

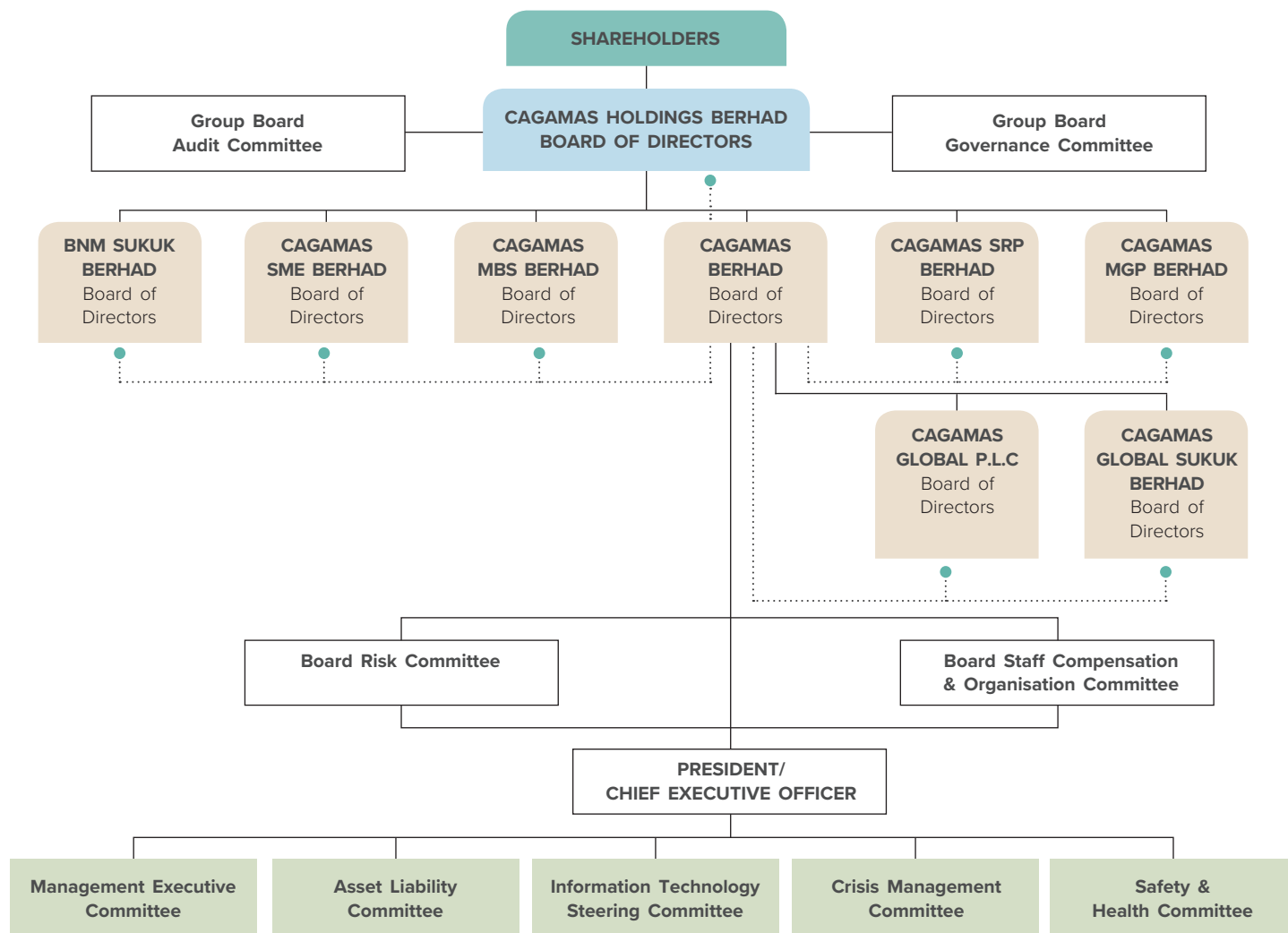


# STATEMENT ON CORPORATE GOVERNANCE

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.

To harmonise with the provisions of the Companies Act 2016, a majority of the entities within the Group have adopted new constitutions. In addition, the Board Charter of the Company was enhanced with provisions to explain the definition of independent directors and their disclosure requirements, which are essential elements of effective corporate governance. Accordingly, this clarification supports the objective discharge of the Board’s oversight function, including driving the strategic goals of the Company.

## GOVERNANCE FRAMEWORK



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



## 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. 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 that the cumulative tenure limit for an Independent Director is extended beyond nine years, shareholders' approval will be sought at the Annual General Meeting ("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 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 the adequacy and 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 Senior Vice President of the 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. 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 President/ Chief Executive Officer ("CEO") or any employees.



## 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 of Cagamas Berhad 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") as 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 Malaysians.

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 2020, 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.



## STATEMENT ON CORPORATE GOVERNANCE

(CONTINUED)

The Directors' attendance at Board meetings during the financial year ended 31 December 2020 is set out below:

Director	Designation/ Independence	Board Meetings Attendance
Dato' Bakarudin Ishak	Chairman, Independent	4/4
Tan Sri Dato' Sri Tay Ah Lek	Non-Independent	4/4
Datuk Abdul Farid Alias	Non-Independent	1/4
Dato' Lee Kok Kwan	Non-Independent	4/4
Wan Hanisah Wan Ibrahim	Independent	4/4
Datuk Seri Dr. Nik Norzrul Thani N. Hassan Thani	Independent	4/4
Datuk Siti Zauyah Md Desa	Independent	4/4
Chong Kin Leong (Appointed as Director w.e.f. 1 May 2020)	Independent	3/3
Datuk George Ratilal (Retired as Director at the 13 <sup>th</sup> AGM held on 3 June 2020)	Independent	2/2

### 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 N. Hassan Thani (Chairman)  
Tan Sri Dato' Sri Tay Ah Lek  
Dato' Bakarudin Ishak

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 the BRC remain at Cagamas Berhad.

### Appointment and Re-election of Directors

Candidates who are nominated to be appointed as Directors 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 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 required 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 Directors' remuneration 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' Fees (RM)	Meeting Allowance (RM)	Total (RM)
Dato' Bakarudin Ishak	100,000	23,500	123,500
Tan Sri Dato' Sri Tay Ah Lek	70,000	17,500	87,500
Datuk Abdul Farid Alias	70,000	3,500	73,500
Dato' Lee Kok Kwan	70,000	28,000	98,000
Wan Hanisah Wan Ibrahim	70,000	28,000	98,000
Datuk Seri Dr. Nik Norzrul Thani N. Hassan Thani	70,000	19,000	89,000
Datuk Siti Zaayah Md Desa	70,000	14,000	84,000
Chong Kin Leong (Appointed as Director w.e.f. 1 May 2020)	46,858	25,500	72,358
Datuk George Ratilal (Retired as Director at the 13 <sup>th</sup> AGM held on 3 June 2020)	29,645	12,000	41,645

**Directors' Training**

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. In addition, some Directors of the Group have attended the Financial Institutions Directors' Education (FIDE) Core Programme.

For 2020, training programmes attended by the Directors are detailed below.

**Training Programmes Attended by Directors**

Training Programmes	Duration in Day(s)
Financial Institutions Directors' Education (FIDE) Webinar:	
Outthink The Competition: Excelling in a Post COVID-19 World	1
Central Banks' Dilemma: Independence, Subservience, or Co-Dependence?	1
HR in the 2020s: Culture Sculptor, Risk Manager, and More	1
Cybersecurity & Work-From-Home Security Challenges Amidst COVID-19 Pandemic	1
ESG Trends & Regulatory Developments	1
Board & Executive Pay <i>During</i> and <i>Post</i> COVID-19	
<i>Force Majeure</i> & COVID-19: How are Contractual Relationships Affected and Managed	1
The Asset Webinar:	
3 <sup>rd</sup> Malaysia Issuers & Investors Leaders Dialogue	1



## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

### Training Programmes Attended by Directors (continued)

Training Programmes	Duration in Day(s)
<u>Securities Industry Development Corporation (SIDC) Webinar:</u>	
Big Data 101 and its Challenges	1
Big Data Trends and Case Studies	1
Big Data and Use Cases for the Capital Market	1
Business Disruptions – Priorities for Boards session	
Cryptocurrency 101, Its Challenges and Issues	1
Blockchain Applications and How It can Safeguard Investors' Interest	
<u>The Institute of Enterprise Risk Practitioners (IERP) Webinar:</u>	
How to Survive and Thrive in the New Normal: A Practical ERM Guide	1
Invitation to Global Conference: When Irrationality Meets Disruption	2
<u>Hong Kong Monetary Authority/ Insurance Authority/ Securities &amp; Futures Commission Webinar:</u>	
Hong Kong FINTECH week	5

### 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, Thomson Reuters, 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 79 to 80 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 75 to 78 of this Annual Report. For the financial year ended 31 December 2020, the external auditors had attended two meetings with the GBAC. The first meeting in February 2020 was to report on the financial statements for the financial year ended 31 December 2019, and the second meeting in August 2020 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 2020. 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 189 of this Annual Report.