

MIDF AMANAH INVESTMENT BANK BERHAD
REGISTRATION NUMBER: 197501002077 (23878-X)

STATEMENT ON CORPORATE GOVERNANCE PURSUANT TO APPENDIX 4 OF THE CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA (“BNM”)

PERIOD UNDER REVIEW: FINANCIAL YEAR ENDED 31 DECEMBER 2021

The Board of Directors (“the Board”) of MIDF Amanah Investment Bank Berhad (“MIDF Investment Bank”) is committed to ensure that the Principles of Corporate Governance and Best Practices are embraced in ensuring the affairs of MIDF Investment Bank are conducted in a professional manner and with accountability and integrity to protect and enhance shareholder’s value.

The Board is pleased to report on the application by MIDF Investment Bank on the principles of the Malaysian Code on Corporate Governance 2021 and the Disclosures on Corporate Governance practices pursuant to Appendix 4 of the Corporate Governance Guidelines issued by BNM on 3 August 2016. The Board is responsible for the overall Corporate Governance of MIDF Investment Bank.

BOARD OF DIRECTORS

The Board is responsible for the overall Corporate Governance of MIDF Investment Bank in an effective and responsible manner. The Board sets MIDF Investment Bank’s values and standards and ensures that its obligations to its shareholders and other stakeholders, which include the regulators, business partners, clients, employees, suppliers and vendors, are understood and met.

Each individual Director, on the other hand, has a legal duty to act in the best interest of MIDF Investment Bank. The Board of MIDF Investment Bank, collectively and individually are aware of their responsibilities to shareholders and other stakeholders for the manner in which the affairs of MIDF Investment Bank are managed.

The Board is guided by the Board Charter which clearly sets out its roles and responsibilities and describes matters expressly reserved for the Board’s determination and matters delegated to the Board Committees and Management. The Board Charter is reviewed and updated periodically to ensure that any updates on relevant laws and regulations are duly incorporated.

The Board reserves full decision making powers notwithstanding any delegation of authority to the Board Committees and Management, on matters relating to amongst others, strategies, business plans and budget, significant policies, conflict of interest issues

relating to a substantial shareholder and/or a Director, material acquisitions and disposal of assets not in the ordinary course of business, investment in capital projects, authority levels, risk management policies, Shariah matters as well as key human resources issues.

As at 31 December 2021, there were six (6) Board members, comprised of the Chairman who is an Independent Non-Executive Director, four (4) Independent Non-Executive Directors and one (1) Non-Independent Executive Director.

Based on the assessment conducted on the probity, personal integrity and reputation, competence and capability and financial integrity, the Board Members are fit and proper to hold the position as Directors of MIDF Investment Bank.

A total of seventeen (17) Board meetings were held during the year under review and the write up on individual directors of MIDF Investment Bank are as follows:

1. DATUK AZIZAN BIN ABD RAHMAN

Chairman/Independent Non-Executive Director

Malaysian/Male/Age:66

Date of Appointment: 1 January 2013

Date of Appointment as Chairman of the Board: 15 February 2016

Qualifications

- Bachelor Degree (Hons) in Accounting, University of Malaya
- Master's Degree in Business Administration, University of Queensland, Australia
- Chartered Accountant of the Malaysian Institute of Accountants, Malaysian Institute of Accountants
- Fellow Member of Certified Public Accountant, Australia

Working Experience

Datuk Azizan bin Abd Rahman ("Datuk Azizan") possesses vast experience and knowledge with BNM from 1979 to 2005 where he had held various positions in the areas of finance, examination, and supervision. He was a director of Banking Supervision and was overall in charge of supervising various local commercial banks, Development Financial Institutions, and other foreign banks. In 2005, he was seconded to assume the post of Director-General of Labuan Financial Services Authority ("Labuan FSA") until his retirement in September 2011.

Directorships

- (i) Malaysian Industrial Development Finance Berhad
- (ii) MIDF Amanah Investment Bank Berhad
- (iii) Kensington Trust Malaysia Berhad
- (iv) Cagamas SRP Berhad
- (v) OCBC Bank (Malaysia) Berhad

- (vi) OCBC Al-Amin Bank Berhad
- (vii) Danum Capital Berhad
- (viii) Cagamas Berhad
- (ix) CTOS Digital Berhad

Trainings and Education provided

- (i) Cybersecurity Landscape and Awareness for MIDF Board of Directors and Senior Management Programme
- (ii) Special Briefing on Risk-adjusted Return on Capital (RAROC) Implementation and Application
- (iii) Shariah Dialogue 2021 (WAQF)
- (iv) BNM-FIDE FORUM Dialogue The Role of Independent Director in Embracing the Present and Future Challenges
- (v) BNM-FIDE FORUM Dialogue on the Future of Malaysia's Financial Sector
- (vi) OCBC/FIDE – FIDE Elective: Risk Management in Technology & Digital Transformation: What they mean for Governance and Strategic Risk of Bank and Insurance Boards
- (vii) The Joint Committee on Climate Change (JC3) Flagship Conference 2021: Finance for Change
- (viii) BNM-FIDE FORUM Dialogue on RMIi Implementation
- (ix) MIDF Conversation with Jalil Rasheed
- (x) MIDF Conversation with Professor Dato' Dr. Adeeba Kamarulzaman
- (xi) MIDF Conversation with Adrian Ong
- (xii) The Board's role and responsibilities in Crisis Communication
- (xiii) Shariah Programme on "Legal Islamic Finance – Sharing Cases" with Mr. Jal Othman
- (xiv) MIDF Conversation with Tan Sri Dr. Jeffrey Cheah
- (xv) Raising Defences: Section 17A, MACC Act talked by Datuk Paduka Muhammad Juanda and The Chau Chin & Datin Paduka Nandrajong
- (xvi) Advocacy Program for the Directors and Senior Management – Rising to the Challenge to Covid-19 and Re-Designing Cyber Security
- (xvii) Protecting Against the Challenging Cyber Security Landscape (Bursa Cyber Security Workshop 2021)
- (xviii) Briefing by Ernst & Young on BNM Guidelines
- (xix) CG Talk namely Intentional Integrity: How Smart Companies Can Lead an Ethical Revolution

Directors' Shareholding in MIDF Investment Bank

Nil

2. DATO' KAZIAH BINTI ABD KADIR

Independent Non-Executive Director

Malaysian/ /Female/Age: 71

Date of Appointment: 30 June 2016

Qualifications

Bachelor of Arts (Honours) in Economics, University of Malaya

Working Experience

Dato' Kaziah binti Abd. Kadir ("Dato' Kaziah") is currently an Advisor to PricewaterhouseCoopers Taxation Services Sdn Bhd ("PWC"), a position which she has held since July 2008. Previously, she was an advisor of Investor Relations, Investment Management Division of East Coast Economic Region Development Council from 2009 to 2019.

Prior to joining PWC, Dato' Kaziah served the Malaysian Industrial Development Authority ("MIDA") since 1975 and her last position was as the Deputy Director-General I of MIDA from 2003 until 2008. She was also the Chairman in the ASEAN Coordinating Committee on Investment from 2006 to 2007.

Directorships

- (i) Malaysian Industrial Development Finance Berhad
- (ii) MIDF Amanah Investment Bank Berhad
- (iii) Panasonic Manufacturing Malaysia Berhad

Trainings and Education provided

- (i) Cybersecurity Landscape and Awareness for MIDF Board of Directors and Senior Management Programme
- (ii) Islamic Finance For Board Of Directors Programme ("IF4BOD") Compulsory Program for MIDF Berhad and MIDF Investment Bank only
- (iii) Shariah Dialogue 2021 (WAQF)
- (iv) Open Enrolment Programme – Raising Defences: Section 17A, MACC Act
- (v) Sustainable Finance: Making Better Financial Decisions
- (vi) Talk On "Implementing Amendments in Malaysian Code On Corporate Governance"
- (vii) Shariah Programme on "Legal Islamic Finance – Sharing Cases" with Mr. Jal Othman
- (viii) Identifying Red Flags in Anti-Money Laundering & Counter Financing of Terrorism (AML/CFT)
- (ix) Briefing by Ernst & Young on BNM Guidelines
- (x) Integrity Programme on Anti-Bribery and Corruption for Board of Directors and Senior Management

Directors' Shareholding in MIDF Investment Bank

Nil

3. ENCIK AHLAN NASRI BIN MOHD NASIR

Independent Non-Executive Director

Malaysian/Male/Age: 53

Date of Appointment: 4 April 2017

Qualifications

- BA Jurisprudence, St Anne's College, Oxford University, UK
- Certified Diploma in Accounting & Finance, ACCA, UK
- Certified Legal Practice, Legal Qualifying Board, Malaysia

Working Experience

During the period under review, Encik Ahlan Nasri bin Mohd Nasir ("Encik Ahlan") has resigned as Partner of Messrs. Kadir Andri & Partners, Advocates & Solicitors on 10 September 2021 to assume new appointment as Head Legal, Tenaga Nasional Berhad, with effect from 13 September 2021. He was previously the Legal Director at Danajamin Nasional Berhad, and prior to that, he had held partnerships at several legal firms including Messrs. Zaid Ibrahim & Co and Messrs. Zain & Co and also in-house positions in two large Malaysian companies.

Directorships

- (i) MIDF Amanah Investment Bank Berhad
- (ii) MIDF Amanah Asset Management Berhad

Trainings and Education provided

- (i) Cybersecurity Landscape and Awareness for MIDF Board of Directors and Senior Management Programme
- (ii) Islamic Finance For Board Of Directors Programme ("IF4BOD")
- (iii) Special Briefing on Risk-adjusted Return on Capital (RAROC) Implementation and Application
- (iv) Shariah Dialogue 2021 (WAQF)
- (v) Executive Certificate on General Management: Strategic Management
- (vi) Identifying Red Flags in Anti-Money Laundering & Counter Financing of Terrorism (AML/CFT)
- (vii) Shariah Programme on "Legal Islamic Finance – Sharing Cases" with Mr. Jal Othman
- (viii) Contract Basics for Non-Lawyer – as trainer/presenter

Directors' Shareholding in MIDF Investment Bank

Nil

- 4. ENCIK AZLAN BIN ABDULLAH**
Independent Non-Executive Director
Malaysian/Male/Age: 63
Date of Appointment: 18 May 2017

Qualifications

- Bachelor of Science in Business Administration, Trinity University, San Antonio, Texas, USA
- Master's Degree in Business Administration, Morehead State University, Kentucky, USA.

Working Experience

Encik Azlan bin Abdullah ("Encik Azlan") is currently a Managing Director of Langkawi Yacht City Berhad, a position which he has held since 4 February 2016. He started his career in 1983 with Citibank N A and in 1987, he joined United Asian Bank ("UAB") where he started and headed the Treasury Marketing Unit. After UAB merged with Bank of Commerce, he was subsequently promoted to Head of Priority Banking Division and Branch Manager of the KL Main Branch in 1992. In 1994, he rejoined Citibank Berhad as Vice President and Head of Public Sector Division.

He served as the Group Managing Director/Chief Executive Officer of Melewar Industrial Group Berhad from 23 September 2002 to 10 February 2019 and Executive Director/Chief Executive Officer of Mycron Steel Berhad from 30 March 2004 to 31 May 2015.

Directorships

- (i) MIDF Amanah Investment Bank Berhad
- (ii) Mycron Steel Berhad
- (iii) Melewar Industrial Group Berhad
- (iv) Langkawi Yacht City Berhad

Trainings and Education provided

- (i) Special Briefing on Risk-adjusted Return on Capital (RAROC) Implementation and Application
- (ii) Islamic Finance For Board Of Directors Programme ("IF4BOD")
- (iii) Identifying Red Flags in Anti-Money Laundering & Counter Financing of Terrorism (AML/CFT)
- (iv) Shariah Programme on "Legal Islamic Finance – Sharing Cases" with Mr. Jal Othman

Directors' Shareholding in MIDF Investment Bank

Nil

5. **DATO' CHARON WARDINI BIN MOKHZANI**

Group Managing Director/Non-Independent Executive Director

Malaysian/Male/Age: 58

Date of Appointment as Chief Executive Officer/Executive Director: 2 July 2018

Date of Appointment as Non-Independent Executive Director: 2 July 2019

Qualifications

- B.A. (Hons) in Philosophy, Politics and Economics, Balliol College, University of Oxford
- L.L.B. (Hons) at the School of Oriental and African Studies, University of London
- Barrister of the Middle Temple, Middle Temple /Holborn Law Tutors
- Advocate and Solicitor of the High Court of Malaya
- Chartered Bankers and Fellow of the Asian Institute of Chartered Bankers

Working Experience

Dato' Charon Wardini Bin Mokhzani ("Dato' Charon") was previously an Executive Director in Managing Director's Office at Khazanah Nasional Berhad and the founding Managing Director of the Khazanah Research Institute. Prior to Khazanah Nasional Berhad, he headed investment banking globally as the Deputy Chief Executive Officer of Investment Banking, CIMB Group and the Chief Executive Officer of CIMB Investment Bank Berhad.

He was the Managing Partner of Messrs. Zaid Ibrahim & Co. until July 2003. Prior to joining Messrs. Zaid Ibrahim & Co., he served as the Corporate Finance Manager of Rashid Hussain Securities Sdn Bhd and before that, he was an advocate and solicitor of Messrs. Shearn Delamore & Co.

Directorships

- (i) Malaysian Industrial Development Finance Berhad
- (ii) MIDF Amanah Investment Bank Berhad
- (iii) MIDF Amanah Asset Management Berhad
- (iv) Yayasan Tuanku Fauziah
- (v) Yayasan Tuanku Syed Putra Perlis

Trainings and education provided

- (i) Cybersecurity Landscape and Awareness for MIDF Board of Directors and Senior Management Programme
- (ii) Special Briefing on Risk-Adjusted Return on Capital (RAROC) Implementation and Application
- (iii) Shariah Dialogue 2021 (WAQF)
- (iv) Islamic Finance for Board of Directors Programme (IF4BOD) (Compulsory Programme for MIDF Berhad and MIDF Investment Bank only)
- (v) Shariah Programme on "Legal Islamic Finance – Sharing Cases" with Mr. Jal Othman

- (vi) Identifying Red Flags in Anti-Money Laundering & Counter Financing of Terrorism (AML/CFT) by SIDC
- (vii) BNM-FIDE Forum Annual Dialogue with Tan Sri Nor Shamsiah Mohd Yunus, Governor of Bank Negara Malaysia
- (viii) Integrity Programme on Anti-Bribery and Corruption for Board of Directors and Senior Management

Directors' Shareholding in MIDF Investment Bank

Nil

6. DATUK MOHD NASIR BIN ALI

Independent Non-Executive Director

Malaysian/Male/Age: 63

Date of Appointment: 5 August 2019

Qualifications

- Bachelor of Economic (Hons), University of Malaya
- Master of Science (Financial Studies), University of Strathclyde, United Kingdom

Working Experience

Datuk Mohd Nasir bin Ali ("Datuk Nasir") started his career with Permodalan Nasional Berhad as a Senior Financial and Marketing Analyst prior to joining BBMB Unit Trust Management Berhad as an Investment Manager in 1988.

Datuk Nasir joined Mayban Securities Sdn Bhd as General Manager of Dealing & Research Department. Following that, he was appointed as the Chief Executive Officer of Kuala Lumpur City Securities Sdn Bhd. Prior to his retirement, he served as a Group Executive Director at Utusan Melayu (Malaysia) Berhad.

Directorships

- (i) MIDF Amanah Investment Bank Berhad
- (ii) Goodyear Malaysia Berhad
- (iii) EA Technique Berhad
- (iv) iCapital.Biz Berhad
- (v) Badan Pengawas Pemegang Saham Minoriti Berhad
- (vi) ICB Islamic Bank Ltd, Dhaka Bangladesh
- (vii) Damansara Holdings Berhad (appointed w.e.f 24 January 2022)
- (viii) Gold LI Berhad (appointed w.e.f 24 January 2022)

Trainings and Education provided

- (i) Shariah Dialogue 2021 (WAQF)
- (ii) Islamic Finance for Board of Directors Programme ("IF4BOD")

- (iii) Talk on “Implementing Amendments in the Malaysian Code on Corporate Governance”
- (iv) The Board’s Role and Responsibilities In Crisis Communication
- (v) BNM-FIDE FORUM Dialogue on RMiT Implementation
- (vi) Identifying Red Flags in Anti-Money Laundering & Counter Financing of Terrorism (AML/CFT)
- (vii) Shariah Programme on “Legal Islamic Finance – Sharing Cases” with Mr. Jal Othman
- (viii) Briefing by Ernst & Young on BNM Guidelines
- (ix) Integrity Programme on Anti-Bribery and Corruption for Board of Directors and Senior Management

Directors’ Shareholding in MIDF Investment Bank

Nil

BOARD BALANCE

The Board actively seeks to ensure it has an appropriate mix of diversity, skills, experience and expertise to effectively discharge its collective responsibilities. In discharging its fiduciary duties and leadership functions, the Board recognizes the need for it to continuously evolve as a dynamic Board in understanding and shaping the strategic direction of the Bank. As at 31 December 2021, the Board comprises five (5) Independent Non-Executive Directors and one (1) Non-Independent Executive Director. The composition of the Board reflects a wide range of experience and expertise in areas such as banking, accounting, insurance, economics, business administration and legal and capital market.

Our Board recognizes the important role that Independent Directors play in ensuring good Corporate Governance practices within MIDF Investment Bank. All Directors, regardless of their independent status, are required to act in the best interest of MIDF Investment Bank and to exercise free and independent judgement. It has been the directors’ practice to disclose their interest or any possible conflicts on any matter put forth for the Board’s consideration. Any interested Director shall recuse himself/herself when required and abstain from deliberation to allow unbiased and open discussion and decision making. The Directors are highly cognizant of their duties to disclose conflict of interest situation accordingly.

All the five (5) Independent Directors are independent of Management and are free from any business or other relationships that could materially interfere with the exercise of their independent judgment. All the Board members have met the minimum requirement of 75% attendance at Board meetings. Details of Directors’ attendance at Board meetings for the period under review are as follows:

| No. | Board of Directors | Meetings Attendance |
|-----|-----------------------------------|---------------------|
| 1. | Datuk Azizan bin Abd Rahman | 13 out of 13 |
| 2. | Dato' Kaziah binti Abd Kadir | 13 out of 13 |
| 3. | Encik Ahlan Nasri bin Mohd Nasir | 13 out of 13 |
| 4. | Encik Azlan bin Abdullah | 13 out of 13 |
| 5. | Dato' Charon Wardini bin Mokhzani | 13 out of 13 |
| 6. | Datuk Mohd Nasir bin Ali | 13 out of 13 |

BOARD COMMITTEES

In discharging its roles and responsibilities, the Board has established specialized Board Committees to oversee critical or major functional areas and to address matters, which require detailed review or in-depth consideration. Although the Board has delegated certain duties to the Board Committees, it remains responsible for the decisions of the committees. The Board has delegated specific responsibilities to the following five (5) Committees:

- (1) Audit Compliance Committee;
- (2) Risk Management Committee;
- (3) Nomination and Remuneration Committee;
- (4) Credit Committee of the Board; and
- (5) Shariah Committee.

Each Committee operates under its respective terms of reference or guidelines.

(1) AUDIT COMPLIANCE COMMITTEE

The Audit Compliance Committee ("ACC") comprises three (3) Independent Directors. The ACC members and their attendance at meetings held during the period under review are as follows:

| No. | Name | Position | Meetings Attendance |
|-----|--|----------|---------------------|
| 1. | Encik Ahlan Nasri bin Mohd Nasir | Chairman | 6 out of 6 |
| 2. | Datuk Azizan bin Abd Rahman ¹ | Member | 6 out of 6 |
| 3. | Datuk Mohd Nasir bin Ali | Member | 6 out of 6 |

The primary duty of the ACC is to assist the Board in fulfilling its oversight function, with the objective of safeguarding shareholder's investments and the Bank's

assets, in the following areas:

- 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:
 - (a) Any changes in accounting policies and practices;
 - (b) Significant adjustments arising from the audit;
 - (c) The going concern assumption; and
 - (d) Compliance with accounting standards and other legal and regulatory requirements.
 - (iii) Review the accuracy and adequacy of the Chairman's statement in the directors' report, corporate governance disclosures, interim financial reports and preliminary announcements in relation to the preparation of financial statements.
- 2) Effectiveness of Internal Audit and Compliance Functions
 - (i) Oversee the functions of the Internal Audit and Compliance as per the requirements of Bank Negara Malaysia Guidelines on Internal Audit Function of Licensed Institutions, Bank Negara Malaysia Guidelines on Corporate Governance, the Securities Commission Guidelines on Performance of Supervisory Functions and the Rules of Bursa Malaysia Securities.
 - (ii) Review and approve the following:
 - (a) audit charter/policy, audit plan and budget, and scope of the internal audit programme and frequency; and
 - (b) compliance charter/policy, compliance plan and budget, and scope of compliance programme and frequency.
- 3) Review and approve the internal audit and compliance reports and ensure

Management addresses the audit and compliance issues appropriately and in timely manner.

- 4) Assess the performance and effectiveness of the internal audit and compliance functions and communicate the results of the assessment on internal audit and compliance to ACC of MIDF Berhad and Board of MIDF Investment, respectively.
- 5) Meet with internal auditor without the presence of Management, at least annually.
- 6) If any, note significant disagreements between the Chief Internal Auditor (CIA) and the Management team, irrespective of whether these have been resolved, in order to identify any impact the disagreements may have on the audit process or findings.
- 7) Internal Controls Framework
Oversee the implementation of MIDF Investment Bank's internal control framework, and periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of MIDF Investment Bank's operations.
- 8) External Auditor
 - (i) Recommend the appointment, remuneration and removal of the external auditors.
 - (ii) Assess objectivity, performance and independence of external auditor (e.g. by reviewing and assessing the various relationships between the external auditor and MIDF Investment Bank or any other entity).
 - (iii) Review the external auditor's management letter and response.
 - (iv) Approve the provision of non-audit services by the external auditor.
 - (v) Ensure that there are proper checks and balances in place so that the provision of non-audit services does not interfere with the exercise of independent judgement of the external auditor.
 - (vi) Review the external auditor's report and recommendations, and ensure that issues are being managed by Management and rectified appropriately and in a timely manner.

- (vii) Have direct communication channels with the external auditors and able to meet with the external auditor without the presence of management, at least annually.
- 9) Related Party Transaction ("RPT")
Review all RPT and keep the board informed of such transactions.
 - 10) Conflict of Interest
Monitor compliance with the board's conflicts of interest policy.
 - 11) Others
 - (i) Review third-party opinions on the design and effectiveness of the Company's internal control framework.
 - (ii) The ACC meets on a quarterly basis and shall meet once during the year with the external auditors, in separate session without the presence of any executive member of the Board or Senior Management.

(2) RISK MANAGEMENT COMMITTEE

The Risk Management Committee ("RMC") comprises a majority of Independent Directors. The RMC members and their attendance at meetings held during the period under review are as follows:

| No. | Name | Position | Meetings Attendance |
|-----|-----------------------------|----------|---------------------|
| 1. | Datuk Mohd Nasir bin Ali | Chairman | 6 out of 6 |
| 2. | Encik Azlan bin Abdullah | Member | 6 out of 6 |
| 3. | Datuk Azizan bin Abd Rahman | Member | 6 out of 6 |

The RMC shall hold regular meeting, at least once every quarter and responsible to oversee Senior Management's activities in managing credit, market, liquidity, operational, legal, Shariah and other risks. The RMC ensures that the risk management process is in place and functioning. The roles and responsibilities of RMC are as follows:

- 1) Review and recommend risk management strategies, policies and risk tolerance for Board's approval.
- 2) 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.

- 3) Ensure infrastructure, resources and systems are in place for risk management i.e. ensuring that the staff responsible for implementing risk management systems performs those duties independently of the financial institutions' risk-taking activities.
- 4) Review management's periodic reports on risk exposure, risk portfolio composition and risk management activities.
- 5) Assist in the implementation of a sound remuneration system, examine whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the board remuneration committee.

(3) NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee ("NRC") comprises three (3) Independent Non-Executive Directors. The NRC is required to meet at least twice a year. The members of the NRC and their attendance at meetings held during the period under review are as follows:

| No. | Name | Position | Meetings Attendance |
|------------|----------------------------------|-----------------|----------------------------|
| 1. | Dato' Kaziah binti Abd Kadir | Chairman | 5 out of 5 |
| 2. | Encik Ahlan Nasri bin Mohd Nasir | Member | 4 out of 5 ¹ |
| 3. | Encik Azlan bin Abdullah | Member | 5 out of 5 |

Note:

- ^{1.} Encik Ahlan Nasri bin Mohd Nasir was unable to attend one (1) NRC meeting in 2021 due to reasonable excuse as acknowledged and approved by the NRC members.

The objectives of the NRC:-

- 1) To provide a formal and transparent procedure for the appointment of Directors and Chief Executive Officer.
- 2) To develop a remuneration policy for Directors, Chief Executive Officer and Key Senior Management Officer.
- 3) To provide a formal and transparent procedure for assessment of the effectiveness of individual Directors, Board of Directors ("Board") as a whole

and performance of Chief Executive Officer and Senior Management Officers.

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

Duties of NRC amongst others are to:

A. Nomination

- 1) Establish minimum requirements for the Board i.e. the required mix skills, experience, qualification and other core competencies required of a Director.
- 2) Establish minimum requirements and criteria for the Chief Executive Officer to be approved by the Board.
- 3) Recommend and assess the nominees for Directorship, Board Committee members as well as nominees for the Chief Executive Officer. This includes assessing directors for reappointment, before an application for approval is submitted to Bank Negara Malaysia. The actual decision as to who shall be nominated should be the responsibility of the Board.
- 4) Oversee the overall composition of the Board, in terms of the appropriate size and skills, and the balance between Executive Directors, Non-Executive Directors and Independent Directors through annual review.
- 5) Recommend to the Board the removal of a Director/Chief Executive Officer from the Board/Management if the Director/Chief Executive Officer is ineffective, errant and negligent in discharging his/her responsibilities.
- 6) Establish a mechanism for the formal assessment on the effectiveness of the board as a whole and the contribution of each director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the Chief Executive Officer.
- 7) Ensure that all directors receive and appropriate continuous training program in order to keep abreast with the latest developments in the industry.
- 8) Assess the appointment of Senior Management Officers for recommendation to the Board for approval, in instances where the proposed remuneration package exceeds the job band.
- 9) Oversee the management succession planning program of Senior

Management Officers who report directly to the Chief Executive Officer.

- 10) Assess, on an annual basis, that the Directors and Chief Executive Officer are qualified under Section 59(1) of the Financial Services Act 2013 [FSA].

B. Remuneration

- 1) Recommend a framework of remuneration for Directors, Chief Executive Officer, and Key Senior Management Officers for the Board's approval. The remuneration framework should support the licensed institution's culture, objectives, and strategy and should reflect the responsibility and commitment, which goes with board membership and responsibilities of the Chief Executive Officer and Senior Management Officers. There should be a balance in determining the remuneration package, which should be sufficient to attract and retain directors of calibre, and yet not excessive to the extent the licensed institution's funds are used to subsidise the excessive remuneration packages. The framework should cover all aspects of remuneration including directors' fees, salaries, allowances, bonuses, options, and benefits-in-kind.
- 2) Recommend specific remuneration packages for Executive Directors and the Chief Executive Officer. The remuneration package should be structured such that it is competitive and consistent with the licensed institution's culture, objectives, and strategy. Salary scales drawn up should be within the scope of the general business policy and not be dependent on short-term performance to avoid incentives for excessive risks taking.
- 3) In cases where the proposed remuneration package of Key Senior Management Officers (who report directly to the Chief Executive Officer) exceeds the job band, the NRC shall assess the proposed remuneration package and recommend to the Board for approval.

(4) CREDIT COMMITTEE OF THE BOARD

The Credit Committee of the Board ("CCB") comprises three (3) Independent Directors and one (1) Non-Independent Executive Director. The CCB members and their attendance at meeting held during the period under review are as follows:

| No. | Name | Position | Meetings Attendance |
|------------|-----------------------------------|-----------------|----------------------------|
| 1. | Encik Azlan bin Abdullah | Chairman | 15 out of 15 |
| 2. | Encik Ahlan Nasri bin Mohd Nasir | Member | 15 out of 15 |
| 3. | Dato' Charon Wardini bin Mokhzani | Member | 14 out of 15 ¹ |
| 4. | Datuk Mohd Nasir bin Ali | Member | 15 out of 15 |

Note:

1. Dato' Charon Wardini bin Mokhzani was unable to attend one (1) CCB meeting in 2021 due to reasonable excuse as acknowledged and approved by the CCB members.

The CCB shall hold regular meetings, at least once every month and where necessary, to review and oversee the development of credit strategy, policies and procedures governing the Bank's credit operations, amongst others in accordance to its Terms of Reference as follows:

- 1) Oversee, review and endorse MIDF Investment Bank's credit strategy, policies and limits governing MIDF Investment Bank's credit operations.
- 2) Review the adequacy of credit policies and procedures and that credit operations are in line with approved credit strategy, policies and limits.
- 3) Review and thereafter affirm or veto applications for credit facilities (covering direct lending/financings and underwriting of and/or subscription of Corporate Bonds/Sukuk but excluding facilities outlined in paragraph 4.4 and 4.6), renewals and/or extensions, annual reviews and any variations to previously approved terms and conditions for amount exceeding certain predetermined threshold based on credit risk rating but up to a Single Counterparty Exposure Limit ("SCEL") which has been approved by the Credit Committee ("CC") and where appropriate, impose additional or more stringent terms and conditions as deemed necessary.
- 4) Review and thereafter affirm or veto new application of Share Margin Financing ["SMF"] for amount exceeding RM10 million up to a SCEL which has been approved by the CC and where appropriate, impose additional or more stringent terms and conditions as deemed necessary.
- 5) Review and thereafter affirm or veto the margin renewal of existing account of SMF with limit exceeding RM10.0 million (in aggregate basis as per the SCEL) as per criteria stipulated in Bank-Wide Risk Management Policies (Section 6: Credit Risk and Credit Concentration Risk Management Policy).
- 6) Review and thereafter affirm or veto all proposals for underwriting/sub-underwriting of equity and equity-linked securities approved by the CC.
- 7) Review and thereafter affirm or veto the restructuring and rescheduling of non-performing loans/financing or defaulted Corporate Bonds/Sukuk approved by CC.

- 8) Consider and approve the disposal of collateral quoted shares and other pledged assets on non-performing loan accounts/financings under circumstances as provided for in the Credit Policy.
- 9) Perform such other functions as delegated by the Board of Directors from time to time.

(5) SHARIAH COMMITTEE

The Shariah Committee is an independent body established by the Board to provide decisions, views and opinions related to Shariah matters and to perform oversight role on Shariah matters related to the Islamic business, operations, activities and affairs of MIDF Investment Bank and the entities under the Group to ensure their continuous compliance with Shariah.

In discharging its duties, the Shariah Committee discloses sufficient information in the Bank's annual financial report on the state of Shariah compliance of the Bank's Islamic banking business ("*Skim Perbankan Islam*").

The general roles and responsibilities of the Shariah Committee in accordance with its Charter are, amongst others, as follows:

- 1) Provide independent and sound advice to MIDF Investment Bank and the entities under the Group on Shariah matters in respect of their Islamic finance operations;
- 2) Responsible and accountable for all Shariah decisions, opinions and views provided in the course of discharging the duties and responsibilities as a Shariah Committee for MIDF Investment Bank;
- 3) Validate and endorse the relevant Policies, Procedures and Islamic finance documentations for any Shariah-related products and service as Shariah-compliant;
- 4) Assist MIDF Investment Bank and the entities under the Group for any submission to Shariah Advisory Council of Bank Negara Malaysia or that of Securities Commission Malaysia;
- 5) Assess work carried out by Shariah functions and Shariah control functions; and
- 6) Assist related parties such as legal counsel, auditor or consultant on Shariah matters upon request.

The Shariah Committee provides its quarterly reports to the Board which encompass, amongst others, highlights on the decisions, advice and opinions provided on the issues related to Islamic business, operations, activities and affairs of MIDF Investment Bank.

Based on the Shariah Governance Policy Document for Islamic Financial Institutions ("SGPD") issued on 20 September 2019 by Bank Negara Malaysia, the Shariah Committee meetings shall be held at least two (2) times a year.

For the financial year ended 31st December 2021, the above meeting requirement had been met. In addition, all the individual Shariah Committee members have met the minimum requirement of 75% attendance at the Shariah Committee meetings and the attendance is as follows:

| No. | Name | Position | Meetings Attendance |
|-----|--|----------|---------------------|
| 1. | Dr. Mohamad Sabri bin Zakaria | Chairman | 13 out of 13 |
| 2. | Ustaz Mazrul Shahir bin Md Zuki [Retired on 17 June 2021] | Member | 8 out of 8 |
| 3. | Encik Ahmad Lutfi bin Abdul Mutalip | Member | 13 out of 13 |
| 4. | Assoc. Prof. Dr. Siti Salwani Razali [Joined w.e.f. 1 April 2021] | Member | 8 out of 8 |
| 5. | Dr. Muhammad Najib Bin Abdullah [Joined w.e.f. 1 July 2021] | Member | 5 out of 5 |

BOARD TECHNOLOGY COMMITTEE

The Board Technology Committee ("BTC") was established on 1 May 2021 to support the 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.

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.

The BTC comprises three (3) members which is a combination of independent and non-independent directors from the members of the Board of MIDF Berhad Group. The BTC shall meet on a quarterly basis or as and when required. The BTC members and their

attendance at meeting held during the period under review are as follows:

| No. | Name | Position | Meetings Attendance |
|-----|--|----------|---------------------|
| 1. | Datuk Yasmin binti Mahmood (Non-Independent Non-Executive Director of MIDF Berhad) | Chairman | 5 out of 5 |
| 2. | Encik Ahmad Lutfi bin Abdul Mutalip (Independent Non-Executive Director of MIDF Berhad) | Member | 5 out of 5 |
| 3. | Encik Ahlan Nasri bin Mohd Nasir | Member | 5 out of 5 |

The general roles and responsibilities of BTC in accordance with its Terms of Reference are, amongst others, as follows:

- 1) The BTC shall also have the authority to conduct enquiries and obtain independent external legal or other professional advice if it considers necessary in discharging its duties and responsibilities, at the cost of MIDF Berhad and/or its subsidiaries. This should serve to promote informed and robust decision-making by the BTC/Board in a manner that complements and adds value to the work of senior management.
- 2) Review and recommend to the Board for approval, the technology risk appetite which is to be aligned with MIDF Berhad Group's risk appetite statement. In doing so, the BTC shall recommend to the Board for approval, the corresponding risk tolerances for technology-related events, key performance indicators and forward-looking risk indicators, these serving to help monitor MIDF Berhad Group's technology risk against its approved risk tolerance.
- 3) Ensure and oversee the adequacy of MIDF Berhad Group's IT and cybersecurity strategic plans covering a period of no less than three (3) years. This shall include reviewing their annual budgets prior to approval of MIDF Berhad Group's budgets by the Board.
- 4) These plans, which shall be in line with MIDF Berhad Group's current and envisaged operations, strategies and its business environment, shall address MIDF Berhad Group's requirements:
 - (i) for technology-based infrastructure with regard to data recovery, system availability and cost effectiveness;
 - (ii) to mitigate IT and cyber security risks;
 - (iii) to manage technology obsolescence;

- (iv) to use technology to enhance returns from MIDF Berhad Group's financial and non-financial resources; and
 - (v) to ensure compliance with internal and external regulatory requirements.
- 5) Oversee the effective implementation of a sound and robust Technology Risk Management Framework and Cyber Resilience Framework for MIDF Berhad Group to ensure the continuity of operations and delivery of services.
 - 6) Exercise effective oversight and address associated risks when engaging third (3rd) party service providers for critical technology functions and systems.
 - 7) Provide oversight over cloud strategy and operational management for critical systems.

REMUNERATION

The variable remuneration that had been made payable to the directors is as per **APPENDIX 1** attached.

DIRECTORS' REMUNERATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

| Name | Category of Director | Director Fees (RM) | Committee Fees (RM) | Allowance (RM) | Salary & Bonus (RM) | Other Emoluments (RM) | Benefit-in-Kind (RM) | Total (RM) |
|-----------------------------------|-----------------------------|--------------------------------|--------------------------------|-----------------------|--------------------------------|------------------------------|-----------------------------|--|
| Datuk Azizan bin Abd. Rahman | Non-Executive | 90,000.00 | 40,000.00 | 34,500.00 | - | - | 3,460.60 | 167,960.60 |
| Datuk Kaziah binti Abd Kadir | Non-Executive | 60,000.00 | 15,000.00 | 25,500.00 | - | - | 3,765.75 | 104,265.75 |
| Encik Ahlan Nasri bin Mohd Nasir | Non-Executive | 60,000.00 | 55,000.00 | 51,000.00 | - | - | - | 166,000.00 |
| Encik Azlan bin Abdullah | Non-Executive | 60,000.00 | 55,000.00 | 55,500.00 | - | - | - | 170,500.00 |
| Datuk Mohd Nasir bin Ali | Non-Executive | 60,000.00 | 65,000.00 | 53,000.00 | - | - | 5,343.65 | 183,343.65 |
| Dato' Charon Wardini bin Mokhzani | Executive | 60,000.00 [payable to MIDF] | 20,000.00 [payable to MIDF] | 34,000.00 | - | - | - | 34,000.00 [payable to Dato' Charon] 80,000.00 [payable to MIDF] |

SHARIAH COMMITTEE REMUNERATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

| Name | Category of Director | Director Fees (RM) | Committee Fees (RM) | Allowance** (RM) | Salary & Bonus (RM) | Other Emoluments (RM) | Benefit-in-Kind (RM) | Total (RM) |
|---|-----------------------------|---------------------------|----------------------------|-------------------------|--------------------------------|------------------------------|-----------------------------|-------------------|
| Dr. Mohamad Sabri bin Zakaria | Chairman | - | 25,000.00 | 22,610.00 | - | - | - | 47,610.00 |
| Ustaz Mazrul Shahir bin Md Zuki ¹ | Member | - | 9,276.33 | 11,250.00 | - | - | - | 20,526.33 |
| Encik Ahmad Lutfi bin Abdull Mutalip | Member | - | 20,000.00 | 21,250.00 | - | - | - | 41,250.00 |
| Assoc. Prof. Dr. Siti Salwani Razali ² | Member | - | 15,002.00 | 15,360.00 | - | - | - | 30,362.00 |
| Dr. Muhammad Najib Abdullah ² | Member | - | 10,004.00 | 9,860.00 | - | - | - | 19,864.00 |

Note:

1. Ustaz Mazrul Shahir bin Md Zuki was retired as member of Shariah Committee with effect from 17 June 2021.
2. Assoc. Prof. Dr. Siti Salwani Razali and Dr. Muhammad Najib Abdullah have been appointed as member of Shariah Committee with effect from 1 April 2021 and 1 July 2021, respectively.

**MIDF Amanah Investment Bank Berhad – 2021
BNM/RH/STD 032-5 –Financial Reporting**

Risk Management – Appendix A, Para 2(d)(i)

Risk Management Objectives

The Bank's risk management aims to:

- Inculcate and practise a strong risk management culture;
- Embrace risk management as an integral part of all key processes;
- Protect its financial and non-financial assets and enhance shareholders' value; and
- Practise a transparent communication process that will disseminate relevant, reliable and timely information to relevant parties for decision making.

Key Risks

The Bank's business activities are mainly exposed to the following risks:

a) Interest Rate Risk/Rate of Return Risk in Banking Book

Interest rate risk/Profit Rate Risk in banking book ("IRRBB"/"RORBB") is defined as the risk exposure to the Bank's earnings and capital base, as a result of changes in the levels of interest/profit rates, including the shifts in the composition of assets and liabilities.

b) Market Risk

Market Risk is defined as "risk of losses in on and off-balance sheet positions arising from movements in market prices". The movements in market prices include foreign exchange rates, interest/ profit rates, commodities and equity markets.

c) Credit Risk

Credit risk is defined as the risk of losses arising from a Bank borrower or counterparty failing to meet its obligation in accordance to the agreed terms and conditions, risk that the Bank will incur losses from the decline in the value of assets, increased probability of default or lower than expected recovery rate on a financial obligation.

d) Liquidity Risk

Liquidity risk is defined as the risk of losses arising from the inability to meet cash flow obligations in a timely and cost-effective manner. It appears in two ("2") forms as follow:

- Funding Liquidity Risk

The risk in which the Bank will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the Bank.

- Market Liquidity Risk

The risk that the Bank cannot easily offset or eliminate a position without significantly affecting the market price because of inadequate market depth or market disruption.

e) Operational Risk

Operational Risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.

f) Reputational Risk

Reputational Risk is defined as the "risk arising from negative perception on the part of customers, counterparties, shareholders, investors, debt-holders, market analysts, other relevant parties or regulators that can adversely affect the Bank's ability to maintain existing, or establish new, business relationships and continued access to sources of funding, due to events or risks arising from the business activities".

g) Technology and Cybersecurity Risk

Technology and Cybersecurity Risk is a business risk associated with the use, ownership, operation, involvement, influence and adoption of technology within the organization. It also consists of technology-related projects that could potentially harm the business if it is being developed and managed without security in mind and by design. It is also closely followed the published policy MIDF Technology Risk Management and Cyber Resilience Framework.

h) Climate Change, Social and Environmental Risks

Climate change is a complex collective action problem that may create material financial risks to impact the safety and soundness of financial institutions, giving rise to broader implications on the stability of the financial system and sustainable economic growth. Climate change impacts can manifest in three (3) dimensions of risk, namely, physical, transition, and liability risks, as defined in the BNM's Climate Change and Principle-based Taxonomy ("BNM CCPT") below:

| Type of risk | Definition |
|------------------------|--|
| Physical risk | Arises from climate-related events that damage property, reduce productivity, and disrupt trade. May directly impact the continuity of business operations and which in turn, increase credit risk to financial institutions when revenue-generating capacity and credit worthiness of borrowers are impacted. |
| Transition risk | Arises from transitioning to a lower-carbon economy which may entail policy, legal, technology, and market changes to address certain requirements related to climate change. These changes may translate into financial risks as costs of doing business may increase. |
| Liability risk | Arises from legal risks and claims on damages and losses incurred from the effects of physical and transition risks. This risk impacts financial institutions, particularly the insurance and takaful sectors as climate-related liabilities are transferable to insurance and takaful operators via liability protection. |

Risk Management Principles

The Bank has established a structured approach to risk management that provides reasonable assurance to the Board of Directors to control and mitigate the level of risks in the Bank.

The Bank-Wide Risk Management is based on the following six ("6") risk management principles:-

1. Well defined organisation structure with proper lines of defence and segregation of duties bank-wide:

- Risk taking units – carry out day to day management of risk
 - Risk control units – provides risk oversight, policies & framework
 - Internal audit – provide independent validation and assurances
2. Risk Management Committee is one of the standing committees supporting the Board in ensuring the effective implementation of risk management strategies, assessing adequacy of risk management frameworks and appropriate risk management infrastructure, resources and systems.
 3. Well established policies, procedures and limits to ensure business and operational units operate within their defined parameters.
 4. Timely and transparent performances reporting to ensure risks are identified, measured and monitored.
 5. A vigilant compliance function to ensure compliance with risk policies, procedures, laws, rules and regulations.
 6. An independent internal audit function, which will provide assurance to the Board of Directors on the overall adequacy and effectiveness of the risk management framework.

Risk Management Structure

The Board provides effective oversight of senior management's actions to ensure consistency with the risk strategy and policies as approved by the Board, including the risk appetite framework. In this regard, the Risk Management Committee supports the Board in actively overseeing the effective implementation of risk management strategies, assessing adequacy of the risk management framework and appropriate risk management infrastructure, resources and systems. However, the operational aspects of the enterprise-wide risk management comes under the responsibility of the Chief Risk Officer.

The Board is assisted by the following committees in its overall responsibility for risk oversight within the Bank:

- Risk Management Committee
- Audit Compliance Committee
- Credit Committee of the Board
- Group Board Technology Committee

The day-to-day management of risks are monitored by the following executive risk management committees:

| Risk | Committee |
|--|---|
| IRRBB/ RORBB, Market, and Liquidity | <ul style="list-style-type: none"> ▪ Asset & Liability Management Committee ▪ Management Investment Committee |
| Credit | Credit Committee |
| Operational | Management Committee |
| Technology & Cyber Security | Group IT Steering Committee |
| Climate Change, Social and Environmental | Management Committee |

The Risk Management Department of the Bank comprises Market & Risk Analytics, Credit Risk Management, Technology and Cybersecurity Risk Management and Operational Risk Management units, all reporting to the Group Chief Risk Officer. It is a centralised risk management function that bears the overall responsibility for effective risk identification, measurement, monitoring and control functions of the Bank.

Risk Management Process

The Bank has adopted an Enterprise Risk Management (“ERM”) Framework which consists of five (“5”) key components, as shown in the diagram on the next page. ERM provides a systematic approach on how to identify, prioritise and manage the Bank’s overall risks.

ERM METHODOLOGY FRAMEWORK



Note: The cyclical activity from 1 until 5 follow clockwise direction in which it starts with ERM Framework, Risk Assessment, Risk Action Planning & Implementation, Follow-up on the Risk Action Plan Implementation and ends at Continuous Monitoring & Communication.

The principal objectives of ERM are:

- To meet strategic goals and objectives;
- To safeguard financial and non-financial assets;
- To allocate and optimise the use of resources;
- To comply with policies, procedures, guidelines, laws and regulations;
- To commit management and staff to promote a strong risk control culture;
- To commit the Bank to a structured and consistent approach to managing the risks; and
- To establish risk communication processes which disseminate relevant, reliable and timely information to all relevant parties for decision making.

Methods and Tools Used to Manage Risks

The following are amongst the methods and tools used to manage risks:

| Risk Measurement Tools | |
|-------------------------------|--|
| Risk | Methods |
| Interest Rate/ Profit Rate | <ul style="list-style-type: none"> ▪ Interest rate gap ▪ Modified duration analysis ▪ Sensitivity analysis on trading and banking book portfolio ▪ Net interest income ("NII") analysis ▪ Economic value of equity ("EVE") analysis ▪ Portfolio concentration i.e. type of security, investment grade and time bucket ▪ Stress test scenario and the impact on earnings and capital |
| Market | <ul style="list-style-type: none"> ▪ Valuation of trading book portfolio ▪ Market risk trading book limits i.e. trading limits, cut loss limits ▪ Market risk banking book triggers i.e. MTM loss triggers ▪ Stress testing |
| Liquidity | <ul style="list-style-type: none"> ▪ BNM Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR") ▪ Funding concentration ▪ Liquidity indicators ▪ Liquidity gap ▪ Liquidity management action triggers ▪ Liquidity crisis contingency plans ▪ Liquidity stress test scenario |
| Credit | <ul style="list-style-type: none"> ▪ External credit risk rating ▪ Internal credit risk rating ▪ Credit approving process – pre-approval evaluation, approval and post-approval evaluation. ▪ Expected loss under normal conditions ▪ Stress test and the impact on earnings and capital ▪ Concentration of credit risk – economic sector, single customer, large loans and credit grades. |
| Operational | <ul style="list-style-type: none"> ▪ Risk Control Self-Assessment ▪ Desktop Review ▪ Material Risk Assessment ▪ Risk Treatment Plan ▪ Key Risk Indicators ▪ Operational Risk Event |

| Risk Measurement Tools | |
|--|---|
| Risk | Methods |
| | <ul style="list-style-type: none"> ▪ Scenario Analysis ▪ Business Continuity Management ▪ Shariah Risk Management |
| Technology & Cybersecurity Risk | <ul style="list-style-type: none"> ▪ Vulnerability Assessment (VA) ▪ Penetration Testing (PT) ▪ Compromised Assessment ▪ Security Operations Centre ▪ Red Team Offensive Simulation ▪ Independent Technology Risk Assessment ▪ Cyber Stress Testing and Scenario Analysis ▪ Technology Risk Reporting ▪ Key Risk Indicator |
| Climate Change, Social and Environmental | <ul style="list-style-type: none"> ▪ ESG Risk Categorisation |

| Risk Reporting |
|--|
| <ul style="list-style-type: none"> ▪ Risk Profiles ▪ Enterprise Risk Dashboard ▪ ICAAP Reports ▪ Stress Test Reports ▪ Business Continuity Reports ▪ Regulatory Examination Reports ▪ Security Posture and Cyber Security Threat Landscape Report |

Business Continuity Management

The main objective of the Bank’s business continuity management (“BCM”) is to ensure the continuity of critical business functions and essential services within a specified timeframe in the event of major disruption. The BCM process includes disaster recovery for IT systems, crisis management and contingency planning.

The Bank activated its Business Continuity Plan for Pandemic on 24 January 2020 as part of the strategized mitigating action to correspond with the Coronavirus disease (“COVID-19”) threat where the split operations was effectively initiated on 5 March 2020. COVID-19 pandemic also necessitated for a single disaster recovery testing exercise, which the Bank has successfully conducted in **November 2021** under a full and reduced scopes for live and simulation environment.

3.0 Internal Control Framework

Internal Control

The Board of Directors of MIDF Amanah Investment Bank Berhad (“MIDF Investment or The Bank”) is committed to evaluating, enhancing and maintaining the established internal control system in order to respond appropriately to significant business, operational, financial, compliance and other risks to achieve the Bank’s objectives.

The following internal control components work together to assist the Board in maintaining an adequate control environment to support the achievement of the Bank’s objectives:

A. Control Environment

Board and Management Committees

To promote corporate governance, transparency and accountability, the Board has set up board and management committees to assist in accomplishing the strategies and objectives set for the Bank. These committees oversee the areas assigned to them under their respective Terms of Reference and each plays an important role in directing, monitoring and providing on-going assessment that the plans and operations are carried out in accordance with the Bank’s approved business strategic plans and established policies. The key roles and responsibilities of the Board and its committees are set out in the Board Charter, which is reviewed periodically by the Board. The committees are:

Board Committee

- Audit and Compliance Committee (“ACC”);
- Risk Management Committee (“RMC”);
- Credit Committee of the Board; and
- Nomination and Remuneration Committee.

As for shariah related matters, the Bank is being advised by Shariah Committee established at MIDF Berhad.

Management Committee

- Management Committee;
- Credit Committee;
- Asset and Liability Committee; and
- Management Investment Committee.

Organizational Structure

The Bank has established an organizational structure with clear lines of authority, responsibility and accountability to support its strategic and operational objectives, enables adequate monitoring of Bank's activities and ensures effective flow of information across the Bank.

The departmental structure enhances the ability of each department to focus on its assigned core or support functions within the Bank. Operational Support functions such as Human Resources, Finance, Information Technology etc. have been outsourced to the MIDF Berhad (the Holding Company) and the outsourced services are governed by an established Service Level Agreement.

The Board continuously reviews and refines the effectiveness of the Bank's organizational and control structures to enhance the Bank's ability to achieve its strategic and operational objectives and manage challenges faced in its operating environment.

Bank Policies and Procedures

The Board has approved policies to ensure that ethical and internal control principles and mechanisms are embedded in business operations. This enables the Bank to respond quickly to evolving risks and immediately report any significant control failure. These policies are supported with relevant procedures and are reviewed regularly to ensure their relevancy and effectiveness. Among the key policies implemented are:

- Authority Manual;
- Code of Conduct for Directors and Employees;
- Bank-wide Risk Management Policies;
- Internal Capital Adequacy Assessment Process Policy;
- Business Continuity Management Policies;
- New Product Policy;
- Management of Customer Information Policy;
- Outsourcing Policy; and
- Technology Risk Management and Cyber Resilience Framework.

In addition, the Bank has adopted several Group's policies, such as Group Anti-Money Laundering and Counter Financing of Terrorism/Proliferation Policy, Fraud Prevention Policy, Whistle Blowing Policy and Anti-Bribery and Corruption Policy. These policies would assist the Bank to combat against the money laundering and terrorism financing activities, and to uphold the high standards of personal integrity and professionalism of staff.

The Fraud Prevention Policy and Procedures, Whistle Blowing Policy and Procedures and Anti-Bribery and Corruption Policy have been

communicated to all employees, encouraging them to report any non-compliance to the Bank's Code of Conduct, fraud allegations or any unlawful activity. The Integrity and Governance Unit ("IGU"), being the owner of these policies, ensures continuous awareness to all employees of the Bank. The Bank is committed to manage and investigate all reports, treating each with utmost confidentiality.

B. Risk Management and Internal Control

Operationally, the Bank operates multiple lines of defense to effect a robust control framework as follows:-

- At the first level, the Business Units ("BU") are responsible for the day-to-day management of risks inherent in the various business activities. They oversee the day-to-day compliance to policies, regulatory requirements, business and process controls. A Business Compliance Officer ("BCO") has been appointed primarily to act as Compliance advisor within BU, involves with management of new regulations and directive and attending to queries issued by Law Enforcement Agencies.
- At the second level, Risk Management Department ("RMD") is responsible for setting the risk management framework, reviewing portfolio risks, and developing tools and methodologies for the identification, measurement, monitoring, and control of risks; whereas Compliance Department ("CD") is responsible for ensuring that controls to manage compliance risks are adequate and operating as intended.
- At the third level, the Group Control Assurance Division complements RMD and CD by monitoring and evaluating the effectiveness of internal control systems. It also provides an independent perspective and assessment on the adequacy and effectiveness of the risk management and compliance policies, process, governance and systems.

Risk Management

The Bank's risk management framework provides a systematic approach on how to identify, assess, prioritize and manage the Bank's overall risks. Material risks have been identified and spelt out in the Bank-wide Risk Management Policy and are managed by RMD. Other risks which are process-related risks and have specific impact to certain departments are addressed in their respective departments' standard operating procedure. All departments, with assistance from RMD, are required to conduct an annual risk control self-assessment exercise to identify and measure related risks associated with their operations. The relevant controls to mitigate those risks are regularly monitored and assessed to ensure their effectiveness.

(Please refer to Statement on Risk Management for details).

Compliance

Compliance Department (“CD”) is responsible in assisting the Board and Management in managing the Bank’s overall regulatory and Shariah non-compliance risk to ensure compliance with the rules and regulations. CD conducts compliance assessment and monitoring of the Bank’s activities which serves as a basis of reporting to the Board and Management.

A Compliance Control Room function has been established within CD, with the objectives to oversee the management of conflict of interest within MIDF Investment. It conducts conflict of interest assessment points potentially affecting the Bank and assist Management to prevent, detect and report conflict of interest by the Bank, its Directors, employees or any parties dealing with or for the Bank.

CD reports functionally to ACC and administratively to the CEO.

Internal Audit

The Group Control Assurance Services Division (“GCAS”) of MIDF Berhad assists the ACC to provide the Board of the Bank with the assurance it requires on the adequacy and integrity of the system of internal controls. GCAS functions include but are not limited to, evaluating the effectiveness of risk management system, evaluating the adequacy and effectiveness of internal controls, assessing and proposing appropriate recommendations for improving the Bank’s governance process.

GCAS regularly reviews the critical operations (as defined in relevant guidelines issued by Bank Negara and Securities Commission Malaysia, and Bursa Malaysia rules) and critical controls in the Information Technology environment (as outlined in the BNM Risk Management in Technology Policy Document) of the Bank to ensure that the internal controls are in place and working effectively. The results of the audits are reported to the ACC. Follow-up actions and the review of the status of corrective action plans are reported quarterly to ACC. Highlights of the ACC meetings are submitted to the Board for review and further deliberation.

GCAS reports functionally to ACC and administratively to the Group Managing Director of MIDF Berhad.

C. Control Activities

Key Performance Indicators

Key Performance Indicators have been established for all departments in the Bank to ensure key business objectives are identified, regularly measured and monitored, and relevant risks mitigation strategies are carried out.

Financial & Operational Control Framework

The Bank has adopted the Group's financial policy and procedures (P&P) and these P&P have been established in accordance with relevant rules and guidelines issued by regulatory authorities and Malaysian Financial Reporting Standards.

Operational controls reflected in the policies and procedures are regularly reviewed for their effectiveness and efficiency.

Periodic reviews of actual performance versus budgets and performance in prior periods for key functions are carried out with explanation of any major variances.

Customer Feedback

A centralized customer feedback channel has been established to ensure customer enquiries and complaints are being responded adequately on timely manner.

Business Continuity Planning

The Bank's disaster recovery plan has been established and regularly tested in accordance to the requirements of respective rules and guidelines.

D. Information and Communication

The various lines of business provide regular and comprehensive information to Management and Board for monitoring of the Bank's performance against the business plans approved by the Board. Performance monitoring including discussions of significant issues are conducted at least monthly at Management Committee meetings, which are attended by all Heads of Department and Heads of Division of MIDF Berhad. The same has also been communicated to the Board at its regular meetings.

Information technology and communication are components that support all other control components by ensuring information is being timely and accurately processed, and communicated to relevant employees that allow them to carry out their duties.

Information Systems

The major information systems utilized by the Bank are:

- Real Time Electronic Transfer of Funds and Securities System;
- Fully Automated System for Issuing/Tendering;
- Quantum/QRisk System;
- Silverlake Universal Broker System;
- Order Management System;
- MIDF Invest Application; and
- File Server system.

E. Monitoring

Monitoring covers the external oversight of internal controls by management or other parties outside the process, or the application of independent methodologies, such as customized procedures or standard checklists, by employees within a process. There are ongoing processes embedded within the Bank's overall business operations to identify internal control deficiencies (inaccuracies or exceptions) and responsible parties are alerted to take preventive and/or corrective action.

Financial and Operational Review

The ACC reviews the Bank's quarterly financial performance together with the Management, and these are subsequently reported to the Board. The quarterly reviews enable the ACC to deliberate and assess the Bank's financial results and operational performance.

Control Deficiencies

Internal control deficiencies or breaches are brought to the attention of the Management and ACC by GCAS and CD, while RMD would also update Management and RMC on failure of any risk mitigation plans, so as to ensure adequate and timely corrective actions are taken to address the deficiencies.

Where areas of improvement in the internal control system are identified, the Board considers the recommendations made by the Management, the ACC and the RMC.