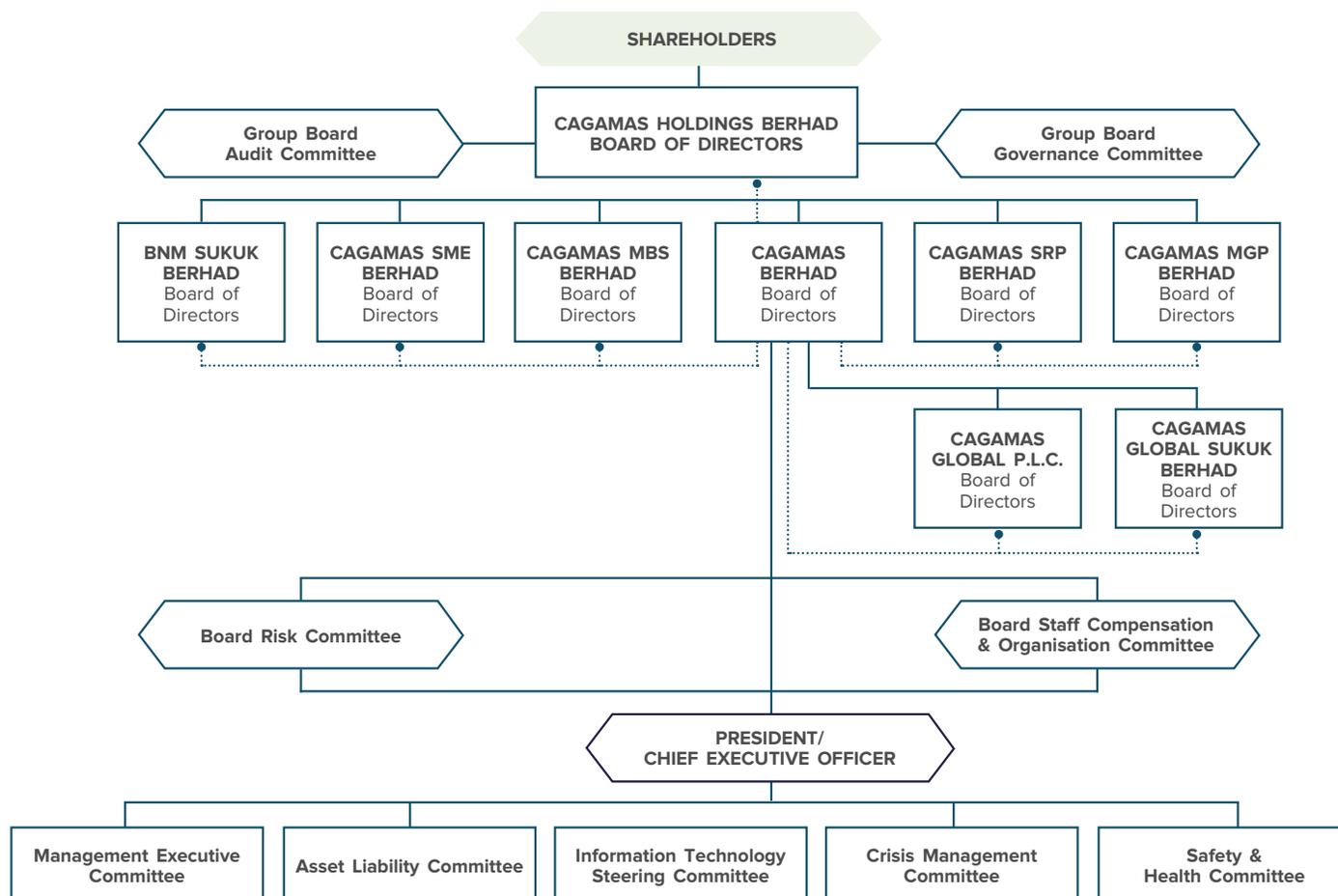


# STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors (Board) of Cagamas Holdings Berhad (the Company) is committed to ensuring that the Company and its subsidiaries (the Group), practise the highest standards of corporate governance so that the Group's affairs are conducted with integrity and professionalism to safeguard the financial performance of the Group and enhance long term shareholder value. To this end, the Board has largely adopted the Bank Negara Malaysia Corporate Governance 2016 policy document (BNMCG) for financial institutions as its guiding principles to ensure that the highest standards of corporate governance are practised within the Group.

## GOVERNANCE FRAMEWORK



..... Administrator/Transaction Administrator/Services Provider

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## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

### BOARD OF DIRECTORS

#### Board Composition

The Board consists of eight Non-Executive Directors, comprising senior officers/representatives and chief executives of selected substantial shareholders as well as experienced professionals nominated by the Board. Collectively, the Directors bring to the Board a broad and diverse range of knowledge in banking and finance, capital markets, accounting, law, economics and risk management.

Based on the BNMCG criteria, a majority of the Company's Directors are considered independent as they are independent in character and judgment, and free from associations or circumstances that may impair the exercise of their independent judgment. The Directors provide objective and independent views for the Board's deliberations and do not participate in the day-to-day running of the Company's business.

The Board observes the BNMCG's standard that the tenure limit of an Independent Director should generally not exceed nine (9) years, except under exceptional circumstances as may be determined by the Board upon the recommendation of the Group Board Governance Committee (GBGC). In the event the cumulative tenure limit for an Independent Director is extended beyond 9 years, shareholders' approval will be sought at the Annual General Meeting (AGM).

Currently, one Independent Non-Executive Director, who has exceeded a cumulative term of nine (9) years, will retire by rotation pursuant to the Articles of the Constitution and not seek re-election. Accordingly he will hold office until the conclusion of the 13<sup>th</sup> AGM.

#### Clear Roles and Responsibilities

##### Cagamas Holdings Berhad

The Board has adopted a Board Charter which sets out the authorities, roles, functions, composition and responsibilities of the Board to assist the Directors to be aware of their roles, duties and responsibilities and to effectively discharge their fiduciary duties in managing the affairs of the Company. The Board Charter is reviewed periodically to ensure consistency with the Board's strategic intent and relevant standards of corporate governance.

The direction and control of the Group rests with the Board, and the Board assumes the overall responsibility for corporate governance, strategic direction, risk appetite, formulation of policies and oversight of the operations of the Group. The Board ensures that an appropriate system is in place to identify the Group's material risks and that appropriate internal controls and mitigation measures are implemented to manage these risks. The Board is also entrusted to ensure adequacy and the integrity of the Group's internal control systems and management information systems, including compliance with applicable laws, regulations, rules, directives and guidelines. The Board is regularly updated and apprised by the Chief Compliance Officer (currently the Senior Vice President of Risk Management and Compliance Division [RMD]) on relevant new laws and directives issued by regulatory authorities and the resultant implications for the Group and the Directors in relation to their duties and responsibilities.

The Board sets the overall risk appetite for the Group's business. The oversight of management of risks within the Group is undertaken by the Board Risk Committee (BRC) of Cagamas Berhad. The BRC oversees the development of risk management strategies, policies, and critical internal processes and systems to assess, measure, manage, monitor and report risk exposures within the Group. The BRC reports directly to the Board of Cagamas Berhad which in turn, updates and where necessary, seeks input from the Board of Cagamas Holdings Berhad on decisions pertaining to risk reviews and other risk related matters. The BRC is supported by RMD which is responsible for performing risk reviews and assessments on the operations of Cagamas Berhad and other subsidiaries of the Company. The Senior Vice President of RMD reports directly to the BRC. The RMD also submits the risk reviews to the respective Boards of the subsidiaries.

The Board oversees the conduct and performance of the Group's business by reviewing the Group's strategic business plan and annual budget. Updates on the key operations of the Group are provided to the Board for review at every Board meeting. In addition, significant matters presented to the Boards of the subsidiaries are forwarded to the Board for information or endorsement.

The Chairman of the Company leads the Board and ensures it performs and functions effectively in meeting its obligations and responsibilities. Being an investment holding company, Cagamas Holdings Berhad does not have a CEO or any employees.

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## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

### Cagamas Berhad

The day-to-day operations of the Group are being undertaken by the main operating entity, Cagamas Berhad which is the appointed services provider for Cagamas Holdings Berhad. Cagamas Berhad also acts either in the capacity of administrator/ transaction administrator or services provider for its sister companies namely Cagamas SME Berhad, Cagamas MBS Berhad, Cagamas SRP Berhad, Cagamas MGP Berhad and BNM Sukuk Berhad, and its two (2) subsidiaries namely, Cagamas Global P.L.C. and Cagamas Global Sukuk Berhad.

Cagamas Berhad has adopted a Board Charter which sets out the authorities, roles, functions, composition and responsibilities of the Board to assist the Directors to be aware of their roles, duties and responsibilities and to effectively discharge their fiduciary duties in managing the affairs of the company. There is a clear segregation of roles and responsibilities between the Chairman and the CEO. The Chairman provides leadership to the Board and ensures that the Board functions effectively; he leads discussions on overall strategies, policies, risk appetite and oversight of the conduct of Cagamas Berhad's business. The CEO of Cagamas Berhad leads the management of Cagamas Berhad and is responsible for the implementation of strategies and policies as well as the day-to-day running of Cagamas Berhad's business. All the Directors are Independent Non-Executive Directors except for the CEO who is an Executive Director.

Annual Key Performance Indicators for the CEO and management of the company are reviewed and set by the Board.

### Cagamas SRP Berhad

Cagamas SRP Berhad was incorporated to undertake the guarantee of residential mortgages under the Skim Rumah Pertamaku – My First Home Scheme (SRP) and the Skim Perumahan Belia – Youth Housing Scheme (SPB) announced by the Government in 2011 and 2015 respectively. The SRP and SPB are in line with the Government's aspirations of increasing home ownership for the "rakyat".

Cagamas SRP Berhad has adopted a Board Charter which sets out the authorities, roles, functions, composition and responsibilities of the Board to assist the Directors to be aware of their roles, duties and responsibilities and to effectively discharge their fiduciary duties in managing the affairs of the company. Currently, Cagamas SRP Berhad does not have a CEO or any employees but Cagamas Berhad, the main operating entity and sister company of Cagamas SRP Berhad, is the appointed services provider.

The Chairman provides leadership to the Board and ensures that the Board functions effectively whereas the management of Cagamas Berhad is responsible for the implementation of the strategies and policies as well as the routine administration of Cagamas SRP Berhad's business.

### Company Secretary

The Directors have ready and unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively. The Company Secretary attends and ensures that all Board meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are recorded in the statutory books maintained at the registered office of the Company. The Company Secretary also facilitates timely communication of decisions made and policies set by the Board and the GBGC to the management for action.

### Board Meetings

During the financial year ended 31 December 2019, the Board met four times to deliberate on a wide range of matters, including the Company's business performance, risk profile, business plans and strategic issues that affect the Group's business. Board papers providing updates on operations, financials, risk profile, regulatory issues and corporate developments are sent to the Directors in advance of each meeting.

All Directors have direct access to the advice of the management of Cagamas Berhad. In furtherance of their duties, the Board is entitled to seek independent professional advice at the Company's expense, as and when deemed necessary.

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## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

The Directors' attendance at Board meetings during the financial year ended 31 December 2019 is set out below:

Director	Designation	Board Meetings Attendance
Dato' Bakarudin bin Ishak (Re-designated as Chairman w.e.f. 20 September 2019)	Chairman, Independent	4/4
Tan Sri Dato' Sri Tay Ah Lek	Non-Independent	4/4
Datuk George Ratilal	Independent	4/4
Datuk Abdul Farid bin Alias	Non-Independent	4/4
Dato' Lee Kok Kwan	Non-Independent	2/4
Wan Hanisah binti Wan Ibrahim	Independent	4/4
Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani	Independent	3/4
Datuk Siti Zauyah binti Md Desa (Appointed w.e.f. 1 December 2019)	Independent	1/1
Datuk Nik Mohd Hasyudeen bin Yusoff (Resigned as Director/Chairman w.e.f. 20 September 2019)	Chairman, Independent	3/3

### Board Committees

The Board is assisted by the GBGC and the Group Board Audit Committee (GBAC) which operate within their specified terms of reference as approved by the Board.

The GBGC comprises three Non-Executive Directors, namely:

Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani  
(Appointed as Chairman w.e.f. 20 September 2019)

Tan Sri Dato' Sri Tay Ah Lek

Dato' Bakarudin bin Ishak  
(Chairman from 1 January 2019 to 19 September 2019 and re-designated as member w.e.f. 20 September 2019)

The GBGC is responsible for the review and alignment of the Group's corporate governance practices with best practices. The GBGC is also responsible to annually assess the effectiveness of the Board as a whole, the Board Committees and the contributions of individual Directors and to propose appointments to the Board and Board Committees.

The details of the GBAC are described in the Report of the Group Board Audit Committee in this Annual Report.

Other committees, namely the Board Staff Compensation and Organisation Committee and Board Risk Committee remain at Cagamas Berhad.

### Appointment and Re-election of Directors

The Directors are nominated by the shareholders or members of the Board. These nominations are reviewed by the GBGC which then presents its recommendations to the Board for approval.

In accordance with the Company's Constitution, at least one-third of the Directors retire from office at each AGM of the Company and if eligible, may offer themselves for re-election. The Constitution also states that any Director appointed by the Board during a particular year shall hold office only until the next following AGM and shall then be eligible for re-election.

### Directors' Remuneration

The Company's policy on Directors' remuneration endeavours to attract Directors of the calibre and experience needed to provide sound and effective oversight of the Group's activities. The GBGC reviews the remuneration of the Non-Executive Directors every three years to ensure that the Directors' remuneration is commensurate with the Directors' time commitment and expertise, as well as the risk and complexity of the business of the respective companies and the responsibilities undertaken.

## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

The remuneration paid to the Directors as disclosed in the financial statements is as follows:

Non-Executive Directors	Directors' Fee (RM)	Meeting Allowance (RM)	Total (RM)
Dato' Bakarudin bin Ishak (Re-designated as Chairman w.e.f. 20 September 2019)	78,466	27,500	105,966
Tan Sri Dato' Sri Tay Ah Lek	70,000	24,500	94,500
Datuk George Ratilal	70,000	39,000	109,000
Datuk Abdul Farid bin Alias	70,000	14,000	84,000
Dato' Lee Kok Kwan	70,000	21,000	91,000
Wan Hanisah binti Wan Ibrahim	70,000	31,500	101,500
Datuk Seri Dr. Nik Norzrul Thani bin N. Hassan Thani	70,000	24,000	94,000
Datuk Siti Zauyah binti Md Desa (Appointed w.e.f. 1 December 2019)	5,945	3,500	9,445
Datuk Nik Mohd Hasyudeen bin Yusoff (Resigned as Director/Chairman w.e.f. 20 September 2019)	71,781	18,500	90,281

### Directors' Training

All Directors of Cagamas Berhad are required to attend the Financial Institutions Directors' Education (FIDE) Core Programme. The annual directors' training programme focuses on the continued enhancement of the Directors' skill sets and updates on recent developments in the financial services sector, including relevant new laws and regulations. Some of the Directors are also Directors of public-listed companies and have attended the Mandatory Accreditation Programme required by the Bursa Malaysia Listing Requirements.

For 2019, training programmes organised and sponsored by the company and attended by the Directors are detailed below.

### Training Programmes attended by Directors

Training Programmes	Mode of Training	Duration in day(s)
2nd Islamic FINTECH Dialogue 2019	Dialogue	2
In-House Training: 1. Cagamas Islamic Products 2. Awareness Session on Anti-Corruption - The Malaysian Anti-Corruption Commission Act, Section 17A	In-house training	1
Leadership Energy Summit Asia (LESA) 2019	Summit	2
Cagamas & World Bank Group "Constructing and Financing Affordable Housing Across Asia" Conference	Conference	2
6 <sup>th</sup> Asian Fixed Income Summit (AFIS)	Summit	1
Directors' Induction (For newly appointed Directors)	Induction	2

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## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

### Management Committees

At Cagamas Berhad, management committees have been established to support the CEO in managing various activities and operations throughout the Group. The management committees comprise the following:

- Management Executive Committee
- Asset Liability Committee
- Information Technology Steering Committee
- Crisis Management Committee
- Safety & Health Committee

### Investor Relations and Shareholders' Communication

The Board recognises the importance of effective and timely communication with all its shareholders and bondholders. The Group's strategies, plans, financial information and new products are communicated to the shareholders and investors through letters, the Annual Report, press statements and announcements, and other financial information providers e.g. Bloomberg, Refinitiv, Bursa Malaysia Berhad, Labuan International Financial Exchange and Singapore Exchange Limited. The principal forum for dialogue with shareholders continues to be the AGM. At the AGM, the Chairman highlights the performance of the Group and provides the shareholders every opportunity to raise questions and seek clarification on the business and performance of the Group.

Cagamas Berhad maintains a website, [www.cagamas.com.my](http://www.cagamas.com.my) which provides comprehensive up-to-date information on the Group's products, rates and financial information.

### AUDIT

#### Internal Control

The Company's Statement on Internal Control is set out on pages 88 to 89 of this Annual Report.

#### Relationship with the Auditors

The roles and responsibilities of the GBAC in relation to the internal and external auditors are described from pages 84 to 87 of this Annual Report. For the financial year ended 31 December 2019, the external auditors had attended two meetings with the GBAC. The first meeting in February 2019 was to report on the financial statements for the financial year ended 31 December 2018, and the second meeting in August 2019 was to present their findings on the limited review of Cagamas Berhad, the audit plan and the scope of audit for the financial year ended 31 December 2019. At one of the meetings, a session was held between the GBAC and the external auditors without the presence of management. The external auditors attend the AGM of the Company and are available to answer shareholders' questions on the conduct of the statutory audit and the preparation and contents of their audit report.

Auditors' remuneration as well as non-audit fees paid are shown on page 202 of this Annual Report.

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