

# CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE

AT CGC, WE RECOGNISE THAT EFFECTIVE CORPORATE GOVERNANCE IS ESSENTIAL FOR MAINTAINING THE TRUST AND CONFIDENCE OF OUR SHAREHOLDERS, CUSTOMERS, EMPLOYEES, AND OTHER STAKEHOLDERS. IT PROVIDES THE FRAMEWORK THROUGH WHICH WE CAN EFFECTIVELY MANAGE OUR OPERATIONS, MITIGATE RISKS, AND UPHOLD OUR COMMITMENT TO TRANSPARENCY AND ACCOUNTABILITY.



Throughout FY2023, we have remained steadfast in our adherence to the highest standards of corporate governance, regularly reviewing and updating our policies and procedures to align with evolving regulatory requirements and industry standards.

Furthermore, we have continued to strengthen our internal controls and risk management systems that address economic, environmental, and social risks alongside financial risks. Our commitment to integrity and ethical conduct is unwavering, and we hold ourselves accountable to the highest ethical standards in all our business dealings.

Our Board of Directors comprises individuals with diverse backgrounds and expertise, who bring valuable insights and perspectives to our decision-making processes. They are responsible for providing strategic direction and have worked diligently to ensure that our company operates in accordance with applicable laws, regulations, and best practices.

We constantly seek opportunities to improve and strengthen our governance mechanisms in CGC. This is achieved through active engagement with and amongst the Board members, who provide continuous feedback and guidance to attain greater clarity on the business direction and growth aspirations.

Moving forward, we remain committed to maintaining the highest standards of corporate governance and to continuously improving our practices in line with evolving expectations and best practices in fulfilling our fiduciary duties to our shareholders. With that, we can create long-term value for all our shareholders and contribute to the sustainable growth of our business.

A handwritten signature in black ink, appearing to be 'Dato' Mohammed Hussein'. The signature is written in a cursive style with a horizontal line underneath.

**Dato' Mohammed Hussein**  
Chairman

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

THE CGC BOARD AND MANAGEMENT RECOGNISE THE IMPORTANCE OF GOOD CORPORATE GOVERNANCE AND ARE COMMITTED TO ADOPTING HIGH STANDARDS OF CORPORATE GOVERNANCE THROUGHOUT CGC.

Upholding sound and effective practices, as well as safeguarding professionalism and integrity, are imperative to CGC's day-to-day business. These efforts are reflected in CGC's business plans, strategies and risk management, where the Board continuously reviews and designs best governance, sustainability and environmental practices.

The Board strives to ensure that CGC complies with the Companies Act 2016 and CGC's Constitution. Concurrently, we are committed to conforming to best corporate governance practices in the following policy and guidelines:

- **Policy on Corporate Governance** issued by Bank Negara Malaysia (BNM CG Policy)

- **Malaysian Code on Corporate Governance 2021** issued by Securities Commission Malaysia (Code)

The Board and Management closely monitor and ensure that principles and practices of the Code are clearly understood and adopted to strengthen CGC's governance system, business conduct, processes and ethics.

This Corporate Governance Overview Statement provides shareholders and investors with an overview of the practices adopted by CGC during FY2023, based on the following three (3) key principles set out in the Code:

## PRINCIPLE A

Board Leadership and Effectiveness

 Read more on page 230

## PRINCIPLE B

Effective Audit and Risk Management

 Read more on page 247

## PRINCIPLE C

Integrity in Corporate Reporting and Meaningful Relationships with Stakeholders

 Read more on page 248

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

#### I. BOARD ROLES AND RESPONSIBILITIES

The Board oversees CGC's business strategy and monitors its operations through its effective leadership and management of CGC's business. The Board is committed to good stewardship and acting professionally, while upholding CGC's core values with due regard to its fiduciary duties and responsibilities.

The Board's primary function is to govern CGC. It is the principal decision-maker for all significant matters relating to CGC. The Board is accountable for the performance, directions and affairs of CGC. The Board is entrusted with creating and delivering sustainable value for shareholders. These matters include deliberating and agreeing on CGC's corporate strategy, key policies, long-term business objectives and risk appetite, as well as approving its annual budget and financial statements.

#### The Board is also responsible for:

- ➔ Championing the highest standards of CGC's corporate governance
- ➔ Upholding a strong corporate performance management approach
- ➔ Supporting CGC's human capital development
- ➔ Ensuring and equipping the necessary resources, processes, controls and culture for CGC's strategy deliverance and promotion of long-term growth

The formal schedule for reserved matters specifically for the Board's decision is specified in the Board Charter.

The Board practises clear demarcation of duties and responsibilities between the Chairman and the President & Chief Executive Officer ("PCEO"). The separation of roles and responsibilities of the Chairman and PCEO is clearly defined and exercised by the separate individuals to ensure optimal balance, resulting in increased accountability and enhanced decision-making.

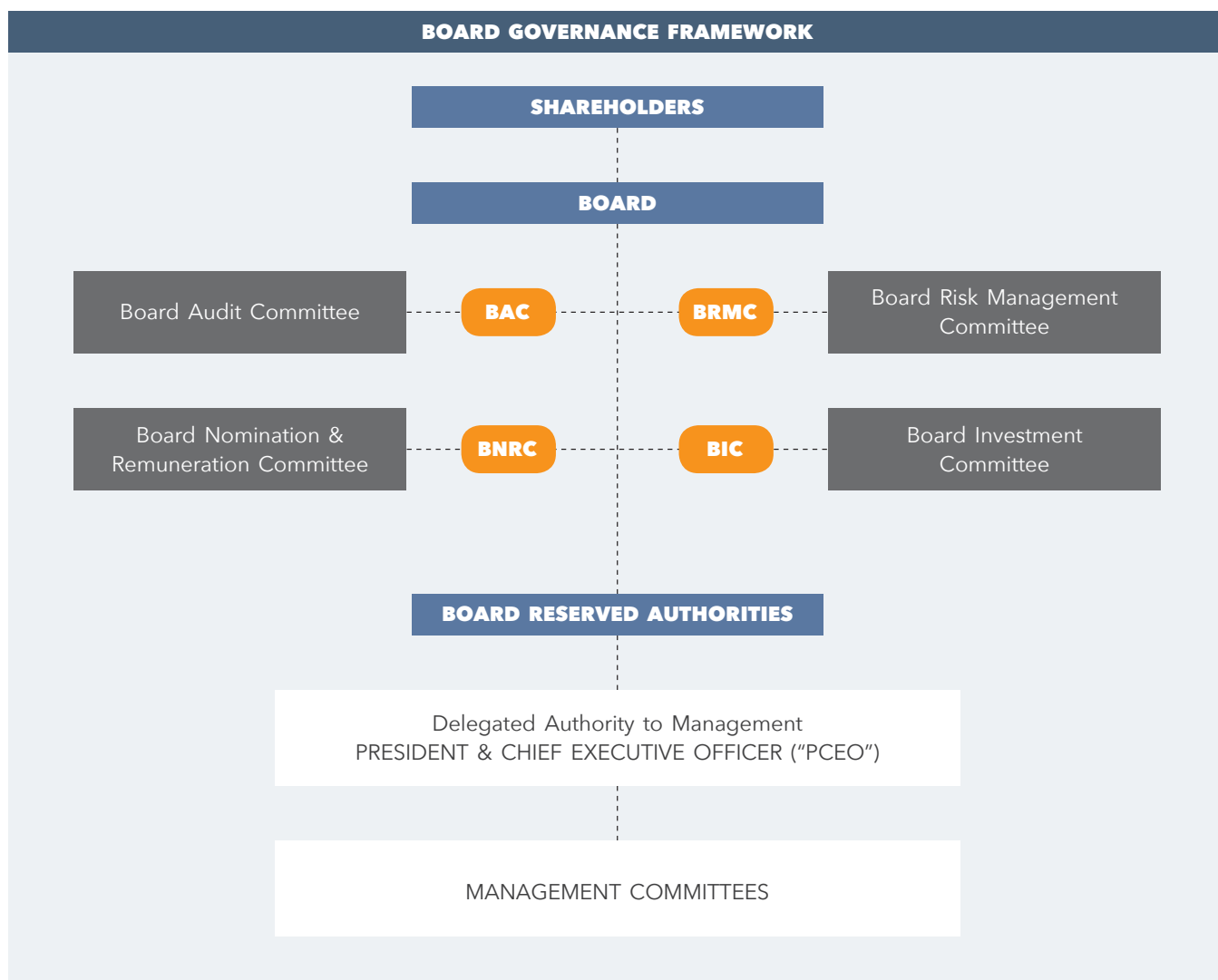
The Board is chaired by Dato' Mohammed Hussein, an Independent Non-Executive Director, who plays a critical role in guiding and leading the Board in achieving corporate goals, along with managing the processes to ensure the Board fully discharges its legal and regulatory responsibilities. As Chairman, he also leads the Board in inculcating the right culture, values and behaviours throughout the entire organisation. The Chairman is responsible for leading and ensuring the Board's smooth functioning.

Datuk Mohd Zamree Mohd Ishak, CGC's PCEO, is responsible for the overall day-to-day management of the Group's business, operations and implementation of Board strategies, policies and decisions. He is responsible for ensuring the execution of strategic goals, effective CGC operations, as well as for explaining to, clarifying to and informing the Board on key matters pertaining to CGC. As CGC's PCEO, he also acts as the intermediary between the Board and Management. The Management Committees support the PCEO in this role.

## II. BOARD GOVERNANCE FRAMEWORK

The Board delegates certain functions to various Board Committees to enable them to oversee certain roles and responsibilities, based on their Terms of Reference (“TOR”).

The Board Governance Framework (“the Framework”) is established to ensure orderly and effective discharge of the Board’s functions and responsibilities, wherein the Board delegates specific roles and responsibilities to its four (4) principal Board Committees (“BCs”):



The Framework allows strategic alignment and efficient decision-making in CGC and is supported by the Board Charter and TOR, which are available on CGC’s website, [www.cgc.com.my](http://www.cgc.com.my).

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### III. KEY RESPONSIBILITIES

CGC has a clear structure that ensures role clarity and delineates duties to promote accountability. The separate roles will govern CGC more efficiently and independently.

#### Chairman

- Is responsible for leadership and management of the Board and ensuring its overall effectiveness
- Encourages all Directors to maximise their contributions to the Board by drawing on their skills, experience, knowledge and, where appropriate, independence
- Promotes a culture of openness, challenge and debate, especially for complex and critical issues
- Engages and consults with major shareholders and principal stakeholders
- Leads the Board in establishing and monitoring good corporate governance practices in CGC
- Promotes constructive and respectful relationships among Directors, and between the Board and the Management
- Sets the Board agenda and ensures that Directors receive complete and accurate information in a timely manner

#### Non-Executive Director

- Contributes sound judgment and objectivity, and provides constructive challenge to Board discussions and decision-making
- Supports the Chairman and Senior Management in instilling appropriate culture and values in the boardroom and throughout CGC
- Scrutinises performance of Management

#### President & Chief Executive Officer

- Is responsible for CGC's executive leadership and day-to-day management of its business, within the authority delegated by the Board
- Executes strategic direction of CGC as set out by the Board
- Ensures that CGC's businesses are properly and efficiently managed, with the executive team implementing the policies and strategies adopted by the Board and Board Committees
- Ensures that operational planning and control systems are in place, monitoring performance results against plans and, where necessary, taking remedial action

#### Company Secretary

- The General Counsel & Company Secretary (GC&CS) is responsible for ensuring that the Board procedures and applicable rules are observed
- The GC&CS is responsible, along with the Company Secretarial, for providing sound governance advice, full support and appropriate guidance and compliance with Board, policies and procedures, rules and regulations, as well as advocating the adoption of corporate governance best practices
- The GC&CS works closely with the Chairman, Chairs of the BCs and PCEO to set meeting agendas and ensure timely presentation of high-quality information to the Board. All Directors have the power to propose items for discussion at Board meetings and regularly did so during the year
- The GC&CS is also responsible for advising the Directors of their obligations and duties to disclose their interest in securities and disclosure of any conflicts of interest in transactions involving CGC

#### IV. ATTENDANCE AT BOARD MEETINGS

Six (6) Board meetings were held in FY2023 to deliberate on and/or review a variety of significant matters that required the Board’s guidance and approval. The corporate calendar for the Board and Board Committees Meetings had been determined well in advance in the last quarter of the preceding financial year to help Directors to plan their schedules and to ensure healthy attendance at Board meetings. The Board is mindful of the significance of allowing sufficient time and effort for Directors to carry out their duties. Beyond scheduled Board meetings, special meetings may be convened as and when urgent matters and essential decisions are required to be taken.

The Board also invited the Senior Management to Board meetings to provide updates on specific developments or proposals on the matters being deliberated. Senior Management participation provides additional opportunities for the Board to engage directly with the management team and has spurred numerous constructive and meaningful dialogues.

In 2023, all Directors attended more than 75% of Board meetings held. The Board is pleased with the level of commitment given by the Directors in discharging their responsibilities. The full attendance record of the Directors is set out in the table below:

ATTENDANCE			
1	<b>Dato’ Mohammed Hussein</b> Independent Non-Executive Director (Chairman)	6/6	6
			<b>Suhaimi Ali</b> Non-Independent Non-Executive Director
2	<b>Choong Tuck Oon</b> Independent Non-Executive Director	6/6	7
			<b>Kellee Kam Chee Khiong<sup>1</sup></b> Independent Non-Executive Director
3	<b>Faisal Ismail</b> Independent Non-Executive Director	6/6	8
			<b>Suresh Menon<sup>2</sup></b> Independent Non-Executive Director
4	<b>Saleha M. Ramly</b> Independent Non-Executive Director	6/6	9
			<b>Teoh Kok Lin<sup>3</sup></b> Independent Non-Executive Director
5	<b>Anthony Lim Choon Eng</b> Independent Non-Executive Director	6/6	10
			<b>Dato’ Ong Eng Bin<sup>4</sup></b> Independent Non-Executive Director

<sup>1</sup> Appointed as Director on 16 October 2023  
<sup>2</sup> Retired as Director on 20 June 2023  
<sup>3</sup> Retired as Director on 26 June 2023  
<sup>4</sup> Retired as Director on 14 October 2023

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board and its BCs continued the use of interactive technology for Board meetings in 2023. These meetings were either fully virtual or hybrid, whilst observing the relevant Standard Operating Procedures.

The table below summarises the Directors' attendance at BCs' Meetings for FY2023:

No.	Name of Directors	Date of Appointment	Date of Retirement	BAC (Quarterly)	BIC (Quarterly)	BRMC (Quarterly)	BNRC (Quarterly)
1	Dato' Mohammed Hussein	01.05.2020	-	-	-	-	5/5 (Chairman)
2	Choong Tuck Oon	20.01.2017	-	-	-	5/7	-
3	Faisal Ismail <sup>1</sup>	01.12.2019	-	6/6 (Chairman)	2/2	7/7	-
4	Saleha M. Ramly <sup>2</sup>	01.12.2019	-	6/6	-	-	4/4
5	Anthony Lim Choon Eng	01.04.2022	-	-	4/4	7/7 (Chairman)	-
6	Suhaimi Ali	28.04.2022	-	-	-	-	-
7	Kellee Kam Chee Khiong <sup>3</sup>	16.10.2023	-	1/1	1/1 (Chairman)	-	1/1
8	Suresh Menon <sup>4</sup>	17.07.2014	20.06.2023	-	2/2	-	-
9	Teoh Kok Lin <sup>5</sup>	27.06.2014	26.06.2023	-	2/2 (Chairman)	-	-
10	Dato' Ong Eng Bin <sup>6</sup>	14.10.2014	14.10.2023	5/5	1/1	-	4/4
<b>Number of Meetings held in FY2023</b>				6	4	7	5

<sup>1</sup> Appointed as BIC member on 27 June 2023

<sup>2</sup> Appointed as BNRC member on 20 February 2023

<sup>3</sup> Appointed as BIC Chairman and as BNRC & BAC member on 16 October 2023

<sup>4</sup> Ceased as BIC member on 20 June 2023

<sup>5</sup> Ceased as BIC Chairman on 26 June 2023

<sup>6</sup> Appointed as BIC member on 21 June 2023 and ceased as BIC, BNRC and BAC member on 14 October 2023

## V. BOARD ACTIVITIES AND DISCUSSIONS

The topics or activities conducted and/or deliberated by the Board during FY2023 were as follows:

### FINANCE

- Financial Performance Update
- Management Overlay for FY2022
- Audited Financial Statements for the Year Ended 31 December 2022
- Distribution of Dividend for Financial Year Ended 31 December 2022
- Payment Confirmation for Hawkers & Petty Traders Fund & New Investment Fund
- CGC Digital Cost and Revenue Sharing Model
- FY2022 Mid-Year Review
- CGC Digital's Strategic Equity Investment in Funding Asia Group Pte Ltd
- CGC Digital Funding Structure & Implementation Plan
- Seed Capital for CGC Digital
- Revision of Fixed Asset Write-off Policy
- Appointment of Messrs. Ernst & Young as Auditors for CGC and CGC Digital for the financial year ending 31 December 2023

### STRATEGY

- CGC Corporate Scorecard for FY2022
- Proposed Corporation Scorecard for FY2024 and Measurement of Employee Engagement for FY2023
- Mid-Term Review: 5-Year Strategic Plan 2021-2025
- CGC's Sustainability Framework
- Proposed CGC Digital Proof of Concept Framework
- Proposal to reduce Guarantee Fee in relation to BNM's Low Carbon Transition Facility ("LCTF")
- Proposal for CGC to absorb the Known Loss in relation to BNM's LCTF
- Proposal for Blanket Approval for New Shared Risk Schemes for Selected DFIs

### GOVERNANCE

- Board Evaluation Exercise for Year 2022
- 50<sup>th</sup> Annual General Meeting/Annual Report 2022
- Re-election of Directors Retiring pursuant to Articles 76A and 76B of CGC Constitution
- Proposed Appointment of Attorneys under Power of Attorney
- Appointment of New Director
- Proposed Remuneration for Advisory Council
- Proposed Governance for CGC Digital



## CORPORATE GOVERNANCE OVERVIEW STATEMENT



### RISK MANAGEMENT/COMPLIANCE

- MFRS 9 Model Validation Framework
- Risk Management & Compliance Report
- Corporation Level Risk Appetite Statement FY2023
- Revision of Approving Authority Matrix FY2023
- Revision of Anti-Bribery and Corruption Policy
- Credit Concentration Limit
- Corporation Level Risk Appetite Statement and Threshold for FY2024
- Revision of Credit Underwriting Policy for Guarantee & Financing
- Revision of Market Risk Policy
- Annual Review of Investment Policy Statement and Tactical Asset Allocation for Year 2023
- Product Health Check for Shared Risk Schemes
- Liquidity Gap Threshold - Risk Appetite Statement FY2023
- Gap Analysis on BNM's Policy Document on Financial Reporting for DFI
- MFRS 9 Macroeconomic Variable and Scalars review for 2H 2023
- Reverse and Corporate Stress Testing 2023
- ERM Risk Maturity Survey and Risk Standards Validation



### TECHNOLOGY

- Proposed Appointment of CGC as the Administrator for Green Technology Financing Scheme 4.0
- Revised Technology and Cyber Risk Management Framework and Policy



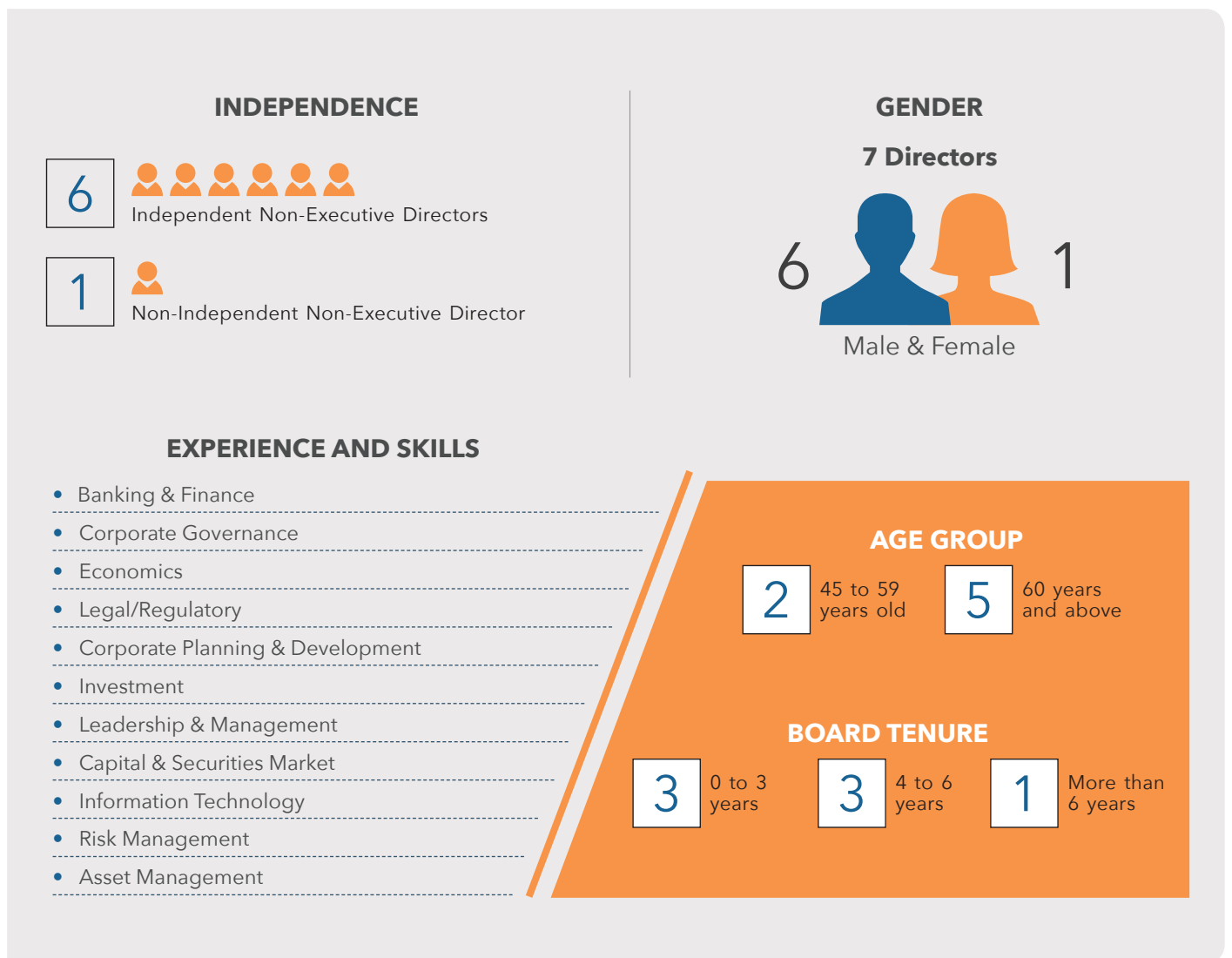
### PEOPLE & CULTURE

- Employee Engagement Survey 2022 Results
- Total Rewards Review 2023
- Annual Bonus 2022 and Salary Adjustment 2023
- Proposed HR Management Policy Revision
- Appointment of Senior Management i.e. CBO, CHRO and CFO
- Proposed Realignment of Finance Division and Proposed Movement of PCEO Direct Reports
- Nomination of CGC Executive as a Committee Member of Environmental, Social and Governance Committee of The Chinese Chamber of Commerce & Industry of Kuala Lumpur & Selangor
- Revision of Records Management Policy

## VI. BOARD COMPOSITION

The effectiveness of the Board is crucial to CGC’s sustainable and strategic development. This is achieved through a firm relationship between fellow directors. The current Board comprises a strong combination of experienced individuals, with the majority of Board members being Independent Non-Executive Directors. They offer valuable external perspectives on the business and constructively challenge the Management, particularly in developing CGC’s business strategies.

The Board currently comprises seven (7) Directors, six (6) male and one (1) female, of whom six (6) are Independent Non-Executive Directors and one (1) a Non-Independent Director. The Non-Independent Director represents Bank Negara Malaysia, who is the major shareholder of CGC.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### (a) Board Diversity

The composition of the Board and its BCs is critical to ensure sufficient diversity and independence in the decision-making process, as well as to provide strong and effective leadership. The composition of the Board and its BCs is reviewed from time to time to ensure the right mix of dynamic and experienced individuals.

In 2021, the Board reviewed the composition of BCs and agreed to limit most BCs' membership to three (3) members only. The membership of BCs will rotate among Directors from time to time, as recommended by the Board Nomination & Remuneration Committee and approved by the Board. The new composition of BCs is expected to bring new skills and perspectives to the boardroom.

The current Board consists of individuals diverse in age, gender and background. They are recognised for their mix of skills, education, knowledge, expertise, professional experience and business acumen relating to investment and banking, credit analysis and rating, business management, legal and corporate governance, insurance, accounting and finance, and information technology, as well as asset management.

This composition of the Board reflects a well-balanced group of an appropriate size to facilitate a diversity of views, constructive deliberation and decision-making to achieve effective stewardship and management.

The Board is certain that the current appointment process and requirements for selecting new Board members are adequate in promoting diversity, gender equality and opportunities, as the diversified Board embraces positive, value-relevant impact to CGC.

The Board recognises that its diversity improves decision-making capability and performance quality. The Board is also aware of the need to re-balance its composition to allow 30% representation of women directors. Nevertheless, the objective, criteria and merits of appointment take precedence.

### (b) Board Independence

As CGC continues to enhance the Board's independence oversight, the Board on 15 August 2022 approved the revision of the Board Charter to reduce the maximum tenure of directorship of Independent Directors from three (3) terms (nine (9) years in total) to two (2) terms (six (6) years in total).

If the service of an Independent Director is extended further, beyond six (6) years, such a term shall be subject to the Board's recommendation, and shareholders' approval, respectively. Based on Clause 2.2(ix) of CGC's Board Charter, if the Board intends to retain an Independent Director beyond twelve (12) years, it seeks annual shareholders' approval through a two-tier voting process.

Accordingly, the Board composition was refreshed in 2023 when the following Directors stepped down from the Board after completing their full nine (9) years' service as CGC Directors:

1 Dato' Syed Moheeb Syed Kamarulzaman (*Retired on 14 January 2023*)

2 Suresh Menon (*Retired on 20 June 2023*)

3 Teoh Kok Lin (*Retired on 26 June 2023*)

4 Dato' Ong Eng Bin (*Retired on 14 October 2023*)

The Board wishes to record its appreciation and gratitude to the four (4) retired Directors for their dedication to the Group. They were always at the forefront of providing many constructive and positive impacts to the Board and to CGC as a whole.

**VII. TERMS OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS**

CGC is committed to a high standard of effective corporate governance, nurturing a culture of ethical behaviour and promoting integrity and respect. In the spirit of these aspirations, CGC maintains a formal and transparent procedure for new appointments and re-appointment of a Director to the CGC Board.

The appointment and qualification criteria for a director are governed by the Companies Act 2016, CGC’s Constitution and criteria set under CGC’s Guidelines on Appointment of the Board of Directors.

The BNRC is responsible for identifying, assessing and nominating potential candidates to fill Board vacancies and for succession planning. BNRC considers the attributes of current Board members and the Board’s needs. Future sourcing of new Directors is by leveraging numerous channels to identify suitably qualified candidates. BNRC will assess these candidates’ skills and expertise.

As part of the initial screening and selection process, BNRC is responsible for considering the following criteria with respect to the assessment of a director candidate’s fitness and propriety:



**VIII. RETIREMENT AND RE-ELECTION OF DIRECTORS**

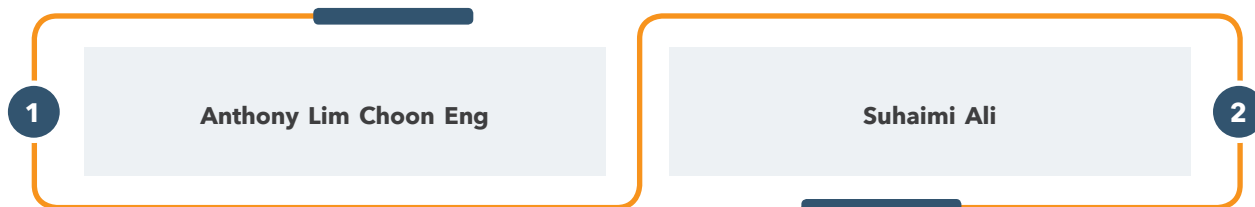
The Directors recommended to be re-elected at the Annual General Meeting (“AGM”) are subject to prior assessment by BNRC, and the retiring Directors are required to give their consent on their re-election. The assessment shall include the retiring Director’s competencies, contribution, commitment, performance and personality based on BNM’s Fit & Proper Criteria. This assessment is complemented by background screening and verification by an independent agent and the Company Secretary. BNRC’s recommendations are then submitted to the Board for endorsement and, thereafter, to shareholders for approval.

In accordance with Article 76A of CGC’s Constitution, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office by rotation at each AGM.

Article 76B of CGC’s Constitution provides that Directors to retire shall be those who have been longest in office since the Directors’ last election. Additionally, Article 76C of CGC’s Constitution stipulates that a retiring Director shall be eligible for re-election.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The following two (2) Directors, who have served the longest in office since their last election, shall retire by rotation at the forthcoming AGM. They are recommended for re-election by BNRC and the Board, and have given their consent to be re-elected as Directors at the 51<sup>st</sup> AGM:



Article 77 of CGC’s Constitution states that Directors shall have power to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director(s) appointed in this way shall hold office until the next AGM. Kellee Kam Chee Khiong, who was appointed as Director in October 2023, will retire and is eligible for re-election at the forthcoming AGM in accordance with Article 77 of CGC’s Constitution. Kellee Kam Chee Khiong is recommended for re-election by the Board and has provided his consent to be re-elected as Director.

All the above Directors had abstained from deliberations and decisions on their eligibility to stand for re-election at the Board Meeting.

### IX. TIME COMMITMENT

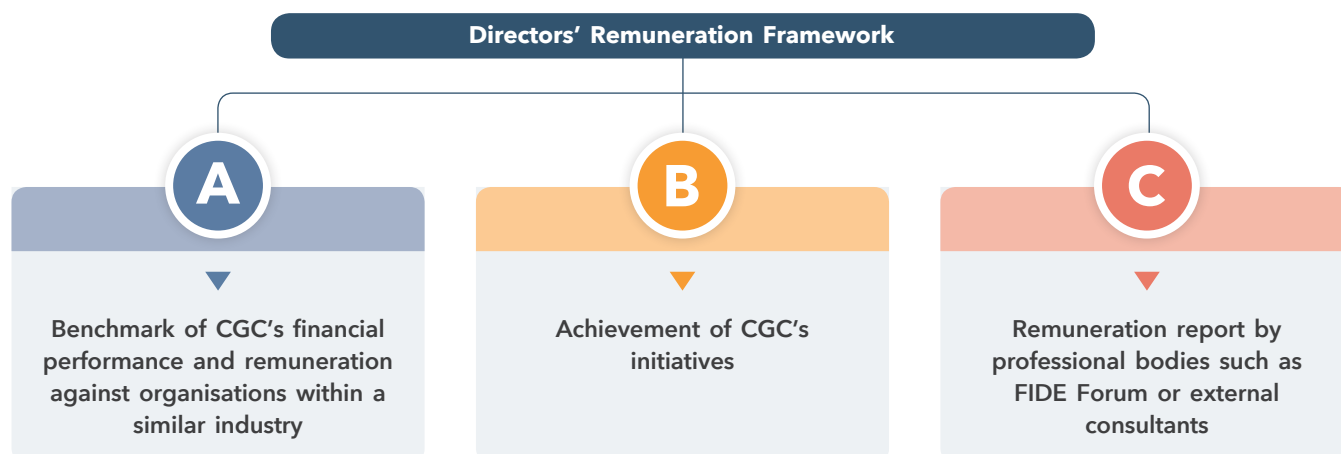
To effectively discharge their responsibilities, Non-Executive Directors must commit sufficient time to their role. The attendance record, with exceptional participation in Board activities and meetings throughout the year, reflects the Directors’ commitment to the Group.

The Chairman continues to commit considerable time, as necessary, to fulfil his duties, with his responsibilities to CGC taking priority over other business commitments.

In addition to time spent preparing for and attending Board and Board Committee meetings, the Chairman and the Non-Executive Directors allocated sufficient time during the year to further their understanding of CGC and its dynamic business environment. This included briefing meetings with Senior Management, as well as regular training sessions to ensure continuing business awareness.

### X. DIRECTORS’ REMUNERATION

Fees and benefits payable to Non-Executive Directors (“NEDs”) shall be tabled for approval at CGC’s AGM. Any revision to Directors’ remuneration shall be assessed by the Board, based on benchmarking among peers of similar size in the industry, prior to obtaining shareholders’ approval.



Details of the remuneration received by the Directors during FY2023 are as follows:

<b>Non-Executive Directors</b>	<b>Directors' Fees (RM'000)</b>	<b>Meeting Allowance (RM'000)</b>	<b>Benefit-in-kind<sup>1</sup> (RM'000)</b>	<b>Total (RM'000)</b>
<b>Dato' Mohammed Hussein</b>	180	60	109	349
<b>Choong Tuck Oon</b>	72	42	6	120
<b>Faisal Ismail</b>	72	86	6	164
<b>Saleha M. Ramly</b>	72	63	6	141
<b>Anthony Lim Choon Eng</b>	72	75	6	153
<b>Suhaimi Ali</b>	60	10	-	70
<b>Kellee Kam Chee Khiong<sup>2</sup></b>	15	15	1	31
<b>Dato' Haji Syed Moheeb Syed Kamarulzaman<sup>3</sup></b>	2	-	-	2
<b>Teoh Kok Lin<sup>4</sup></b>	35	24	2	62
<b>Suresh Menon<sup>5</sup></b>	34	21	2	57
<b>Dato' Ong Eng Bin<sup>6</sup></b>	20	24	1	46
<b>Total</b>	<b>634</b>	<b>420</b>	<b>139</b>	<b>1,195</b>

<sup>1</sup> Figure excludes medical costs and indemnity insurance that were attributable to respective directors

<sup>2</sup> Appointed as Director on 16 October 2023

<sup>3</sup> Retired as Director on 14 January 2023

<sup>4</sup> Retired as Director on 20 June 2023

<sup>5</sup> Retired as Director on 26 June 2023

<sup>6</sup> Retired as Director on 14 October 2023

The last revision of Directors' remuneration was conducted in 2018. Considering their heavy duties and responsibilities with the current composition of seven (7) directors, and based on benchmarking against industry peers, a comprehensive review exercise on directors' remuneration was undertaken.

The Board had on 19 February 2024 deliberated the BNRC's recommendation on the proposed revision of directors' remuneration and thereafter endorsed the proposal on 3 April 2024 to increase the Non-Executive Directors' fee and introduce Board Committees Fee.

The proposed increase in NEDs' fee is to ensure CGC remains competitive against its peers, taking into account the demands and performance of CGC, as well as skills and experience required. With the introduction of the Board Committees fee, Chairman of the Board and of BCs will be accorded higher remuneration packages to reflect their role and the amount of preparation required in chairing the meeting and leading the respective Board and BCs.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

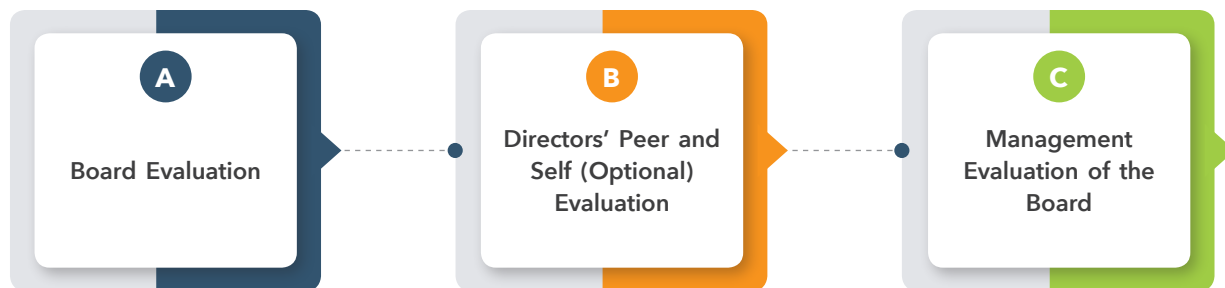
The revised remuneration structure for NEDs of the Group, which will be tabled for shareholders' approval at the 51<sup>st</sup> AGM, is as below:

Description	Current Fees (Approved at the 45 <sup>th</sup> AGM on 25 June 2018)		Proposed Fees (Approval sought at 51 <sup>st</sup> AGM)	
	Chairman	Member	Chairman	Member
<b>Board Fee</b>	RM180,000 per annum	RM72,000 per annum	RM204,000 per annum	RM96,000 per annum
<b>Board Committee Fee</b>	-	-	RM20,000 per annum	RM10,000 per annum

### XI. PERFORMANCE EVALUATION

An annual performance review of the Board, its BCs and individual directors was conducted through BNRC with the assistance of the Company Secretary.

In compliance with the Code and BNM's Policy on Corporate Governance, the CGC Board Evaluation exercise for 2023 was conducted via online questionnaire. It comprises the following:



In 2023, the overall assessment results of the Board, BCs and individual Directors including the Management evaluation of the Board were 'Exceed Expectations', reflecting the effective discharge of Directors' roles and responsibilities.

## XII. BOARD INDUCTION AND TRAINING

All new Directors are entitled to a tailored, extensive and comprehensive induction following their appointment to the Board. The CGC Board Induction Programme is intended to assist new Directors in understanding CGC; the business environment in which it operates; its business strategies, culture, and people and their role in making the organisation a success. This programme comprises a combination of technical briefings about key areas of operation, office visits and introductory meetings.

The CGC Board is aware of the importance of the continuous development of Board members and has continuously observed the quality and frequency of training sessions attended by its members. This ensures that all Directors receive ongoing training and development and participate actively to enhance their role as Directors.

Throughout FY2023, our Board members attended various training programmes in leadership, technology, risk management, strategy and economic outlook, governance, financial industry, and sustainability. A list of these can be seen below:



### (A) Leadership

- 1 FIDE FORUM - Distinguished Board Leadership Series 2023 - Empowering Change through Diversity, Equity and Inclusion (DEI)
- 2 FIDE FORUM - Operationalising Resolution Planning
- 3 PwC's Online Academy - Get Unstuck: Science-backed Techniques for Better Ideas at Work
- 4 ICLIF Executive Education Centre, Asia School of Business - Crisis Management & Negotiation
- 5 ICLIF Executive Education Centre, Asia School of Business - Board Role in Value Creation
- 6 Yayasan Hasanah/ILMU Hasanah Tea Talk - Trespassings Around the World in Trains of Thoughts: Life & Leadership Lessons from 77 Trains BC and Other Journeys



### (B) Technology

- 1 KWAP - Cyber Security Training
- 2 FIDE FORUM - AI and Financial Institutions: Friend or Foe?
- 3 EC Council/Generali - Risk Management in Technology (RMiT) Awareness
- 4 BNM-FIDE FORUM Dialogue - Cloud Requirement in RMiT Policy Document, AI/ML Learning Adoption Landscape
- 5 BNPP - Malaysia Cyber Security Briefing 2022
- 6 ICLIF Executive Education Center, Asia School of Business - Understanding the Cybersecurity Landscape
- 7 Amazon Web Services | ASEAN - AI Innovations: Generative AI and Machine Learning
- 8 Asia School of Business - AI and the Future of Work
- 9 BNM (CSD) - BNM Annual Cyber Security Drill
- 10 BNM (CSD) - Senior Management Cyber Security Awareness Talk



## CORPORATE GOVERNANCE OVERVIEW STATEMENT



### (C) Risk Management

- 1 KWAP - Integrity, Governance and Anti-Corruption for Board Members
- 2 ASB/FIDE MIT Campus - Risk Management Committee - Banking Sector
- 3 ASB/FIDE MIT Campus - Market Risk Management for Bank Directors
- 4 CGC - Anti-Bribery and Corruption Training for CGC Board Members and Senior Management
- 5 Dr. Vijayaraj R. Kanniah, Advocate & Solicitor - AML/CFT and Anti-Bribery and Corruption
- 6 ALLIANCE - Information Risk Management and Cyber Security (IRM&CS) FY23/24
- 7 ALLIANCE - Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) FY23/24
- 8 ALLIANCE - Anti-Bribery and Corruption Training FY23/24
- 9 ALLIANCE - Operational Risk Management FY22/23
- 10 BNM (EIO) - Anti-Bribery and Corruption Training



### (D) Strategy/Economic Outlook

- 1 FIDE FORUM - Can America Stop China's Rise? Will ASEAN Be Damaged?
- 2 MIA & AKPK - Financial and Debt Management Initiatives for SMEs and Individuals



### (E) Financial Industry

- 1 EY/Generali - AML/CFT Independent Validation
- 2 BNPP - Sukuk: An Introduction
- 3 BNM Sasana Symposium 2023
- 4 ALLIANCE - Banking Secrecy and MCIPD FY23/24
- 5 Carbon Trust UK - Knowledge Sharing Session on Carbon Accounting
- 6 BIS - The Singapore Fintech Festival

**(F) Sustainability**

- 1 KWAP - Sustainability Training
- 2 Asian Institute of Chartered Bankers - Sustainability in the Digital Era
- 3 BNPP - Sustainable Future Forum Singapore
- 4 BNPP - Sustainability Training for the Board of Directors
- 5 Octagon Advisors - Sustainability Training: Climate Risk Management
- 6 Deloitte - International Sustainability Standards Board (ISSB) Reporting Readiness
- 7 AT Kearney - Sustainability Strategy & Culture
- 8 ALLIANCE - Sustainability

**(G) Others**

- 1 Asia Asset Management - 11<sup>th</sup> Annual Malaysia Roundtable
- 2 KWAP - Investment Retreat
- 3 ASEAN Social Security Association (ASSA) Conference 2023
- 4 ICLIF Executive Education Center, Asia School of Business - Essentials for Effective Remuneration Committees
- 5 ICAEW - My Career Journey in Corporate Malaysia, Mohd Bakke Salleh
- 6 ALLIANCE - Data Management FY22/23
- 7 BIS - BIS Innovation Summit
- 8 BIS - Point Zero Forum
- 9 CGC Board Induction Programme for New Director - Kellee Kam Chee Khiong

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### XIII. BOARD COMMITTEES

The Board delegates certain authority to its respective Board Committees to assist in discharging its fiduciary duties and responsibilities, while ensuring independent oversight. This allows the Board to spend additional time and focus on deliberating on specific and pertinent issues.

Each Board Committees TOR sets out its responsibilities and the conduct of meetings including quorum, voting requirements and Board Committee membership. Board Committees operate under the approved TORs set by the Board, which are reviewed and updated from time to time. The Board Committees operate principally in a review or advisory capacity and their deliberations are reported to the Board, where the ultimate decision lies, except for matters which specifically confer powers and authorisation on a committee.

The Board Digital Committee (BDC) (formerly known as Board imSME Committee) was disbanded effective 31 January 2023 as part of the Board’s initiative to encourage its subsidiary, CGC Digital Sdn Bhd, incorporated in July 2022, to step up and take the lead on digital transformation initiatives/projects.

The Board currently has a total of four (4) Board Committees. A description of each Board Committees by the Board is as follows:

#### Board Audit Committee (BAC)

- To establish cost-effective controls; assess risks; review the financial condition of CGC, its internal controls, information system, performance and findings of the internal and external auditors, and to recommend appropriate remedial action
- To provide oversight to CGC Digital Sdn Bhd on audit-related matters

#### Board Risk Management Committee (BRMC)

- To assist the Board to deliberate on CGC’s risk management practices
- To ensure effectiveness of identification, measurement, monitoring and control of risk, as well as compliance with applicable laws, regulations and guidelines for good corporate governance
- To provide oversight on any matters related to the management of risk and compliance associated with the operations of CGC Digital Sdn Bhd as and when required by the Board of CGC Digital Sdn Bhd

#### Board Nomination & Remuneration Committee (BNRC)

- To assist the Board on the following:
  - (i) Appointment and remuneration of Directors and President & Chief Executive Officer and/or Executive Director (if any), as well as assessment of effectiveness of individual Directors, Board, Board Committees and assessment of the performance of PCEO and/or Executive Directors (if any) and Senior Management Officers
  - (ii) CGC’s human resource strategies, policies, performance and reward systems, as well as ethical business conduct of employees
- To provide oversight on the appointment, removal and fixing of remuneration of Directors and CEO of CGC Digital Sdn Bhd, as and when required by the Board of CGC Digital Sdn Bhd

#### Board Investment Committee (BIC)

- To review investment policies, strategies, policies and guidelines
- To provide strategic direction governing CGC investment activities

**XIV. EXTERNAL ADVICE**

Where appropriate, the Directors may seek independent professional advice in respect of their duties to the Board and its BCs to assist and enable the Directors to make independent and informed decisions, at the cost of CGC. However, no Directors sought external advice during the year under review.

**XV. DIRECTORS’ CONFLICT OF INTEREST**

The Directors acknowledge their responsibility for avoiding an actual or potential conflict of interest. Any Director shall immediately disclose and declare to the Board any interest (actual, potential or perceived), that conflicts with CGC, in accordance with the Companies Act 2016 and Board Charter.

**XVI. SUPPLY OF AND ACCESS TO INFORMATION**

The Board is supplied with timely updates and full, unrestricted access to information about the Group’s business and affairs to enable them to discharge their duties effectively.

Prior to meetings, Board materials including agenda and reports relevant to the issues of the meetings are uploaded electronically into a digital platform for Board members. All Directors have full and timely access to information, with Board papers distributed in advance of meetings. This practice ensures that Board members have sufficient time to appreciate issues deliberated on at meetings and to seek explanation and clarification, if required. This, in turn, enhances the decision-making process.

**PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT**

**I. AUDIT COMMITTEE**

The Board Audit Committee (BAC) plays a crucial role in enhancing the governance and oversight mechanisms within the CGC Group, focusing on integrity of financial reporting and effectiveness of risk management, governance, and internal control systems. It accomplishes this through assessments conducted by the Internal Audit Division (IAD), maintaining oversight over the IAD’s independence, scope and resources, and periodically reviewing audit reports to ensure that CGC Group governance standards are upheld.

**II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK**

The Board plays a crucial role in Corporate Governance (CG). It strives to instil an effective risk governance structure through the Enterprise Risk Management (ERM) Framework in meeting its obligations to benefit customers, shareholders and other stakeholders. As risk evolves and is present in all CGC activities, owing to the dynamic business landscape, the Board continuously reviews CGC’s policies, procedures and processes to ensure that they remain relevant and effective by:

- Identifying, assessing, evaluating and managing material risks faced by CGC.
- Determining CGC’s overall risk appetite and level of risk tolerance to achieve its strategic objectives, while adopting a long-term view on its ability to meet its obligations.
- Updating its frameworks and policies, such as the recent Technology and Cyber Risk Management Framework.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### The above is demonstrated by the Board through:

1

Regularly reviewing the effectiveness of CGC’s risk management and internal control system. It is pertinent to note that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

2

Reviewing reports from Management and assessing if significant risks are identified, managed and mitigated. This includes financial reports where the Board’s oversight includes forecast variance analysis and authority limits.

3

Ensuring that significant weaknesses are promptly addressed, remedied and, where relevant and required, impose a need for more extensive monitoring.

As in the previous year, throughout the reporting period, the Board neither identified, nor was advised of, any failings or weaknesses which it has determined to be significant.

Further details on Risk Management and Internal Control Framework can be found in Risk Management and Internal Control Statement on pages 255 to 261.

### PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

#### I. RELATIONSHIP WITH STAKEHOLDERS

CGC recognises the importance of maintaining a satisfactory and fulfilled relationship with its various stakeholders, and is committed to promoting transparency, disclosure and accountability with them.

#### II. RELATIONSHIP WITH EMPLOYEES

Significant efforts are made to nurture a productive, engaged and welcoming workplace, directly contributing to the organisation’s mission and objectives. The relationship with employees is central, involving the development of a supportive organisational structure, enhancing skills and capabilities for future growth, and addressing current challenges.



Regular communication keeps employees engaged with updates via HCcomms, HR Teams Channel, Quarterly Town Hall, leadership sessions, and HR suggestion box.



Leadership excellence is fostered through inter- and intra-division sessions and direct engagement activities like the Management Walkabout during Merdeka Month, aiming to inspire the spirit of independence and strengthening leadership connection within the organisation.



Various training programmes (internal and external) were offered to address several aspects of core and technical competencies.



Enhancing staff benefits and welfare, supporting employee well-being, and reinforcing a nurturing, supportive work environment.



Several events are staged every year to appreciate employees: Long Service Awards, birthday wishes, and farewell celebrations for retirees.



Employees are engaged in a more informal setting through Kelab Rekreasi CGC (KRCGC) activities, such as treasure hunts, sports activities, solat hajat and recreational activities.

**1 Enhance Organisational Effectiveness**

Enhancing organisational effectiveness involving clear communication, recognising achievements, fostering professional growth, and building a motivated and efficiency-driven team aligned with strategic goals.

**2 Capability & Capacity Building**

Empowering employees by expanding their skills and resilience through targeted training, mentorship, and continuous learning, ensuring CGC's growth aligns with CGC strategic objectives to foster an environment where talent thrives.

**3 Energise Employees**

Continuous engagement initiatives at both corporate and divisional levels are deployed to energise employees, ensuring the team remains motivated and unified.

**III. RELATIONSHIP WITH CUSTOMERS**

The Client Service Centre (CSC) assists CGC in providing excellent customer service experience through timely and accurate response to received enquiries via its omnichannel, such as call, email, letter, walk-in and social media as well as a Complaint Management Centre to coordinate effective and efficient closure. Alternatives and solutions to customer issues are also available to manage customer's experience and expectations.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT



In 2023, CSC continued to serve customers via its omnichannel, supporting the chain of customer experience for imSME. This helps them complete their journey on the platform, as well as provide advisory for MyKNP@CGC through inbound and outbound calls.



CSC attended to 11,328 inquiries, resolving them according to our Client Charter. CSC continues to maintain outstanding First Call Resolution Rate (FCR) at 94%, exceeding the target of 80%.



Abandoned call rate is below the tolerable threshold of 5%, of which only 0.06% or equivalent to only 4 abandoned calls against 6,529 calls received. Nevertheless, CSC managed to call back each customer, assisting them accordingly.



In ensuring continuous timely customer service, 99% of calls were answered within 20 seconds, exceeding the target of 80%.



As a Complaint Management Centre for the Corporation, CSC manages and coordinates complaints among various stakeholders to ensure all cases are closed within the Client Charter of 10 working days. On average, complaint cases were closed within 5 working days.



All emails are attended to within the Charter of 24 working hours.



As a virtual communication channel, CSC continuously leads the Chatbot project, also known as imSME Digital Assistant (iDA) under the imSME platform. This provides virtual assistance to customers in reaching CGC, assisting customers with inquiries related to CGC and imSME. Overall, the Chatbot attended to 24,057 users with 81,058 interactions.

### IV. RELATIONSHIP WITH SUPPLIERS



#### Fair Treatment

It is imperative that CGC continues treating all suppliers equally and fairly to foster trust and mutual respect.



#### Long term Partnership

CGC practises cultivating long-term relationships with suppliers that benefit both parties, such as cost efficiencies, supply chain resilience and sharing best practices, encouraging suppliers to prioritise CGC's needs.



### Vendor Code of Conduct

Outlines principles and expectations that CGC upholds for its suppliers, which include ethical standards, sustainability, anti-bribery, anti-money laundering, conflict of interest, compliance and legal protection.



### Whistleblowing

CGC has set up multiple channels for suppliers to report inappropriate, unethical or unlawful behaviour and practices by management or employees.



### Environment, Social and Governance (ESG)

CGC will continue to focus on promoting ESG practices and building initiatives for suppliers to embark on driving their sustainability agenda, in line with CGC's values.

## V. RELATIONSHIP WITH SHAREHOLDERS

The Board recognises the importance of being transparent and accountable to the Group's stakeholders, and acknowledges the need for shareholders to be informed promptly of all material business matters affecting the Group.

The General Meetings are an important platform for direct, two-way interactions between the shareholders, the Board and Management of CGC. Active attendance, participation and dialogue by shareholders are encouraged in the Question and Answer (Q&A) session of General Meetings on the proposed resolutions or CGC's operations in general. Directors, Management or External Auditors of CGC shall respond to questions accordingly during the meeting.

Another alternative channel of communication through the publication of the Annual Report and CGC's website, [www.cgc.com.my](http://www.cgc.com.my), has been made available to shareholders. This enables them to conveniently access key information or any updates on CGC's financial performance and major initiatives for the year.

While CGC strives to provide sufficient information to its shareholders and stakeholders, it is also mindful of the legal and regulatory framework governing release of material and price-sensitive information to the public.

## VI. ANNUAL GENERAL MEETING (AGM)

The 50<sup>th</sup> AGM was held virtually by leveraging technology in accordance with Section 327 of the Companies Act 2016 and the Securities Commission Malaysia's directives for companies to consider the use of relevant technology to facilitate shareholders' participation and improve the conduct of general meetings (adopted by CGC as best practice). A virtual AGM platform promotes shareholders' participation as this enables them to participate remotely, from any location.

The Board ensures that sufficient notice and time are given to the shareholders to deliberate on the resolutions that will be discussed and decided at the AGM. The AGM Notice includes details of the resolutions proposed, along with any relevant information and reports. In line with CG's best practice, the shareholders are notified of the AGM vide the Notice of 51<sup>st</sup> AGM and a copy of CGC's Annual Report, circulated twenty-eight (28) days before the date of the meeting to provide shareholders sufficient time to read the Annual Report and proposed resolutions.

The Directors are committed to attending the scheduled AGM, approved in advance by the Board, save for unforeseeable circumstances beyond their control.



# BOARD AUDIT COMMITTEE REPORT

## COMMITTEE MEMBERSHIP

The following table shows the committee members during the year:

<b>1</b>	<b>Faisal Ismail</b>	Chairperson/Independent Non-Executive Director
<b>2</b>	<b>Dato' Ong Eng Bin</b>	Independent Non-Executive Director <i>Ceased as a BAC member on 14 October 2023</i>
<b>3</b>	<b>Saleha M. Ramly</b>	Independent Non-Executive Director
<b>4</b>	<b>Kellee Kam Chee Khiong</b>	Independent Non-Executive Director <i>Appointed as BAC member on 16 October 2023</i>

There were three (3) members of the Board Audit Committee (BAC) at the beginning of 2023. All three BAC members were Independent Non-Executive Directors. Dato' Ong Eng Bin retired as a Director of CGC on 14 October 2023 and ceased as a BAC member. He was replaced by a new member, Kellee Kam Chee Khiong, who joined the Board on 16 October 2023.

The Board is satisfied that at least one member of the BAC has the relevant financial experience and that all members bring extensive expertise to the Committee in the areas in which CGC operates.

The table on page 234 shows the Directors' meeting attendance during the year.

The BAC has the resources required to discharge its oversight functions effectively, which includes the authority to obtain advice from independent professional advisors. The BAC also has the authority to direct the Internal Audit (IA) to conduct audits and investigations on any entities within CGC Group or any matters within its Terms of Reference.

## ROLES AND RESPONSIBILITIES

The BAC assists the Board by providing an oversight role on CGC Group's financial reporting, business governance, risk management and internal control systems. The BAC is also responsible for overseeing whistleblowing within the remit of the Board. The BAC's roles and responsibilities are defined in its Terms of Reference.

## PRINCIPAL ACTIVITIES

The BAC's principal activities during the year were performing oversight responsibilities relating to internal audit, external audit and financial reporting, as outlined below:

### INTERNAL AUDIT

- Approved the 2023 Internal Audit Plan and the Internal Audit Budget on 2 December 2022. In approving the Audit Plan, the BAC reviewed the risk-based methodology and staffing adequacy to ensure effective implementation of the Audit Plan. A half-year review of the 2023 audit plan was conducted and approved on 13 July 2023.
- Approved the 2023 Key Performance Indicators (KPIs) of the Chief Internal Auditor (CIA) and evaluated the CIA's 2023 performance.
- Reviewed the performance and progress of IA in achieving the annual audit plan. This review was conducted to ensure that internal audit activities were aligned with the Internal Audit Strategy (2022-2024) approved on 7 December 2021.
- Deliberated on the audit reports, the audit recommendations, and the Management's responses. The BAC met six (6) times in 2023 to deliberate on the audit reports and financial reporting matters.
- The Audit Compliance Committee (ACC) is a BAC-delegated committee. The ACC was established to monitor the progress of Management's actions in addressing business governance, risk management, and internal control issues highlighted in the Internal Audit reports and other internal control reports issued by external parties such as the External Auditors and Bank Negara Malaysia Auditors. The ACC met twelve (12) times in 2023. The BAC reviewed the ACC status of actions taken by Management during every BAC meeting.

### EXTERNAL AUDIT

- Reviewed and approved the External Auditor's 2023 Audit Plan and scope of work on 17 October 2022. The Audit Plan highlighted areas that would receive special consideration and the resources to execute the Audit Plan. The BAC also evaluated the objectivity and independence of the External Auditor.
- Management presented a paper on the Distribution of Dividends for Financial Year Ended 31 December 2022 on 7 April 2023 for the BAC's consideration, assessment and endorsement to the Board.
- Completed the annual assessment of the External Auditor, evaluating their fees proposed, value-added services, firms' and partners' credentials, as well as the quality of the presentations before recommending their appointment to the Board for the *Board's consideration and, if satisfactory*, approval. Ernst & Young (EY) was appointed as External Auditor for Financial Year 2023, replacing PricewaterhouseCoopers (PwC).
- Met with the External Auditor on 4 April 2024, without Management presence, and discussed matters privately, communicated, and obtained open and transparent feedback for further improvements.
- As part of its evaluation, the BAC considered and discussed the results of the Management's assessment of the External Auditor's performance in 2023.
- Assessed the performance and effectiveness of the Auditor and the audit process, including an assessment of audit quality, The External Auditor's handling of key judgement issues, and External Auditor responses to questions from the BAC.
- Reviewed and recommended to the Board for approval the fees and provisions for audit and non-audit based services provided by the External Auditor, in accordance with established procedures. The review of non-audit based services was to ensure that the provision of such services does not impair the External Auditor's judgement or objectivity.

## BOARD AUDIT COMMITTEE REPORT

### FINANCIAL REPORTING

Received and reviewed comprehensive reports from the External Auditor, which included the audited financial statements, accounting policies, judgements and disclosure requirements.

### INTERNAL AUDIT

The IA helps CGC Group accomplish its goals by bringing an objective and disciplined approach to evaluating and improving the effectiveness of governance, risk management and control processes. IA serves as an important source of advice for the BAC in these three areas.

The CIA reports directly to the BAC to ensure that the Internal Audit function is independent of the Management and is thus able to perform its activities objectively.

IA established a risk-based Annual Internal Audit Plan. The Plan considered CGC Group's objectives (which include financial and operational objectives) and the risks (current and emerging) that can affect the accomplishment of the objectives. The Audit Plan was approved by the BAC.

IA leveraged technology to enhance the effectiveness and efficiency of its audits. Specifically, data analytics has enabled IA to review larger numbers of transactions than it previously could with sampling, increased efficiency through automation and deriving greater insights from its audits.

As of 31 December 2023, the number of audit staff was twenty (20) against the total approved twenty-three (23).

IA's work involves assessing the adequacy and effectiveness of CGC Group's governance, risk management and internal control processes in meeting its strategic objectives. In assessing these, IA adopted the Committee of Sponsoring Organisation of the Treadway Commission (COSO) Integrated Internal Control Framework and the Control Objectives for Information and Related Technologies (COBIT) Framework. COSO and COBIT are internationally recognised frameworks, providing thought leadership and guidance on internal controls, enterprise risk management and fraud deterrence.

IA's activities were carried out in accordance with the International Standards for the Professional Practice of Internal Auditing issued by The Institute of Internal Auditors and the relevant regulatory guidelines issued by Bank Negara Malaysia.

IA had unrestricted access to information and sufficient resources required to complete the audits.

IA presented the internal audit reports to the BAC six (6) times in 2023. The reports highlighted gaps in governance, risk management and controls practice, and provided recommendations for improvement.

### SUMMARY OF AUDIT ACTIVITIES DURING THE YEAR

- ➔ Carried out its activities according to the approved Audit Plan. A total of twenty-eight (28) audit assignments were completed in 2023.
- ➔ Out of twenty-eight (28) audit assignments completed, five (5) audits were performed using the data analytics audit approach. In 2023, IA successfully created twenty-seven (27) new audit bots through the use of Robotic Process Automation software. IA also initiated Continuous Auditing by re-running twenty-three (23) previously developed Audit Bots. The bots assisted IA to perform audits effectively and efficiently.
- ➔ Monitored and followed up on the implementation of the audit recommendations and reported the status of outstanding audit findings at every BAC and ACC meeting.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## OUR APPROACH

THE BOARD IS COMMITTED TO MAINTAINING SOUND RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS FOR CGC, AND CONTINUOUSLY REVIEWS SYSTEM ADEQUACY AND EFFECTIVENESS. THE MANAGEMENT IS RESPONSIBLE FOR ASSISTING THE BOARD IN IMPLEMENTING POLICIES AND PROCEDURES, GOVERNANCE STRUCTURE AND PROCESSES FOR IDENTIFYING, EVALUATING, MONITORING, MANAGING AND REPORTING SIGNIFICANT RISKS AND ADEQUACY OF INTERNAL CONTROLS TO ACHIEVE STRATEGIC OBJECTIVES.

With an Enterprise Risk Management (ERM) framework in place, CGC is well positioned to manage its key risks. These include strategic, business, credit, market, liquidity, financial, operational (including cyber, legal and business continuity), compliance and reputational risks. This articulates risk appetite and capital management, and details their drill-down into risk tolerance and limits for various risk categories. The risk governance structure ensures oversight and accountability, continuous monitoring for vulnerability mapping and integrated evaluation for effective risk management.

## RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

With the enhanced ERM Framework in place, the focus of enterprise risk management has moved towards implementation of key policies of the ERM framework. During the year under review, we are encouraged to note the increasing adoption of these policies at CGC to further enhance risk governance and the robustness of risk management capabilities. CGC is moving towards the next level of risk maturity, as the application of ERM continues to strengthen.

The risk management and internal control system is embedded in all the Corporation’s strategic planning, projects, change management and decision-making processes. CGC has established comprehensive frameworks, policies and procedures to identify, measure, monitor and control risk. We have adequate internal controls, driven through various policies and procedures, which are reviewed periodically. The Business Lines assess the efficacy of the controls put in place and sufficiently mitigate the identified risks.

The Board is supported by various sub-Board and Management Committees as part of the governance structure. The Risk Management function provides an independent and integrated assessment of risks across various business lines. Additionally, CGC has Internal Audit and Compliance functions responsible for:

- Independently evaluating adequacy of all internal controls
- Ensuring that Business Lines reasonably adhere to internal processes and procedures, as well as regulatory and legal requirements

### ➔ Risk Strategy

Our risk management strategy addresses:

- Scope of risk management efforts, methods and tools used for risk assessment, risk analysis, risk mitigation, risk monitoring and communication of risk information.
- Setting of risk appetite and tolerance parameters, comprising risk matrix with equitable thresholds to identify risk mitigation techniques used on identified risks.

### ➔ Risk Governance

We have a well-established risk governance structure with an active and engaged Board and management committees, supported by the three-lines-of-defence model at the enterprise-wide level. Proper governance provides the direction and structures required to make well-informed decisions to meet strategic objectives.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

<p><b>➔ Risk Culture</b></p> <p>The risk culture at CGC is supported through the 'Tone from the Top', with clear and consistent communication from the Board on risk behaviour expectations. This culture is embedded throughout the organisation. The Corporation's risk culture is continuously reinforced through mandatory and customised training for all employees.</p>	<p><b>➔ Risk Management Policies and Procedures</b></p> <p>Our effective risk management provides policies, procedures and processes that enable CGC to function effectively in a changing environment. It is a process of:</p> <ul style="list-style-type: none"> <li>• Identifying and assessing risks that may affect the ability to achieve objectives</li> <li>• Determining the risk response strategies and controls, with implementation of risk management framework, policies, guidelines and processes in line with the risk appetite</li> </ul>
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## Adherence to Compliance Standards

Adherence to compliance standards on internal and external requirements enables CGC to operate in accordance with strategic objectives and meeting stakeholder commitments.

## CGC RISK MANAGEMENT FRAMEWORK

The primary goals of the risk management framework are to ensure that:

1. The outcomes of risk-taking activities are consistent with our strategies and risk appetite.
2. There is an appropriate balance between risk and reward in order to maximise MSME and shareholder value.

The risk management framework outlines the following components for effective risk management across CGC:

### Risk Appetite

The risk appetite was set by the Board. It is a top-down process which consists of specific quantitative and qualitative factors. In addition, it provides an enforceable risk statement on the amount of risk that CGC is willing to accept in support of its strategic objectives, while considering its obligations towards MSMEs, shareholders and other stakeholders. Risk appetite forms a key input to the business and capital planning process by linking risk strategy to the business strategy.

<p><b>1 Capital</b></p>	<ul style="list-style-type: none"> <li>• Guarantee Reserve Ratio</li> <li>• Capital Adequacy Ratio</li> </ul>
<p><b>2 Liquidity</b></p>	<ul style="list-style-type: none"> <li>• Liquidity Gap</li> </ul>
<p><b>3 Financial Risk</b></p>	<ul style="list-style-type: none"> <li>• Credit</li> <li>• Market</li> </ul>
<p><b>4 Non-Financial Risk</b></p>	<ul style="list-style-type: none"> <li>• Operational</li> <li>• People</li> <li>• Business Continuity Plan</li> </ul>
<p><b>5 Compliance</b></p>	<ul style="list-style-type: none"> <li>• Anti-Money Laundering/Combating the Financing of Terrorism</li> <li>• Regulatory</li> <li>• Shariah Non-Compliance Risk</li> </ul>
<p><b>6 Business Related Risk</b></p>	<ul style="list-style-type: none"> <li>• Reputation</li> <li>• Investment</li> <li>• Strategy</li> </ul>
<p><b>7 Integrity and Governance</b></p>	<ul style="list-style-type: none"> <li>• Corruption and Bribery Risk</li> </ul>

## Capital Management

Capital Management is integrated into the governance processes. It involves an on-going review to maintain a strong capital base to support long-term stability, planned business growth and risks inherent in various businesses. CGC has a sound Capital Management Framework that measures and monitors its available capital and assesses its adequacy. The framework outlines the requirements to allocate sufficient capital to support its operations, and perform mandated roles at all times. Strong capital positions help CGC to withstand potential business and operational losses or shocks.

## Material Risk Assessment

CGC has enhanced its current practice of risk assessment with a broader range of risk categories that focus on business, strategic and financial risks. The Material Risk Assessment (MRA) Framework has been established to identify all risks material to CGC, including risk mitigation and controls. Using the MRA approach, CGC has a holistic view of potential threats or risks it may face and can assess if it is sufficiently capitalised to absorb financial losses from any unexpected events.

## Stress Tests and Reverse Stress Tests

Stress Testing is a forward-looking element of capital adequacy management and an integral tool in the risk management framework to understand the risk profile under exceptional but plausible and worst-case scenarios. Reverse Stress Testing is used to identify a range of adverse scenarios which could threaten the viability of CGC. The results could be used as the input to develop or select appropriate strategies for mitigating such risks. The results of stress tests are interpreted in the context of internal risk appetite for capital adequacy and periodically reported to the Board and Management.

## Business Continuity Management (BCM)

BCM culture is embedded and integrated within CGC's strategic plans to ensure its alignment with business priorities. CGC's BCM Framework aims to strengthen the Corporation's preparedness and resilience during crisis or disasters. This enables the Corporation to prepare for, respond to and recover from disruptive incidents.

Post Covid-19, we have increased the need for continued operational resilience of our people, processes and infrastructure through established crisis management and business continuity policies and procedures. This includes several processes which have been embedded as the new norm into the business and operations routine, and continuous assessments to ensure business continuity and recovery strategies are evaluated, and tested and in working order.

## Crisis Management

The aim of Crisis Management is to develop CGC's capability to prepare for, anticipate, respond to and recover from crisis. CGC is committed to safeguarding the interests of its key stakeholders, the environment, reputation, brand and value in the event of emergency, incident or crisis. The Corporation has established a comprehensive Crisis Management and Business Continuity Programme to protect staff, safeguard the Corporation's assets and ensure continuous availability of its products and services.

## Authority Limit

CGC's Approving Authority Limit (AAM) outlines accountability and responsibility. It serves as a reference tool to identify the appropriate approving authority at various levels of management, including matters that require Board approval. A full review of AAM is undertaken at least once annually and realignment of AAM is performed. This caters to changes in organisational structure to ensure effective decision-making based on proper governance.

## Compliance Framework

The compliance framework approved by the Board broadly sets out the compliance risk management processes and tools used by the Management and Compliance functions in managing compliance risks throughout the Corporation. The Compliance team supports the Board and Management, supervises the compliance framework and provides compliance advisory to various business lines.

## CGC Shariah Governance Framework (SGF)

The SGF is a blueprint for Shariah governance in the Corporation. It provides a holistic, integrated and coherent approach in managing Shariah compliance risk, specifically in Islamic Guarantee Schemes and Direct Financing Schemes. In this way, SGF becomes an integral part of the organisational and individual decision-making instead of a stand-alone activity. Thus, the SGF applies at every strategic cycle, and operational, business, or project level of Shariah-compliant schemes/products offered by the Corporation.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### Anti-Bribery and Anti-Corruption Policy

CGC is committed to conducting business in accordance with high ethical standards, integrity and accountability. We have adopted a zero-tolerance policy against all forms of bribery and corruption by the Board, and its employees or any person or companies acting for CGC or on its behalf. In recognition of this commitment, the Board and Management have implemented and enforced a comprehensive anti-bribery and anti-corruption programme to prevent, deter and monitor bribery and corruption in the Corporation's activities. CGC is guided by the Malaysian Anti-Corruption Commission Act 2009, adequate procedures and guidelines issued by the Prime Minister's Department, its own internal ABC Policy and best practices recommended by ISO 37001:2016 Anti-Bribery Management System.

### Anti-Money Laundering and Countering Financing of Terrorism

CGC, as a non-prescribed DFI, is also required to combat money laundering and terrorism financing activities. Therefore, it is CGC's responsibility to ensure that funds from money laundering and for terrorism financing activities are prevented from entering Malaysian financial systems. CGC shall be guided by the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001, applicable policy documents issued by Bank Negara Malaysia, and its own internal Anti-Money Laundering/Combating the Financing of Terrorism policy and procedures, as well as best practices recommended by the Financial Action Task Force.

### Personal Data Protection Act

As a user of personal data, CGC is under a statutory duty to comply with the principles of the Personal Data Protection Act 2010 (PDPA) and its code of practice. CGC shall be guided by the PDPA, applicable codes of practice and its own internal policy based on the Act.

### Technology and Cybersecurity Risk Management

The systematic management of technology and cyber risk is in accordance with relevant regulatory requirements and industry best practices intended to ensure effective protection of the Corporation's IT ecosystem. The Corporation has its own Technology and Cybersecurity Risk Framework and Policy as a guidance to all staff on the management of technology and cyber risk. This includes the identification, evaluation, treatment, monitoring, reporting, and communication of the risks inherent to the Corporation's activities.

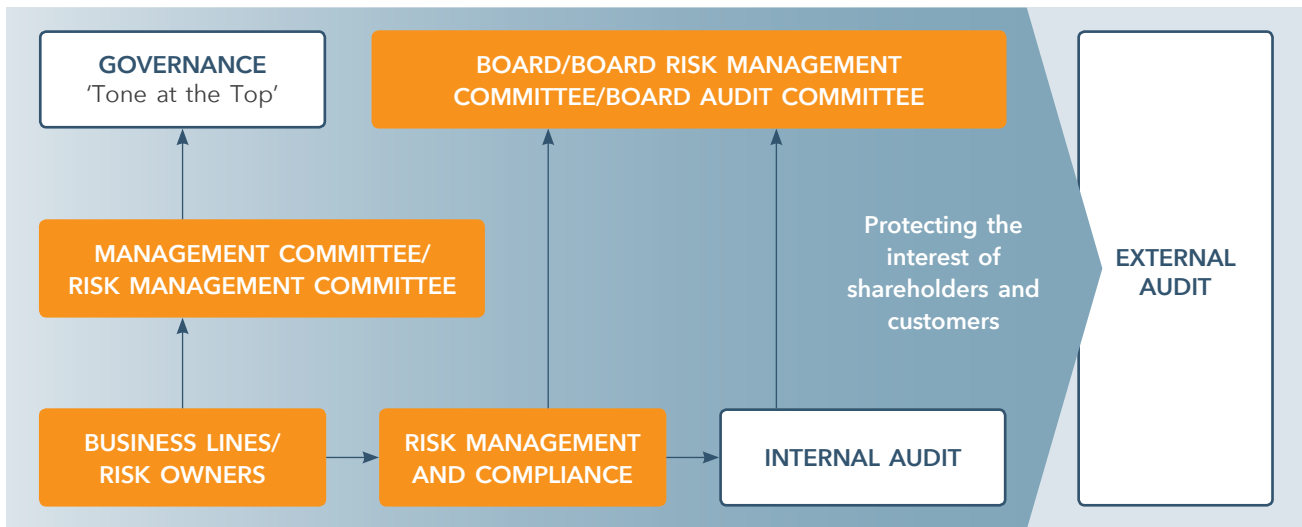
#### RISK MANAGEMENT PROCESSES

Risk Management involves the management of all possible risks that may influence the achievement of business goals and that can cause financial or reputational damage. The policy on risk management is drafted and periodically reviewed to ensure the relevance of the policy towards business goals. The risk management process is applied at strategic, operational and project levels. An effective risk management process supports CGC in achieving its performance and strategic objectives by providing risk information to enable better decision-making.

<p><b>➔ Risk Identification</b></p> <p>Identify risks that need to be managed.</p>	<p><b>➔ Risk Assessment</b></p> <p>Analyse root causes of the risk and determine the likelihood and impact of risk exposure (either quantitatively or qualitatively).</p>	<p><b>➔ Risk Mitigation</b></p> <p>Determine appropriate risk mitigation actions that address root causes of the risk.</p>
<p><b>➔ Risk Monitoring</b></p> <p>Design an accountability structure within which risks and corresponding risk mitigation actions are implemented and continuously monitored.</p>	<p><b>➔ Risk Reporting</b></p> <p>Design a process of risk information reporting to enable risk monitoring and risk-based decision making.</p>	<p><b>➔ Risk Communication</b></p> <p>Enable ongoing sharing of 'lessons learnt' across the Corporation's business areas.</p>

**CGC THREE-LINES-OF-DEFENCE MODEL**

We have adopted the three-lines-of-defence model in which business lines and independent risk management and compliance functions work in collaboration to ensure that business strategies and activities are consistent with policies and limits. Clear accountabilities and robust controls are vital to help manage risks and build trust. This reinforces CGC’s risk management capabilities and compliance culture across all divisions.



The model aims to reinforce CGC’s risk management capabilities and compliance culture throughout the organisation. The responsibilities of each of the defence lines are as follows:

**➔ 1<sup>st</sup> Line of Defence**

Business lines/risk owners are accountable for effective management of risks within their business areas through identifying, assessing, mitigating, monitoring and reporting risks and actively implementing effective internal controls to manage risk and maintain activities within risk appetite and policies.

**➔ 2<sup>nd</sup> Line of Defence**

Independent risk management and compliance functions are responsible for maintaining an effective risk management and compliance framework that resonates through all levels of the organisation. The Risk Management function is responsible for providing reasonable assurance to the Board and Management that risks are actively identified, managed and communicated to all key stakeholders. The Compliance function acts as a consultant on regulatory compliance, internal policies and procedures. It is responsible for conducting ongoing risk-based enterprise-wide assessments, monitoring, testing and other activities to gain reasonable assurance as to the adequacy of, adherence to, and effectiveness of, CGC’s Compliance Programme.

**➔ 3<sup>rd</sup> Line of Defence**

The Internal Audit function provides independent assurance on the design and operating effectiveness of the governance, risk management and internal control framework. It also facilitates enhancement, where appropriate.

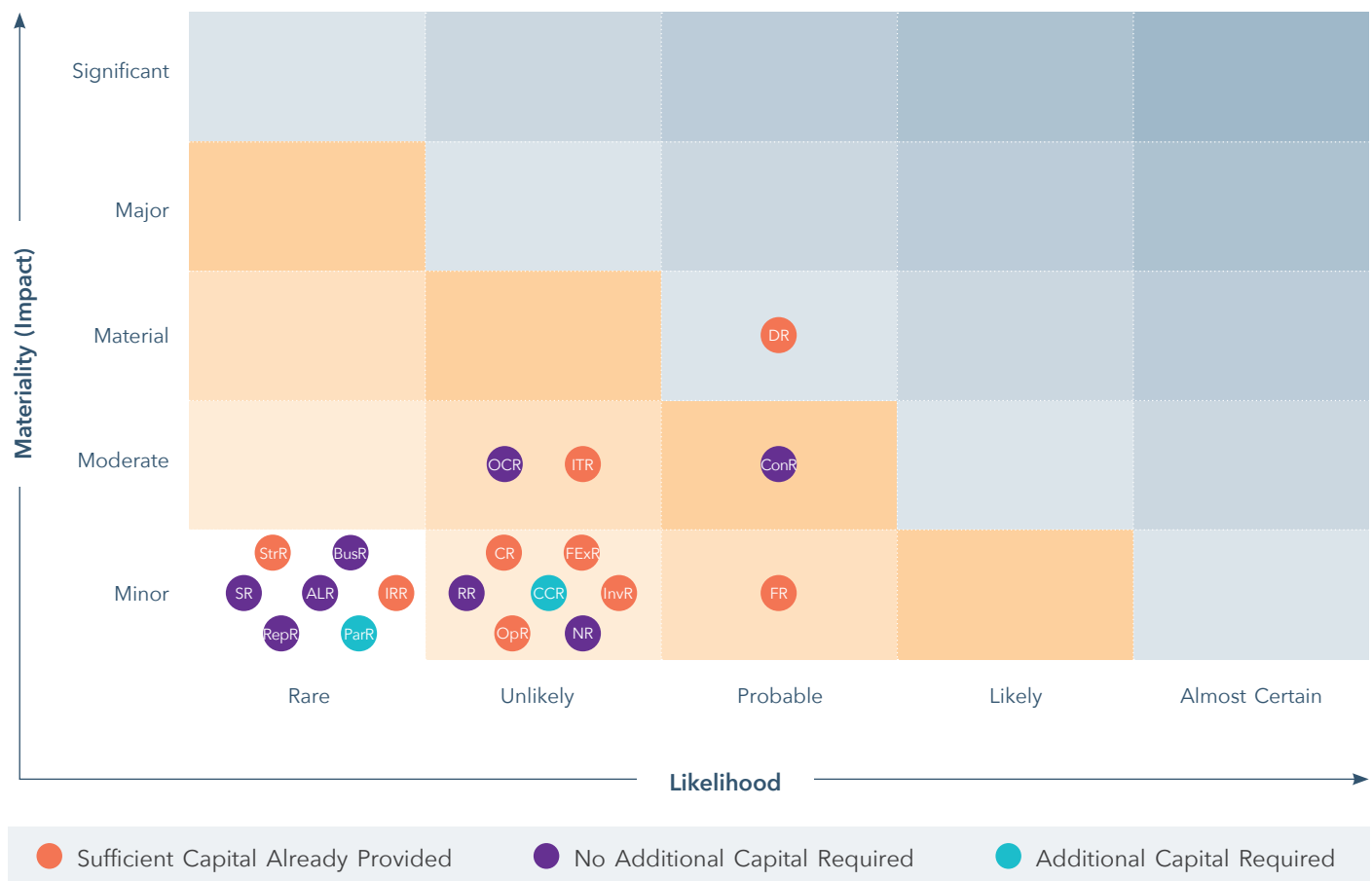


# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## Governing and Oversight Functions

The Board provides oversight directly and indirectly through its committees to satisfy itself that decision-making aligns with CGC’s strategies and risk appetite. The Board receives regular updates on risk information, and periodically reviews and approves the risk management framework, policies and limits. Management Level Committees comprise senior management responsible for supporting Board committees in implementing an effective risk management framework, embedded throughout the Corporation.

## SIGNIFICANT MATERIAL RISKS OF CGC



### Legend

- |  |   |   |  |
|--|---|---|--|
| <span style="color: purple;">●</span> ALR Asset Liquidity Risk   | <span style="color: red;">●</span> DR Default Risk            | <span style="color: red;">●</span> ITR IT Risk                            | <span style="color: purple;">●</span> RepR Reputation Risk |
| <span style="color: purple;">●</span> BusR Business Risk         | <span style="color: red;">●</span> FR Fraud Risk              | <span style="color: purple;">●</span> NR Name Risk                        | <span style="color: purple;">●</span> RR Recovery Risk     |
| <span style="color: red;">●</span> CR Country Risk               | <span style="color: red;">●</span> FExR Foreign Exchange Risk | <span style="color: red;">●</span> OpR Operational Risk (excluding Fraud) | <span style="color: purple;">●</span> SR Settlement Risk   |
| <span style="color: purple;">●</span> ConR Concentration Risk    | <span style="color: red;">●</span> InvR Investment Risk       | <span style="color: purple;">●</span> OCR Opportunity Cost Risk           | <span style="color: red;">●</span> StrR Strategic Risk     |
| <span style="color: teal;">●</span> CCR Counterparty Credit Risk | <span style="color: red;">●</span> IRR Interest Rate Risk     | <span style="color: teal;">●</span> ParR Participation Risk               |  |

**➡ Default Risk**

The Corporation is exposed to this inherent risk due to its business of providing credit guarantees and financing. It is a material risk primarily due to the relatively riskier segment of MSMEs that the Corporation serves as part of its developmental and countercyclical role. In managing the default risk, risk appetite/threshold has been set according to the type of portfolio. Credit risk-related policies and procedures governing the end-to-end credit processes are established to facilitate the Corporation operating within its risk appetite.

**➡ Operational Risk**

Risk of loss due to inadequate or failed internal processes, people and systems, or from external events. The Corporation has been continuously working on initiatives to mitigate operational risk (including technology risk) that has been identified.

**➡ Opportunity Cost Risk**

Due to the large investment portfolio, which generates significant revenue, the Corporation is exposed to this risk. This is also due to the number of securities currently held to maturity. Hence, any significant increase in yield may affect the Corporation in the sense that a potentially higher yield cannot be achieved as the Corporation is locked into these positions.

**➡ Credit Concentration Risk**

Due to the business environment of MSMEs, the Corporation is exposed to micro, small and medium-sized enterprises with high variability in performance. Therefore, the Corporation is exposed to credit concentration risks at the portfolio level in various segments. However, these can be homogeneously grouped based on similar risk characteristics. Statistically derived thresholds by FI, Sectors, Constitutions and others are in place to guide business and manage concentration risk.