

**CAGAMAS BERHAD**  
Registration No. 198601008739 (157931-A)

**BOARD CHARTER**



## Table of Contents

1.0	Introduction .....	5
2.0	Roles of the Board .....	6
2.1	Number of Directors .....	6
2.2	Independence and Composition .....	6
2.3	Tenure of Independent Directors.....	6
2.4	Retirement .....	7
2.5	Age Limit.....	7
2.6	Board Diversity.....	7
2.7	Restriction on Directorships .....	7
3.0	Terms of Reference .....	7
4.0	Chairman and Chief Executive Officer .....	8
4.1	Role of Chairman .....	8
4.2	Role of Chief Executive Officer .....	9
5.0	Board Functions.....	9
5.1	Code of Ethics .....	9
5.2	Duty of Care.....	10
5.3	Reliance on Information Provided by Others .....	10
5.4	Stakeholder Communications .....	11
5.5	Whistle Blowing .....	11
6.0	Board Committees.....	11
6.1	Board Risk Committee.....	12
6.2	Board Staff Compensation and Organisation Committee.....	13
7.0	Directors Remuneration .....	14
8.0	Board Effectiveness .....	14
8.1	Board Assessment .....	14
8.2	Directors' Training and Development.....	14
8.3	Succession Planning .....	15
9.0	Company Secretary .....	15

10.0	Process of Board Meetings .....	16
10.1	Board Meetings .....	16
10.1.1	Proceeding.....	16
10.1.2	Notice.....	16
10.1.3	Quorum.....	16
10.1.4	Frequency .....	16
10.1.5	Attendance .....	16
10.1.6	Conflict of Interest.....	17
10.1.7	Voting.....	17
10.1.8	Right of Directors to access information and advice .....	17
10.2	Committee Meeting.....	18
10.3	Financial Reporting .....	18
10.4	Non-Financial Reporting .....	18
10.5	Decision-making.....	18

### **Disclaimer**

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The information in this Board Charter reflects prevailing conditions and our views as of this date, all of which are accordingly subject to change. In preparing this document, we have relied upon and assumed, without independent verification, the accuracy and completeness of any information available from public sources.

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## **1.0 Introduction**

The Board of Directors (the Board) regards sound corporate governance as essential for delivering sustainable value, enhancing business integrity and maintaining investors' confidence towards achieving the Cagamas group of companies' (the Group) corporate objectives and vision. Towards this end, the Company is committed to applying and adopting the principles necessary to promote the highest standards of corporate governance within the Group.

The objective of this Board Charter is to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conduct and that the principles and practices of good corporate governance are applied in all aspects for and on behalf of the Company. The Board members are expected to perform their duties with integrity, honesty and in a professional manner.

The Board of Cagamas Holdings Berhad (CHB), the holding company of Cagamas, which oversees the conduct of the Group's business would make recommendations to the Board of Cagamas to ensure proper management of the Group. The Board will carry out its mandate directly and through the various committees of the Board and such other committees as it appoints from time to time.

This Board Charter has been endorsed by the Board and is subject to review by the Board from time to time, to ensure the Group remains at the forefront of best practices in corporate governance.

The provisions contained in this Board Charter neither replace nor supersede the laws of Malaysia or the regulatory frameworks applicable. This Board Charter also makes reference to the Company's Internal Guidelines, Policies and Procedures.

## **2.0 Roles of the Board**

### **2.1 Number of Directors**

The size of the Board is determined in accordance with the Constitution of the Company. The number of Directors shall not be less than 2 or more than 15. The Company may from time to time by Ordinary Resolution increase or reduce the maximum and minimum number of the Directors.

**[Articles 20.1 & 20.2]**

### **2.2 Independence and Composition**

At any one time, a majority of the Board shall comprise Independent Directors (unless otherwise specified by the Constitution, relevant governing statutes, regulations and guidelines, as the case may be).

The Board determines whether an individual to be appointed as an Independent Director is independent in character and judgement, and free from associations or circumstances that may impair the exercise of his/her independent judgement. An individual is not considered to be an Independent Director if he/she or any person linked to him/her:

- (a) has been an executive in the last two years;
- (b) is a substantial shareholder of the Company or any of its affiliates; or
- (c) has had a significant business or other contractual relationship with the Company or any of its affiliates within the last two years.

The Board shall not have more than 1 Executive Director (ED).

The Chairman must be a non-executive member of the Board (unless otherwise specified by the Constitution, relevant governing statutes, regulations and guidelines, as the case may be).

### **2.3 Tenure of Independent Directors**

The cumulative tenure limit for Independent Directors is nine years, except under exceptional circumstances as may be determined by the Board.

## **2.4 Retirement**

At every Annual General Meeting one-third of the Directors or if their number is not a multiple of three then the number nearest to but not exceeding one-third shall retire from office and be eligible for re-election.

**[Article 23.5]**

## **2.5 Age Limit**

No age limit is imposed.

## **2.6 Board Diversity**

The Board shall at all times promote and welcome diversity i.e. members should be from diverse backgrounds, with knowledge and experience in different pertinent disciplines which may include finance, accounting, legal, business management, information technology and investment management.

## **2.7 Restriction on Directorships**

Directors are deemed to manage their own time commitments hence there is no restriction imposed on directorships.

There shall be no limit of directorships for the Chief Executive Officer (CEO) however all directorships are subject to the approval of the Board.

## **3.0 Terms of Reference**

- (a) Review and approve the Company's strategic business plan and policies.
- (b) Oversee the conduct of the Company's business and monitor management's performance, which shall include promoting clear objectives and policies within which the Company is to operate.
- (c) (i) Ensure that the corporate objectives are supported by a sound risk strategy and an effective risk management framework; and  
(ii) 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.
- (d) Ensure adequacy and the integrity of the Company's internal control systems and management information systems, including the system for compliance with applicable laws, regulations, rules, directives and guidelines commensurate with the nature, scale and complexity of the business and structure of the Company.

- (e) Provide oversight on the development of a Stakeholders' Communications Policy.
- (f) Oversee aspects of human capital management and development including succession planning.
- (g) Undertake the appointment, assessment, succession, review of remuneration and removal of the CEO.
- (h) Ensure that all Directors receive an appropriate induction and continuous training programmes to enhance skills and keep abreast with the latest development in the industry.
- (i) Review and approve the following in respect of product development:
  - (i) New products or business activities which have been reviewed by the Board Risk Committee;
  - (ii) Variation of the existing products that have significant impact to the risk profiles and financial position, which has been escalated by the Management Executive Committee (MEC); and
  - (iii) Waivers and concessions granted to sellers of loans/debts/financing that have significant impact to the risk profiles and financial position, which has been escalated by the MEC.

#### **4.0 Chairman and Chief Executive Officer**

##### **4.1 Role of Chairman**

The key role of a Chairman is to ensure, among others:

- (a) The smooth functioning of the Board, the governance structure and inculcating positive culture in the Board;
- (b) Guidelines and procedures are in place to govern the Board's operations and conduct;
- (c) All relevant issues are on agenda for Board Meeting and all Directors are able to participate in Board activities;
- (d) The Board debates strategic and critical issues;
- (e) The Board receives the necessary information on a timely basis from the Management;
- (f) Avenues are provided for all Directors to participate openly in the discussion; and
- (g) That he/she provides leadership to the Board and is responsible for the developmental needs of the Board.

## **4.2 Role of Chief Executive Officer**

The CEO, in leading Senior Management, bears primary responsibility over the day-to-day management of the Company. The responsibilities of the CEO and Senior Management include:

- (a) Implementing the business and risk strategies, remuneration and other policies in accordance with the direction given by the Board;
- (b) establishing a management structure that promotes accountability and transparency throughout the Company's operations, and preserves the effectiveness and independence of control functions;
- (c) promoting, together with the Board, a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviour;
- (d) addressing actual or suspected breaches of regulatory requirements or internal policies in a timely and appropriate manner; and
- (e) regularly updating the Board with the material information the Board needs to carry out its oversight responsibilities, particularly on matters relating to :–
  - (i) the performance, financial condition and operating environment of the Company;
  - (ii) internal control failures, including breaches of risk limits; and
  - (iii) legal and regulatory obligations, including supervisory concerns and the remedial actions taken to address them.

## **5.0 Board Functions**

### **5.1 Code of Ethics**

The Board of Directors will uphold the following Ethical Principles:

(a) **Competence**

Directors shall develop and maintain the relevant knowledge, skills and behaviour to ensure that their activities are conducted professionally and proficiently. This includes acting with diligence, as well as obtaining, and regularly updating, the appropriate qualifications, training, expertise and practical experience. The Company should assist Directors in achieving the requisite levels of competence.

(b) **Integrity**

Directors shall be honest and open in all their dealings. This includes behaving in an accountable and trustworthy manner, and avoiding any acts that might damage the reputation of, or bring discredit to the Company at any time.

(c) **Fairness**

Directors shall act responsibly and embrace a culture of fairness and transparency. This includes treating those with whom they have professional relationships with respect and ensuring that they consider the impact of their decisions and actions on all stakeholders.

(d) **Confidentiality**

Directors shall protect the confidentiality and sensitivity of information provided to them. This includes using it for its intended purposes only and not divulging information to any unauthorised persons, including third parties, without the necessary consent from those involved unless disclosure is required by law or regulation.

(e) **Objectivity**

Directors shall not allow any conflict of interest, bias or undue influence of others to override their business and professional judgment. They shall declare, to the Board, all matters that could impair their objectivity. In such case, the Board shall deliberate and affirm whether the matter in question is an acceptable arrangement.

The Company has in place a Code of Conduct and Ethics for the staff to promote good business conduct and maintain a healthy corporate culture that engenders integrity, transparency and fairness.

## **5.2 Duty of Care**

All Directors shall at all times exercise his/her powers for a proper purpose and in good faith in the best interest of the Company. He/she shall exercise reasonable care, skill and diligence with knowledge, skill and experience which may reasonably be expected of a Director having the same responsibilities, and any additional knowledge, skill and experience which he/she in fact has.

## **5.3 Reliance on Information Provided by Others**

A Director in exercising his/her duties may merely rely on information, professional or expert advice, opinions, reports or statements including financial statements and other financial data, prepared, presented or made by:

- (a) Any officer of the Company whom the Director believes on reasonable grounds to be reliable and competent in relation to the matters concerned;
- (b) Any other person retained by the Company as to matters involving skills or expertise in relation to matters that the Director believes on reasonable grounds to be within the person's professional or expert competence;

- (c) Another Director in relation to matters within the Director's authority; or
- (d) Any committee of the Board of Directors on which the Director did not serve in relation to matters within the committee's authority.

A Director's reliance on information provided by others is deemed to be made on reasonable grounds if it was made in good faith; and after making an independent assessment of the information or advice, opinions, reports or statements, including financial statements and other financial data, having regard to the Director's knowledge of the Company and the complexity of the structure and operations of the Company.

#### **5.4 Stakeholder Communications**

The Board recognises the importance of effective and timely communication with all its shareholders and bondholders. The Company has in place a Corporate Communications Policy as a guidance in its efforts to disseminate accurate, timely and relevant information in response to stakeholders' needs. The Company's strategies, plans, financial information and new products are communicated to the shareholders and investors through letters, Annual Report, press statements and announcements and other financial information providers e.g. Bloomberg and Reuters.

The principal forum for dialogue with shareholders continues to be the Annual General Meeting (AGM).

#### **5.5 Whistle Blowing**

The Company has in place a Whistleblowing Policy to enable the disclosure of any improper conduct in its efforts to maintain the highest standards of integrity, openness and accountability in the conduct of its business and operations.

#### **6.0 Board Committees**

Each Board committee must–

- (a) have at least three directors;
- (b) have a majority of independent directors;
- (c) be chaired by independent directors and that exceptions may be given to non-independent, **non-executive directors**, subject to the recommendation of the Board of CHB and approval of the Board; and
- (d) comprise directors who have the skills, knowledge and experience relevant to the responsibilities of the Board committee.

To promote robust and open deliberations by the Board on matters referred by the Board committees, the Chairman of the Board shall not chair any of the Board committees.

## **6.1 Board Risk Committee**

### **6.1.1 Terms of Reference**

- (a) Review and recommend strategies to manage the overall risk associated with the Company's/ Group's activities such as capital management, managing return on risk and managing internal risk control measures, to the respective Boards and provide strategic oversight.
- (b) Review and recommend the risk appetite and tolerance level that is consistent with the Company's/Group's overall business objectives and desired risk profile to the respective Boards.
- (c) Review and recommend all significant risk management framework, policies/limits of the Company/Group to the respective Boards.
- (d) Review and recommend appropriate systems to identify the Company/Group's material risks and ensuring the implementation of appropriate internal controls.
- (e) Approve the recruitment, appointment or termination of the Senior Vice President, Risk Management & Compliance.
- (f) Review the performance of the Senior Vice President, Risk Management & Compliance annually, in consultation with CEO.
- (g) Review the risk elements of new products/ business activities of the Company /Group and make recommendations to the respective Boards.
- (h) Review and recommend variations to the existing products or waivers/concessions granted to sellers of loans/ debts/ financing, which have significant impact on the risk profiles and financial positions, and have been escalated by the MEC for approval.
- (i) Review Management's periodic reports on risk exposures, risk portfolio composition and adherence to approved risk appetite.

### **6.1.2 Secretary**

Risk Management Department shall be the secretary of the Committee.

### **6.1.3 Quorum**

At least 2 members present.

### **6.1.4 Frequency of meeting**

The Committee shall meet not less than 4 times a year with additional meetings to be convened at the Directors/Chairman's request.

## **6.2 Board Staff Compensation and Organisation Committee**

### 6.2.1 Terms of Reference

- (a) Review and recommend Human Capital Strategies and Policies, consistent with the Company's objectives and Strategy.
- (b) Review and recommend manpower capabilities and talent development plans including succession planning, consistent with the Company's objectives and strategy, to ensure a competent workforce.
- (c) Review and recommend competitive remuneration and new benefit policies, and approved the variation to the existing benefit policies, consistent with the Company's objectives and strategy.
- (d) Undertake the following:
  - (i) the appointment, assessment, succession planning, and removal of the CEO's Direct Reports (excluding the SVP, Risk Management & Compliance and Senior Vice President, Internal Audit)
  - (ii) review and approve the remuneration package for CEO's Direct Reports.
- (e) Approve the appointment of consultants with respect to human resource matters or projects up to a limit of RM300,000 (below RM100,000 is up to the CEO).
- (f) Approve the appointment of Insurers/Brokers/Panel of Valuers with respect to general insurances, staff insurances and staff loans/facilities.
- (g) Review and approve the creation of new positions, re-evaluation of job grade, recruitment, promotion, bonus, increments and salary adjustment for CEO's Direct Reports.

### 6.2.2. Secretary

Human Capital & Administration Department shall be the secretary of the Committee.

### 6.2.3 Quorum

At least 2 members present.

### 6.2.4 Frequency of meeting

The Committee shall meet not less than 2 times a year with additional meetings to be convened at the Directors/Chairman's request.

## **7.0 Directors Remuneration**

7.1 The Company has in place a remuneration framework for Directors, the CEO and Key Senior Management. The framework is sufficient to attract, retain and remunerate Directors for their contributions. This framework includes fees, meeting allowances for Non-Executive Directors which are based on industry standards and set by reference to the responsibilities taken on by the Directors.

7.2 A market survey on the directors' remuneration of relevant institutions will be undertaken every 3 years by the Group Board Governance Committee (GBGC) of CHB, and thereafter the Board of CHB will make recommendations to the Company, as required.

## **8.0 Board Effectiveness**

### **8.1 Board Assessment**

The GBGC reviews annually the performance and effectiveness of the Board and Board Committees as well as the performance of individual directors.

The evaluation results shall form the basis of the GBGC's recommendation to the CHB Board for its onward recommendation to the Board on the re-election and/or re-appointment of Directors and Board Committee members as well as for further development of the Board and Board Committees.

The engagement of external consultants or experts to assist in and lend objectivity to the annual Board evaluations may be undertaken from time to time, subject to the consideration of the Board.

### **8.2 Directors' Training and Development**

#### 8.2.1 Information Pack

Directors receive an information pack giving details of the disclosure the Directors are required to make in order to comply with the various laws and regulations and other relevant corporate information pertaining to the Company.

### 8.2.2 Induction Programme

Newly appointed Directors attend an induction programme which is tailored to meet their individual needs. This includes meeting with Key Senior Management to enable them to build up a detailed understanding of the Company's business and strategy, and the key risks and issues with which they are faced. The induction programme is supplemented by ongoing training and development programmes. During the induction programme, the newly appointed Directors will be briefed by the relevant Heads of Divisions on the functions and areas of responsibility of their respective divisions. This serves to familiarise the Directors with the operations and organisational structure of the Company as well as to provide them with a platform in establishing effective channel of communication and interaction with Management.

### 8.2.3 Evaluation of Training Needs

The Board dedicates sufficient resources toward the on-going development of its Directors. This must include dedicating an adequate budget, having in place development plans for Directors and regularly updating such plans to ensure that each Director possesses the knowledge and skills necessary to fulfil his responsibilities.

## **8.3 Succession Planning**

The Board has established and regularly reviews succession plans for the Board to promote Board renewal and address any vacancies.

## **9.0 Company Secretary**

The Board appoints the Company Secretary who reports directly to the Board. The Company Secretary ensures that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary attends all Board meetings and maintains accurate and adequate records of any action deliberated during Board meetings.

## 10.0 Process of Board Meetings

### 10.1 Board Meetings

#### 10.1.1 Proceeding

The Directors meet together for the dispatch of business, adjourn and otherwise regulate their meetings as they think fit. A Director may at any time and the Secretary shall on his requisition summon a meeting of the Directors.

#### 10.1.2 Notice

Unless otherwise determined by the Directors from time to time, **seven (7) days'** notice to all Directors' meeting shall be given to all Directors. Any Director may waive notice of any meeting either prospectively or retrospectively.

#### 10.1.3 Quorum

Under the Constitution, the quorum shall be at least 1/3 of the Board members to be present.

#### 10.1.4 Frequency

The Board shall meet not less than six times a year to discuss business strategy, financial performance, matters pertaining to compliance and governance as well as reports on matters deliberated by respective Board Committees. On a quarterly basis, amongst others, the Board reviews financial performance of the major subsidiaries, risk management and compliance reports and approves the quarterly results of the Company at its meeting.

#### 10.1.5 Attendance

Individual Directors shall attend at least 75% of the Board Meetings held in each calendar year.

Management, which includes the Executive Director, is invited to attend Board and Committee Meetings to provide inputs as and when necessary.

#### 10.1.6 Conflict of Interest

The Companies Act (CA) 2016, Bursa Listing Requirements and Financial Services Act 2013 subject the Directors to disclosure requirements.

Directors shall comply with the CA in connection with disclosure of shareholding and interest in the Company and interest in any contract or proposed contract with the Company, which include the nature, character and extent of any office or possession of any property, whether directly or indirectly duties or interest that might be created in conflict with his/her duty or interest as Director of the Company. General notice given by a Director is tabled at the Board meetings and the declarations made are recorded in the minutes of the Board Meeting, in line with the CA.

#### 10.1.7 Voting

Any question arising at a Board Meeting is decided by a majority of votes and the Chairman has a second and casting vote.

#### 10.1.8 Right of Directors to access information and advice

Management provides the Board and Committees with information in a form, within acceptable timeframes and of a quality that enables them to discharge their duties and responsibilities effectively.

Directors are entitled to request and receive additional information they consider necessary in order to make informed decisions, including the following:

- (i) obtaining full and unrestricted access to any information pertaining to the Company;
- (ii) obtaining full and unrestricted access to the advice and services of the Company Secretary; and
- (iii) obtaining professional independent advice at the Company's expense.

## **10.2 Committee Meeting**

The Board Committees meet regularly at the minimum and as and when the need arises, to deliberate on matters under their purview.

## **10.3 Financial Reporting**

The Board of Directors is responsible to ensure that the financial statements are prepared for each financial year and that it gives a true and fair view of the state of affairs of the Company. The Group Board Audit Committee of CHB ensures that the financial statements comply with applicable financial reporting standards.

The financial statements are prepared on a going concern basis. In preparing the financial statements, appropriate accounting policies are applied consistently and supported by reasonable and prudent judgments and estimates.

## **10.4 Non-Financial Reporting**

The financial performance is not the sole indicator of the overall performance of the Company. Non-financial performance indicators are equally important in ensuring sustainability. The Company enhances the reporting of non-financial information from time to time. The Company has included corporate responsibility as part of the Company's business planning.

## **10.5 Decision-making**

All strategic decisions and investments decisions are made at Board Meetings after due process, discussions and deliberations.

Where appropriate, decisions are also taken by way of circular resolutions in between scheduled meetings and any such resolution signed by all the Directors is valid as if it has been passed at a Board Meeting duly called and constituted.

- THE END -