s roles and responsibilities include the following:

- (a) Ensure that the investment strategies selected are properly and efficiently implemented by the fund manager;
  - (b) Actively monitor, measure and evaluate the fund management performance of the fund manager;
  - (c) Approve the appointment of a broker or dealer as prescribed under paragraph 3.15 of the GUTF; and
  - (d) Such other matters as may be determined by the Board of Directors of the Company.
- (iii) Where a fund manager undertakes cross-trades between the funds it manages, or between the fund it manages and its other clients' accounts,–
- (a) the person undertaking the oversight function must approve the policies and procedures governing cross-trades; and
  - (b) the management company must provide details of any cross trades transacted to the person undertaking the oversight function.

#### 4. COMPOSITION

- (i) A Person who undertakes the oversight function must –
  - (a) In the case of an individual, the **individual must be independent from the functions** where the oversight arrangements are to enable the individual to undertake its role effectively; and
  - (b) In the case of a committee, the committee **may comprise of some members who are not independent from the functions** of the oversight arrangements, provided that the committee as a whole must be able to undertake its roles and responsibilities effectively.
- (ii) The OC must not be a member of the Shariah Adviser appointed for the same fund.
- (iii) An officer of a fund manager must not hold office as a member of OC.

#### 5. FREQUENCY, QUORUM OF OC MEETINGS AND REPORTING RESPONSIBILITIES

- (i) The OC may meet regularly, and adjourn as it thinks proper.
- (ii) A Chairman may be elected, if in any Meeting the Chairman is not present within ten minutes after the time appointed for holding the meeting, or is unwilling to act, the members present may choose one of their number to be the Chairman of the meeting.

- (iii) Questions arising at any meeting shall be determined by a majority of votes of the members present, and in the case of an equality of votes the Chairman shall have a second or casting vote.
- (iv) The quorum to form the OC meeting shall be two (2).
- (v) The Chairman of OC shall report regularly to the full Board.
- (vi) A resolution in writing and approved by members via email, letter or any other written electronic communication is sufficient to form a quorum.

## **6. REVIEW OF TERMS OF REFERENCE**

The Terms of Reference of the OC are to be reviewed once in two (2) years.

## **APPENDIX 2**

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