

MALAYSIAN INDUSTRIAL DEVELOPMENT FINANCE BERHAD 196001000082 (3755-M)	POLICIES	
Business Unit: Group Secretarial & Legal	Doc. No.: GSL-PO-BC	Revision No.: 03
Title: The Board Charter	Date: 31/10/2022	Cover Page

THE BOARD CHARTER

Prepared By	Reviewed By	Recommended By	Endorsed By	Approved By
Group Secretarial	Head, Group Secretarial & Legal Group Control Assurance Services Group Compliance Group Risk Management Quality Management Department	Group Managing Director	Nomination and Remuneration Committee	Board of Directors

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AMENDMENT LOG					
Amendment No.	Document No.	Page No.	Revision Status	Details of Amendments	Date
-	GSL-PO-AID	All	00	Initial Release	7/03/2013
1	GSL-PO-BC	All	01	Overall revision to transform the earlier "Appointment of Independent Director Policy" into "The Board Charter"	30/5/2018
2 - 5	GSL-PO-BC	All	02	Please refer to Historical Amendment Log in Appendix 3.	29/07/2021
6	GSL-PO-BC	10	03	To insert new paragraph 5.1.1 (vi) in compliance with the Malaysian Code of Corporate Governance 2021 ("MCCG 2021") to read as "The need to fulfil boardroom gender diversity, which shall comprise a minimum of 30% female representation on Board; and"	31/10/2022
7	GSL-PO-BC	10	03	To remove the word "gender" in paragraph 5.1.1 (vii) as it has been reflected in new paragraph 5.1.1 (vi).	31/10/2022
8	GSL-PO-BC	12	03	Cosmetic change on item 5.3.1 (iii)(d).	31/10/2022
9	GSL-PO-BC	13	03	To rephrase item 5.3.1(iii)(e) to read as "Overseeing and identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures."	31/10/2022
10	GSL-PO-BC	14	03	To add new paragraph 5.3.1 (iii)(j) to read as "Overseeing the development and implementation of a Communications Policy for the Company to enable effective communication with its shareholders and other stakeholders."	31/10/2022
11	GSL-PO-BC	14	03	To add new paragraph 5.3.1(iii)(k) to read as "Overseeing all ESG related decisions, actions and considerations in achieving the 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 Group's resilience against any sustainability related risks impacts".	31/10/2022

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12	GSL-PO-BC	14	03	To add new paragraph 5.3.1 (iii)(l) to read as “the Board to ensure that overall effective implementation of sound and robust technology risk management for the Company to sustain its operations and deliver financial services: <ul style="list-style-type: none"> • Delegate IT governance, risk and compliance management matters to Board Technology Committee (“BTC”). • 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. 	31/10/2022
13	GSL-PO-BC	14	03	To revise paragraph 5.3.1 (vi) to read as “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”.	31/10/2022
14	GSL-PO-BC	15	03	To revise paragraph 5.3.1 (vii)(b) to read as “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”	31/10/2022

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Amendment No.	Document No.	Page No.	Revision Status	Details of Amendments	Date
15	GSL-PO-BC	15	03	<p>To rephrase the whole paragraph 5.3.1 (x) on Responsibility of a Nominee Director to read as:</p> <p>(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.</p> <p>(b) Nevertheless, the nominee director will discharge his/her duty to both the nominee company and the nominator and navigate these dual duties with vigilance, good faith, diligence and integrity.</p> <p>(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”.</p>	31/10/2022
16	GSL-PO-BC	17	03	To add paragraph 5.3.2 (i) (d) to read as “The Chairman of the Board should not be a member of Audit and Compliance Committee and Nomination and Remuneration Committee”.	31/10/2022

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17	GSL-PO-BC	18	03	To rephrase paragraph 5.3.3 (vii) to read as “Keeping the Board regularly and fully informed of all business aspects of the Bank’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 Bank; (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; (c) Legal and regulatory obligations, including supervisory concerns and actions taken to address them; and	31/10/2022
18	GSL-PO-BC	18	03	To add “He/She should navigate his/her duties with vigilance, good faith, diligence and integrity” at the end of paragraph 5.4.1 (i).	31/10/2022
19	GSL-PO-BC	21	03	To move the existing paragraph 5.7.2 (ii) to paragraph 5.8.3 and the new paragraph of 5.7.2 to read as “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.”	31/10/2022
20	GSL-PO-BC	22	03	To rephrase the existing paragraph 5.8.3 to read as “The Board must dedicate sufficient resources towards the on-going development of its members. This must include dedicating an adequate budget and development plans for directors to ensure each director possesses the knowledge and skills necessary to fulfil his/her responsibilities.”	31/10/2022

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21	GSL-PO-BC	24	03	To delete paragraph 5.10.3 (ii) (b) and (c) and to replace with the new paragraph 5.10.3 (ii)(b) to read as "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".	31/10/2022
22	GSL-PO-BC	24	03	To rephrase the existing paragraph 5.10.4 (ii) to read as "The written approval of BNM pursuant to paragraph 10.13 (b) of the Policy Document on Corporate Governance issued by BNM dated 3 August 2016 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."	31/10/2022
23	GSL-PO-BC	27	03	To add new paragraph 5.12.3 to read as "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.	31/10/2022
24	GSL-PO-BC	28	03	To rephrase the existing paragraph 5.14.1 (ii) to read as "The average annual increase of 3% per annum be adopted by MIDF Berhad. The average increase is subject to the approval of the shareholder."	31/10/2022

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25	GSL-PO-BC	APP 1	03	To adopt the latest amendments of Terms of Reference of Risk Management Committee.	31/10/2022
26	GSL-PO-BC	APP 1	03	To adopt the latest amendments of Terms of Reference of Board Technology Committee.	31/10/2022

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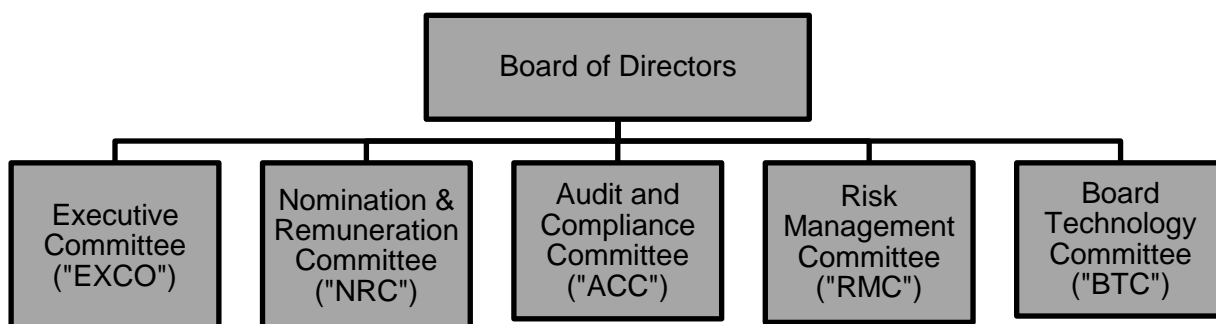
1.0 PURPOSE

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.

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- (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

Group Managing Director

Independent Non-Executive Director
MIDF Berhad

Independent Director ("INED")
Malaysia Industrial Development Finance
Berhad

MIDF Berhad Group
Non-Independent Non-Executive Director
Subsidiaries

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 2021
- 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")

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- 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
- 4.1.18 Environmental, Social and Governance (“ESG”) Policy
- 4.1.19 Anti-Bribery and Corruption (“ABC”) Policy

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;
 - (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 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.

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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 the 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;
- (iv) has been convicted of an offence under sections 213, 217, 218, 228 and 539 of the Companies Act, 2016; and
- (v) 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;
- (iii) Have direct communication channels and access to the Company Secretary, and full and unrestricted access to information, records, properties and personnel of MIDF Berhad Group 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, Group Compliance, Group Risk Management or any other external parties being appointed to investigate fraud;
- (vi) 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 sets corporate values and culture and

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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, 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:
 - to satisfy the business strategic plan of the MIDF Berhad Group and all appropriate considerations concerning every aspects of the business have been considered 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;

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- to provide the thought 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) overseeing and identifying 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
 - 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;
- (i) overseeing and approving the recovery and resolution as well as business continuity plans to restore the Company's financial

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strength and maintain or preserve critical operations as well as services when the Company comes under stress;

- (j) overseeing the development and implementation of a Communications Policy for the Company to enable effective communication with its shareholders and other stakeholders;
- (k) overseeing 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) the Board to ensure that overall effective implementation of sound and robust technology risk management for the Company 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 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;
- (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) Director's External Commitment;

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- (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.

(viii) 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.

(ix) 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.

(x) 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

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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 and 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.
- (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

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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 GMD

The GMD holds an executive function and his/her 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 regularly and fully informed of all business aspects of the Bank'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 Bank;

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- (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;
- (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 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/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 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. 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 Berhad and/or its Subsidiaries or in its related companies;

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- (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 (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 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 Berhad). 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 (2) years with MIDF Berhad and/or its Subsidiaries, 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;
 - (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/she is also a director, has loans with MIDF Berhad and/or its Subsidiaries, provided he/she 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/she 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.

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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 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

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

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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 and development plans for directors to ensure each director possesses the knowledge and skills necessary to fulfil his/her 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 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 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

5.10.1 APPOINTMENT AND RE-APPOINTMENT

(i) A Director must fulfil the following minimum requirements at the time of his/her 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

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proper requirements;

- (b) A Director must not have competing time commitments that impair his/her 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 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/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/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/herself out as a Director.

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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 (3), then the number nearest to one-third (1/3) 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 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 Berhad and/or its subsidiaries.
 - (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.

The resigning director is to submit his/her resignation letter to the Chairman of the Board and the Board would consider and to accept his/her resignation letter.

- (ii) The written approval of BNM pursuant to paragraph 10.13 (b) of the Policy Document on Corporate Governance issued by BNM dated 3 August 2016 must be obtained before an independent director resigns

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from his/her 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/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 from more than 25% of meetings of the Directors held during a financial year;
 - (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 Company 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.

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/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

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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:

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- 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 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.
- (iv) 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.
- (iii) 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 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 Independent Non-Executive Director for Whistleblowing who shall ensure that all reported violations are properly investigated. The Senior 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 Senior Independent 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

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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. The average increase is subject to the approval of the shareholder.
- (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 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**.

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**THE TERMS OF REFERENCE OF THE
BOARD AUDIT AND RISK MANAGEMENT COMPLIANCE COMMITTEE**

1. OBJECTIVES

The Board Audit and Risk Management Compliance Committee (“BARMCC”) 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” or “the Company”).
- 1.2 To provide independent oversight of MIDF Berhad’s internal control system and oversee the effectiveness of the internal audit, risk and compliance functions for MIDF Berhad.
- 1.3 To exercise oversight over the external auditor, in accordance with MBSB Group External Auditor Policy.
- 1.4 To assist the Board in fulfilling its fiduciary and governance responsibilities by overseeing the risk management framework, regulatory compliance, integrity and governance-related matters and internal control environment of the Company.
- 1.5 To ensure that the Company’s risk management, compliance strategies, policies, and practices are effective and aligned with the Company’s strategic objectives, and that compliance with applicable laws, regulations, and standards is maintained at all times.
- 1.6 To oversee the Company’s Senior Management’s [the Company’s activities] in managing all risks covering credit risk, market risk, liquidity risk, shariah risk, technology (including cyber) risk, environmental, social and governance (“ESG”) risks, operational risk management, compliance risk, bribery and corruption risk as well as legal and other risks and to ensure that the risk management and compliance process is in place and effective.
- 1.7 To provide a focal point for communication between risk and compliance managers, Board and Senior Management on matters in connection with reporting, risks and controls and providing a forum for discussion independent of the Management.
- 1.8 To undertake additional duties that may be deemed appropriate and necessary to assist the Board.

2. COMPOSITION

- 2.1 The Board shall appoint BARMCC members from amongst their members and shall comprise only non-executive directors with at least three (3) members.
- 2.2 The BARMCC shall have a majority of independent directors.
- 2.3 The BARMCC shall be chaired by an independent non-executive director.

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

3. **QUORUM AND FREQUENCY OF MEETING**

- 3.1 The quorum to form BARMCC meeting shall be two (2) members present.
- 3.2 In an event of equality of vote, the Chairman of BARMCC shall have the casting vote.
- 3.3 In the absence of the Chairman, the majority of the members shall elect a Chairman for the meeting, from amongst the members present.
- 3.4 The BARMCC shall hold regular meetings, at least once every quarter, and should report regularly to the Board.

4. **ROLES AND RESPONSIBILITIES**

- 4.1 The BARMCC 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 BARMCC shall have full and unrestricted access to information and be able to obtain independent professional advice.
- 4.3 Duties of BARMCC, 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.
- 4.3.2 Effectiveness of Internal Audit:
- (i) Oversee the functions of the Internal Audit as per the requirements of Bank Negara Malaysia Guidelines on Internal Audit Function of Licensed Institutions, Bank Negara Malaysia Guidelines on Corporate

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Governance, the Securities Commission Guidelines on Performance of Supervisory Functions.

- (ii) Review and approve the audit charter/policy, audit plan and budget, and scope of the internal audit programme and frequency.
- (iii) Review and approve the internal audit reports and ensure Management addresses the audit issues appropriately and in timely manner.
- (iv) Review and deliberate on status of outstanding audit issues for MIDF Berhad raised by internal auditor, compliance, external auditor and regulators.
- (v) 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
- (vi) In line with the agreed process as detailed in the Group Approving Authority Manual, to approve the appointment, remuneration, evaluate performance and decide on transfer, removal or termination of the Head, Internal Audit MIDF.
- (vii) Assess the performance and effectiveness of the internal audit functions.
- (viii) Meet with the internal auditor without the presence of Management, at least annually.
- (ix) If any, note significant disagreements between the Head, Internal Audit MIDF 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 The Risk Management, Framework and Strategies: -

- (i) In line with the agreed process as detailed in the Group Approving Authority Manual, to approve the appointment, remuneration, evaluate performance and decide on transfer, removal or termination of the Head, Risk Management MIDF ("HRM").
- (ii) To review and recommend the MIDF Berhad's risk management strategies, policies and risk tolerance for the Board's approval.
- (iii) 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.
- (iv) 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.

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- (v) To review Management's periodic reports on risk exposure, risk portfolio composition and risk management activities.
- (vi) To review and endorse relevant corporate policies as delegated by the Board.
- (vii) 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 Group Nominating and Remuneration committee.
- (viii) To ensure that risk management function is effective and has sufficient authority, stature, independent resources and access to the Board.
- (ix) To ensure that HRM has access for regular and timely communication with the CEO 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.
- (x) 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.
- (xi) 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.

4.3.4 The Compliance, Framework and Strategies: -

- (i) In line with the agreed process as detailed in the Group Approving Authority Manual, to approve the appointment, remuneration, evaluate performance and decide on transfer, removal or termination of the Head, Compliance MIDF ("HC").
- (ii) To review and approve compliance charter/policy, compliance plan and budget, reports and scope of compliance programme and frequency.
- (iii) To review and approve management reporting to the Board on compliance risk issues and any material incidences of non-compliance (for example, failures that may attract a significant risk of legal or regulatory sanction) to ensure such issues are resolved efficiently and expeditiously.
- (iv) To review and recommend to the Board for approval on all engagement with external expertise to undertake compliance assessment in specific areas.

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- (v) To assess the performance, effectiveness and adequacy of resources allocated to carry out the compliance functions for the Company.
- (vi) To inculcate compliance culture within the Company so that compliance processes and controls are applied and embedded in the day-to-day business and operational activities.

4.3.5 Integrity and Governance Unit (IGU), Framework and Strategies: -

- (i) To assist the Board to oversee and manage the risks of bribery, corruption and abuse of power as part of the enterprise risk management within the Company.
- (ii) To monitor the activities and performance of the Head, IGU based on its core functions.
- (iii) The BARMCC shall attend related training on ethics, integrity, anti-bribery, corruption and abuse of power, once a year.

4.4 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 MIDF Berhad's operations.

4.5 MBSB Framework and Strategies

To ensure that the Framework and Strategies proposed are in line with the MBSB Group Framework and Strategies.

4.6 External Auditor

- (i) To review and recommend audit fees to the Board.
- (ii) To review the proposed appointment, reappointment and removal of the External Auditor to the Board.
- (iii) To ensure that audit fees commensurate with the scope of the audit.
- (iv) To evaluate the External Auditor annually in an effort to assess the quality of the audit; and
- (v) To review the terms of an audit engagement prior to confirming an engagement.
- (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.

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4.7 Related Party Transaction (“RPT”):

Review all RPT and keep the Board and the MBSB Group Board informed of such transactions in line with Group Approval Authority Manual.

4.8 Others:

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

5. REVIEW OF TERMS OF REFERENCE

The Terms of Reference of the BARMCC is to be reviewed together with the review of the Board Charter once in every two (2) years or as and when required.

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**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.

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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

The BTC is delegated by Board to ensure that overall effective implementation of sound and robust technology risk management for the MIDF Berhad Group to sustain its operations and deliver financial services: -

- 4.1 Ensure IT governance, risk and compliance management framework is at par with and compatible with regulatory requirements.
- 4.2 Review and endorse the technology risk appetite and ensure alignment with the MIDF risk appetite statement.
- 4.3 Provide oversight and guidance in the formulation of the technology risk appetite, strategies and other associated risk frameworks commensurate with the nature and complexity of the business.
- 4.4 Review and endorse the IT, Digital and Cybersecurity strategic plans and annual budgets in line with MIDF risk appetite, business and cybersecurity strategy for a period of three or five years based on the proposed road-map for digital, technology operations and risk management including requirements on

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infrastructure, adoption of IT and cyber risk resilience, together with the required resources.

- 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 Review and endorse all key technology matters, including material deviation from the technology-related policies and guidelines.
- 4.7 Ensure senior management provide sufficiently detailed information on key technology risk and critical technology operations to facilitate strategic decision-making and reporting enterprise key risk indicators on the IT and cyber health posture.
- 4.8 Exercise effective oversight and address associated risks when engaging third (3rd) party service providers for critical technology functions and systems.
- 4.9 Oversee the deployment and performance, human resource requirement and talent development of the Group’s technology initiatives and operations.

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.

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AMENDMENT LOG

Amendment No.	Document No.	Page No.	Revision Status	Details of Amendments	Date
2	GSL-PO-BC	All	02	Overall revision to adopt the new approved format and to amend and refine the Purpose, Scope, Definitions/Abbreviations, the References and General Policy used in the entire "The Board Charter".	29/07/2021
3	GSL-PO-BC	23-38	02	Improvisation to the Terms of References of the Board Committees as set out in Appendix 1 of the Board Charter namely The Executive Committee, Nomination and Remuneration Committee and Risk Management Committee.	29/07/2021
4	GSL-PO-BC	23-38	02	To adopt the latest revised Terms of Reference of Audit Compliance Committee dated 13 December 2018 and to insert the new Terms of Reference of Board Technology Committee dated 25 June 2021.	29/07/2021
5	GSL-PO-BC	23-38	02	To delete the following Terms of References from Appendix 1 namely Shariah Committee, Nomination Committee of MIDF Amanah Investment Bank Berhad ("MIDF Investment Bank"), Remuneration Committee of MIDF Investment Bank, Audit and Compliance Committee of MIDF Investment Bank, Risk Management Committee of MIDF Investment Bank, Credit Committee of the Board of MIDF Investment Bank, Board Audit and Risk Management Committee of MIDF Amanah Asset Management Berhad ("MIDF Asset Management"), Investment Committee of MIDF Asset Management, Board Audit and Risk Management Committee of Amanah International Finance Sdn Bhd ("AIF") and Credit & Investment Committee of AIF.	29/07/2021

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