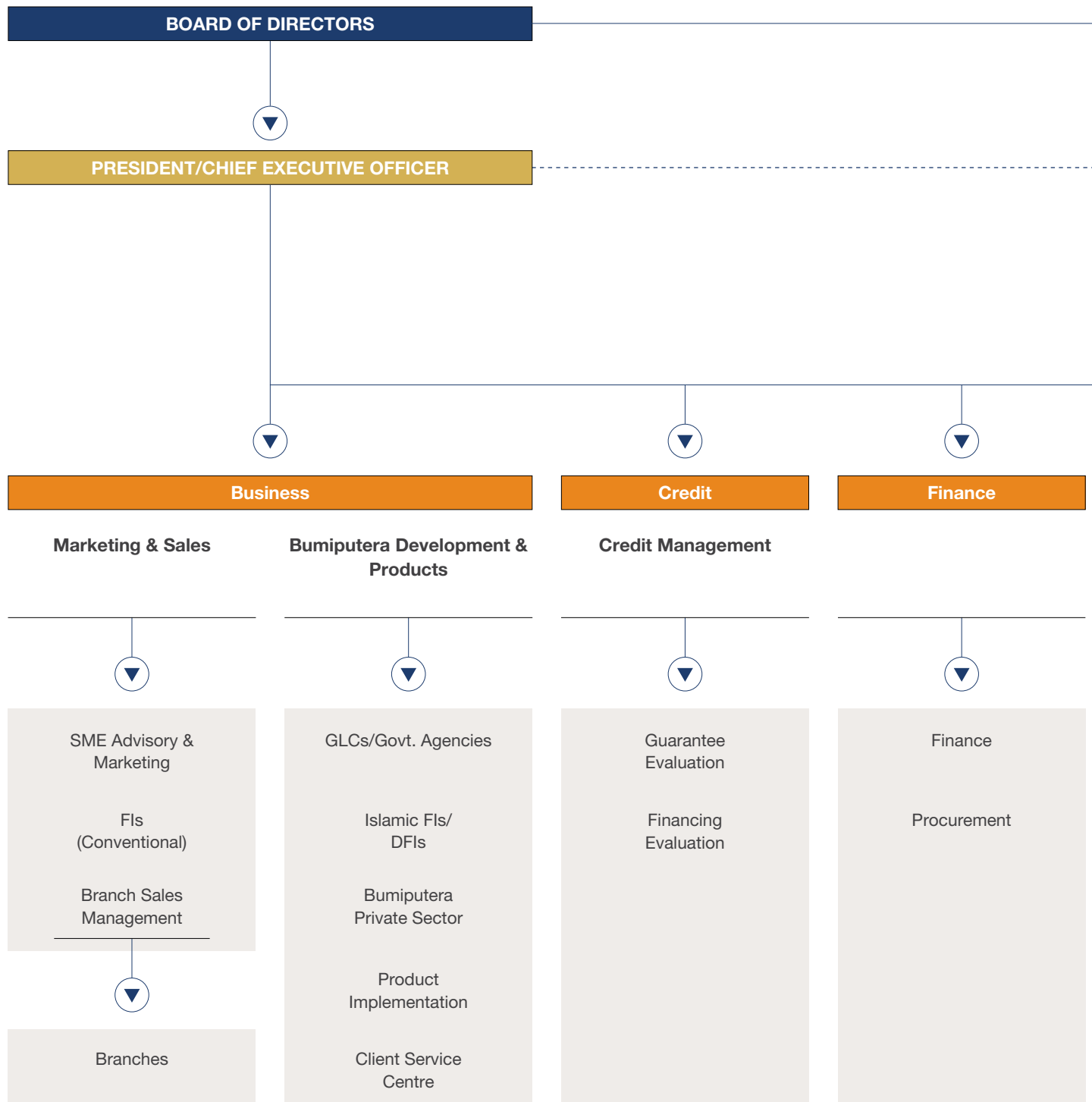
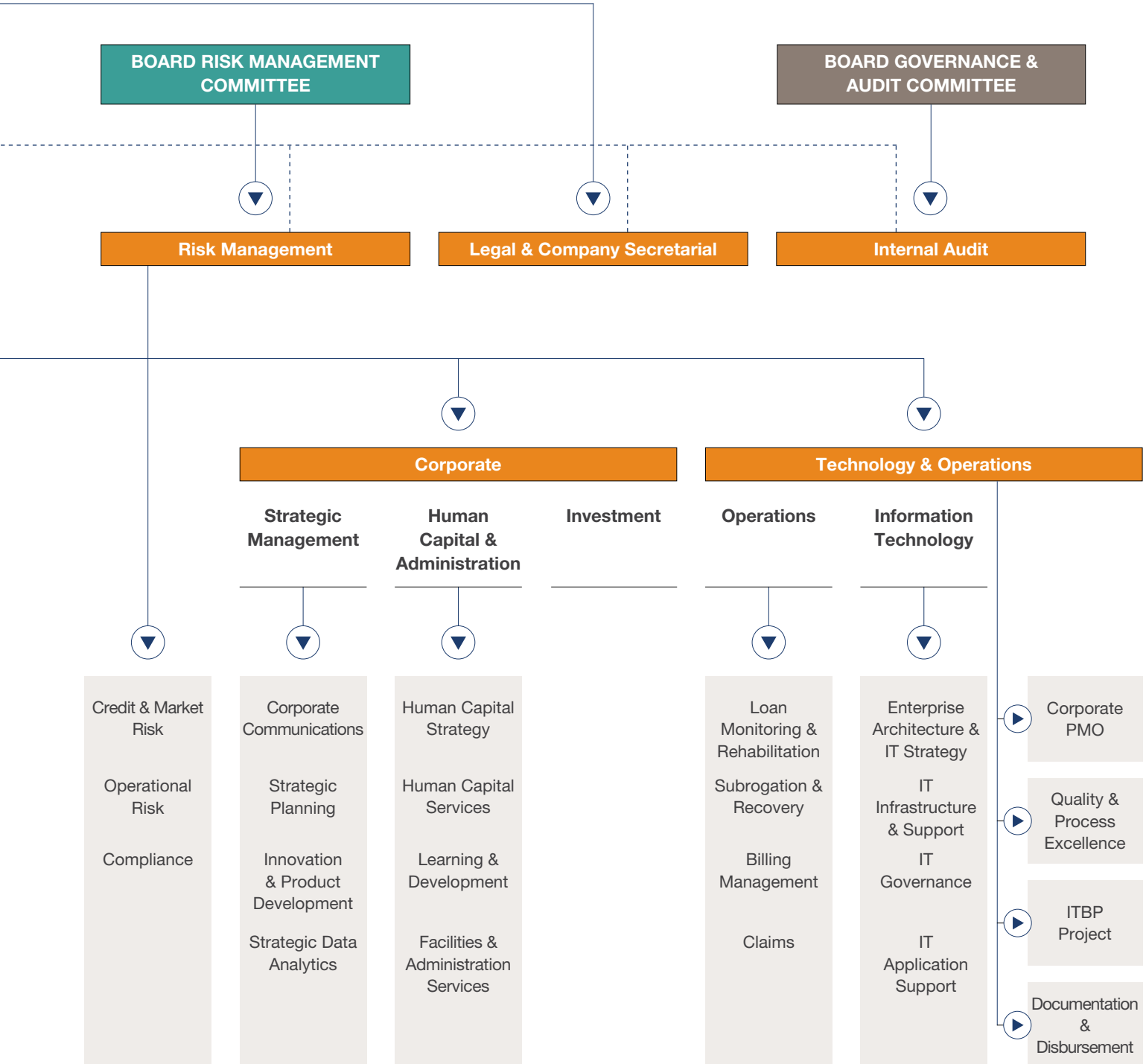


ORGANISATION STRUCTURE



ORGANISATION STRUCTURE



CORPORATE GOVERNANCE OVERVIEW STATEMENT

We continue to believe that how CGC does business is as important as what it does, and recognise the need for a strong corporate governance framework and supporting processes across CGC. Good governance, with high standards set from the top, is a key factor in delivering sustainable business performance and creating continued value for our shareholders.

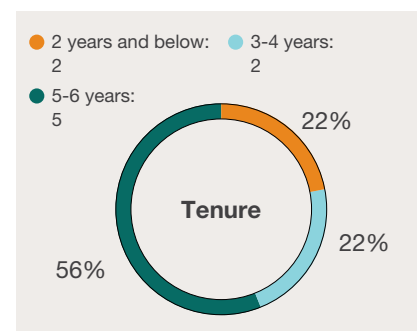
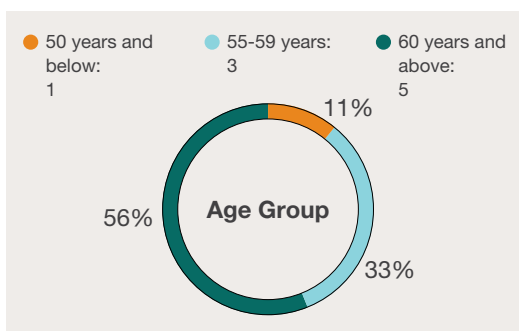
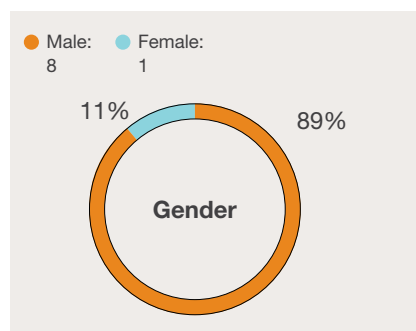
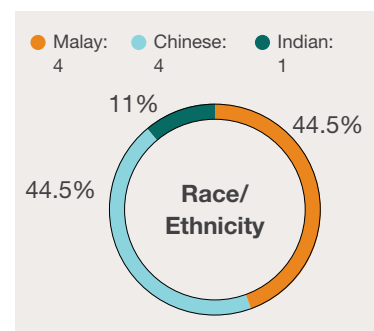
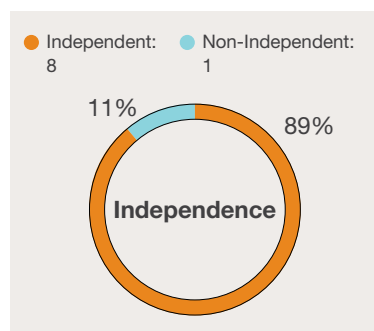
Our Board continues to manage CGC in the long term interests of stakeholders, and we remain committed in



maintaining high standards of corporate governance; we have taken guidance from the Malaysian Code on Corporate Governance (“the Code”) throughout the years to formalise our governance structures and processes.

In the following pages you will find details of how CGC approaches governance, including the operation of the Board and its Committees and an explanation of how we take guidance from the Code.

Good governance with high standards set from the top is a key factor to deliver sustainable business performance and creation of continued value for shareholders of CGC



MALYSIAN CODE ON CORPORATE GOVERNANCE 2017

The Board follows the recommendations of the Code and complies with the Companies Act, 2016. This is to ensure that the principles and best practices as set out in the Code are well understood, applied and reported to promote greater adoption of corporate governance culture within CGC.

This Statement on Corporate Governance is emphasised on the three (3) key principles outlined in the Code, which are:

Principle A	Principle B	Principle C
Board Leadership and Effectiveness	Effective Audit & Risk Management	Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

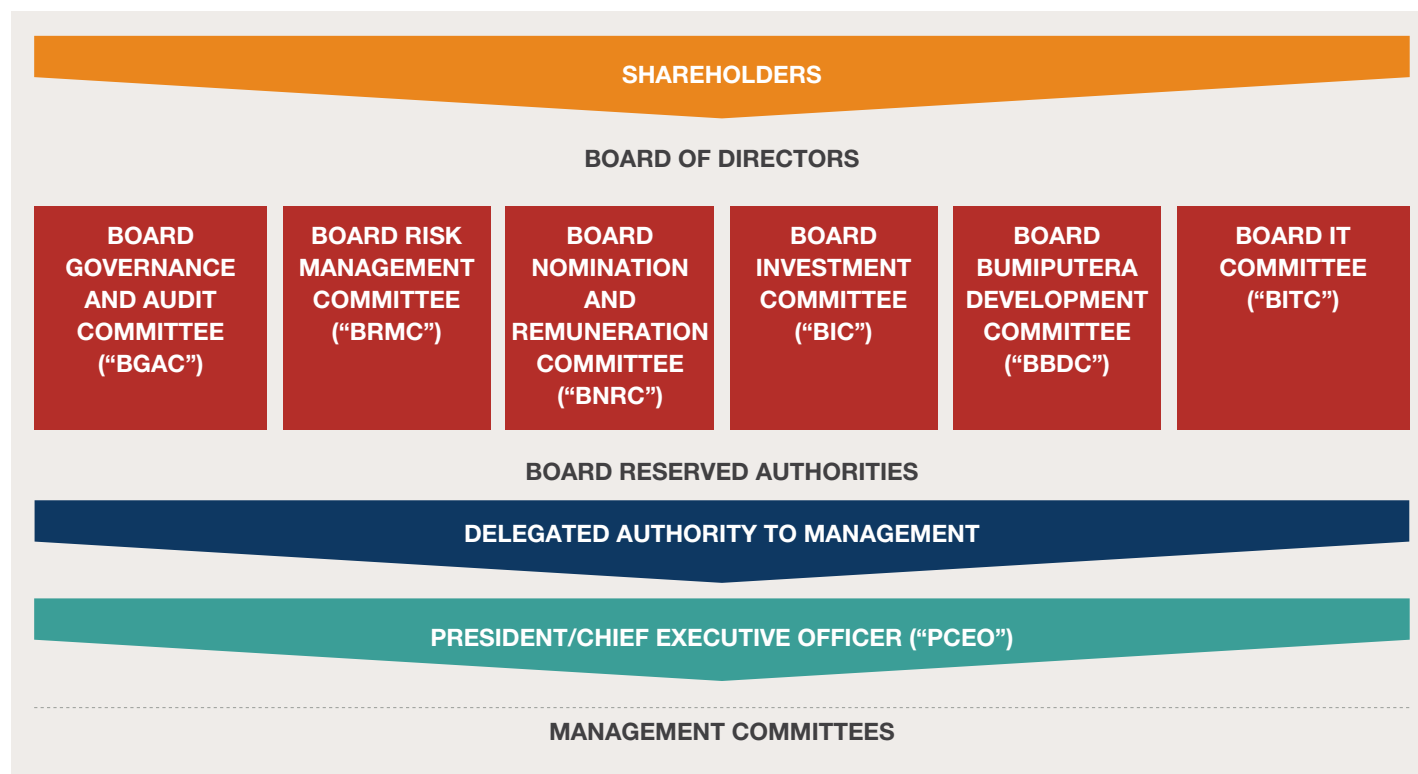
CORPORATE GOVERNANCE OVERVIEW STATEMENT BOARD LEADERSHIP & EFFECTIVENESS

ROLES & RESPONSIBILITIES

The Board is the principal decision-making body for all significant matters affecting CGC and is accountable to shareholders for creating and delivering sustainable value. These matters include debating and agreeing CGC's corporate strategy, long-term business objectives and risk appetite as well as approving its annual budget and financial statements. The Board is also responsible to uphold a strong corporate performance management approach, oversee development of CGC's human capital, promote the highest standards of corporate governance and ensure CGC has the necessary resources, processes, controls and culture in place to deliver its strategy and promote long-term growth.

A clear division of responsibilities is maintained between the roles of the Chairman and the President/Chief Executive Officer. It is the responsibility of the Chairman to lead and manage the work of the Board. Responsibility for CGC's executive leadership and day-to-day management of its business is delegated to the President/Chief Executive Officer. The President/Chief Executive Officer is supported in his role by the Management Committees.

BOARD GOVERNANCE FRAMEWORK



To ensure it maintains an appropriate level of oversight, the Board delegates certain roles and responsibilities to its six principal committees: Governance and Audit, Risk Management, Nomination and Remuneration, Investment, Bumiputera Development and IT. Membership of these committees consists of primarily Non-Executive Directors.

Each committee Chair reports back to the Board and their previous committee meetings' minutes will be tabled to the Board at its next meeting. Each committee's Terms of Reference ("TOR") is documented, agreed by the Board and available to be viewed on CGC website (www.cgc.com.my).

CORPORATE GOVERNANCE OVERVIEW STATEMENT

BOARD LEADERSHIP & EFFECTIVENESS

KEY RESPONSIBILITIES

CHAIRMAN

- Responsible for the 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

- Contribute sound judgment and objectivity and provide constructive challenge to board discussions and decision making
- Support the Chairman and Senior Management in instilling appropriate culture and values in the boardroom and throughout CGC
- Scrutinise performance of Management

PRESIDENT/CHIEF EXECUTIVE OFFICER

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

COMPANY SECRETARY

All Directors have access to the advice and services of the General Counsel & Company Secretary ("GC&CS") who is responsible for ensuring that the Board procedures and applicable rules are observed. The GC&CS, together with the Company Secretarial Section, is responsible to provide full support and appropriate guidance and compliance to the Board on policies and procedures, rules and regulation as well as best practices in corporate governance.

The GC&CS works closely with the Chairman and the Chairs of the Board Oversight Committees to set meeting agendas and ensure the 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 conflict of interest in transactions involving CGC.

CORPORATE GOVERNANCE OVERVIEW STATEMENT BOARD LEADERSHIP & EFFECTIVENESS

ATTENDANCE AT BOARD MEETINGS

Eight scheduled Board meetings were held during the year. At the Board's request, Senior Management attended certain board meetings during the year to provide updates on specific developments or proposals. Their attendance provided an additional opportunity for the Non-Executive Directors to engage directly with the executive team and challenge Management's thinking on discussion items, particularly strategic investment reviews, product development, risk management and new technologies.

The table below sets out the scheduled Board meeting attendance of the Directors who served on the board in 2018.

Name of Directors	Attendance	Name of Directors	Attendance
Dato' Agil Natt Independent Non-Executive Director (Chairman)	8/8	Dato' Ong Eng Bin Independent Non-Executive Director	7/8
Datuk David Chua Kok Tee Independent Non-Executive Director	8/8	Nadzirah Abd. Rashid Independent Non-Executive Director	8/8
Dato' Haji Syed Moheeb Syed Kamarulzaman Independent Non-Executive Director	6/8	Choong Tuck Oon Independent Non-Executive Director	8/8
Teoh Kok Lin Independent Non-Executive Director	8/8	Adnan Zaylani Mohamad Zahid ¹ Non-Independent Non-Executive Director	1/2
Suresh Menon Independent Non-Executive Director	8/8	Jessica Chew Cheng Lian ² Non-Independent Non-Executive Director	6/6

Notes:

¹ Appointed as a Director w.e.f. 18 October 2018

² Resigned as a Director w.e.f. 15 October 2018

Most of the Directors complied with the minimum attendance of at least 75% of Board meetings held in the financial period pursuant to the TOR for Board of Directors meeting. The Board has also agreed for the 75% minimum attendance requirement to be adopted for Board Oversight Committees.

CORPORATE GOVERNANCE OVERVIEW STATEMENT BOARD LEADERSHIP & EFFECTIVENESS

The table below summarises the Directors' attendance at Board Oversight Committee meetings during the year:

	Date of Appointment	Date of Resignation	BGAC (bi-monthly)	BIC (quarterly)	BRMC (quarterly)	BBDC (quarterly)	BNRC (quarterly)	BITC (quarterly)
Name of Directors	Attendance							
Dato' Agil Natt	18.06.2013	-	-	-	-	-	3/3 (Chairman)	-
Datuk David Chua Kok Tee	15.02.2013	-	-	5/5	6/6 (Chairman)	4/5	-	5/5
Dato' Haji Syed Moheeb Syed Kamarulzaman	15.01.2014	-	-	-	5/6	5/5 (Chairman)	3/3	5/5
Teoh Kok Lin	27.06.2014	-	-	5/5 (Chairman)	6/6	-	-	5/5
Suresh Menon	17.07.2014	-	6/6	4/5	6/6	-	-	-
Dato' Ong Eng Bin	14.10.2014	-	6/6	-	-	4/5	2/3	-
Nadzirah Abd. Rashid	22.10.2015	-	6/6 (Chairman)	5/5	-	5/5	3/3	-
Choong Tuck Oon	20.01.2017	-	5/6	-	-	-	-	4/5 (Chairman)
Jessica Chew Cheng Lian ¹	16.08.2017	15.10.2018	4/5	-	1/5	-	2/2	-
Adnan Zaylani Bin Mohamad Zahid ²	18.10.2018	-	1/1	-	1/1	-	1/1	-
Number of Meetings held in FY2018			6	5	6	5	3	5

Notes:

¹ Resigned as a Director w.e.f. 15 October 2018. She also ceased to be a Member of BGAC, BRMC and BNRC w.e.f. 15 October 2018

² Appointed as a Director w.e.f. 18 October 2018. He was also appointed as a Member of BGAC, BRMC and BNRC w.e.f. 18 October 2018

CORPORATE GOVERNANCE OVERVIEW STATEMENT BOARD LEADERSHIP & EFFECTIVENESS

BOARD ACTIVITIES AND DISCUSSIONS

Throughout the year, the Board considered the following:

STRATEGY	GOVERNANCE	RISK MANAGEMENT/ COMPLIANCE	TECHNOLOGY
1 imSME Strategic Framework – Journey to Marketplace	1 Revision to CGC's Constitution pursuant to Companies Act 2016	1 Review of Group Exposure and Single Counterparty Exposure Limit	1 Guarantee and Financing Origination System ("GFOS") Transformation
2 5-Year Strategic Plan Mid-term Review	2 Revised Board Charter	2 Credit Risk Policy	2 Data Centre Revamp and Relocation
3 Strategy for Micro Financing	3 Revised Terms of Reference of the Board of Directors meeting and Board Oversight Committees	3 MFRS 9 – Classification and Impairment Accounting Policy	3 imSME Performance Update and Chatbot Name
4 Enhancing MSMEs' Access to Financing via Capital Market	4 Revised Guideline on Appointment of the Board of Directors	4 Enhancement of Enterprise Risk Management and Capital Management	
5 Financing via Peer to Peer ("P2P") Platform	5 Revised Terms of Reference of Management Committee	5 Establishment of Corporation Level Risk Appetite Statement	
6 TPUB-i Beyond 2019			
7 2019 Budget & 2020-2023 Financial Projections			

BOARD COMPOSITION

The composition of the Board and its Oversight Committees is regularly reviewed to ensure there is right mix of skills, experience and knowledge of CGC to enable Board members to perform their roles effectively.

The Directors are selected based on their individual merits and experience. The current Board composition consists of individuals of diverse backgrounds with skills, knowledge, experience and expertise in the investment and banking, credit analysis and rating, business management, insurance, administration, finance, accounting, information technology, consulting as well as asset management.

The current Board composition is considered to be a well-balanced group and of an appropriate size, which is very essential to ensure diversity of views and constructive deliberation and decision making to achieve effective stewardship and management.

The Board is certain that the existing appointment process for selecting new Board members is adequate as it takes into consideration the required skills-set, industry experience, competency and knowledge of the individual candidate, in addition to the candidate's age and gender.

Whilst the policy of having a 30% representation of women Directors has yet to be formally adopted, the Board has agreed for initiatives to improve the number of female directors' representation on the Board, based on pre-determined skill sets and competencies.

CORPORATE GOVERNANCE OVERVIEW STATEMENT BOARD LEADERSHIP & EFFECTIVENESS

TERMS OF APPOINTMENT OF THE NON-EXECUTIVE DIRECTORS

CGC is committed to a high level of corporate governance and fostering a culture that values ethical behaviour, integrity and respect. Based on this spirit, CGC developed a formal and transparent procedure for the new appointment and re-appointment of a Director on the Board of CGC.

The qualification criterion for the appointment of Director shall be governed by the Companies Act 2016, CGC's Constitution and the criteria set under CGC's Guideline on Appointment of the Board of Directors.

The current sourcing method for a new director is via professional network or referrals from existing Directors. For future recruitment of directors, CGC shall utilise independent resources to identify suitably qualified candidates from a wider talent pool.

BNRC shall be responsible to first assess the candidate(s) for directorship and Board Oversight Committees' memberships before they are recommended to the Board for approval. As part of the initial screening and selection process, the BNRC shall take into consideration the following criteria with respect to assessment of fitness and propriety of a candidate:

- a) Probity, personal integrity and reputation;
- b) Competency and capability; and
- c) Financial integrity

During the financial year 2018, none of the Independent Director had served on the Board for a cumulative term of more than nine (9) years from the date of his/her first appointment. This is in line with CGC's Board Charter which limits an Independent Director's tenure of service to a maximum of three (3) terms of three (3) years each term or nine (9) years in total.

In the event that the service of an Independent Director is to be further extended, the same shall be subjected to the Board's recommendation and shareholders' approval respectively. If the Board continues to retain the Independent Director after the twelfth year, the Board should seek annual Shareholders' approval through a two-tier voting process.

RE-ELECTION OF DIRECTORS

The Directors recommended to be re-elected at the AGM are subject to prior assessment by the BNRC and the retiring Directors are required to give their consent on their re-election. In assessing the retiring candidates, the BNRC takes into consideration their contribution, competencies, commitment, personality and performance based on BNM's Fit and Proper Criteria, which includes background screening and verification by an independent agent and the GC&CS. BNRC's recommendations are thereafter submitted to the Board for endorsement and shareholders for approval.

In accordance to 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 Annual General Meeting ("AGM"). Article 76B of CGC's Constitution provides that Directors to retire shall be the Directors 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.

The following are the Directors representing one-third and have served the longest in office since their last election, whom shall retire by rotation at the forthcoming AGM. They are recommended for re-election by the BNRC and Board, and have given their consent to be re-elected as Directors:

- i. Dato' Agil Natt;
- ii. Teoh Kok Lin; and
- iii. Choong Tuck Oon

CORPORATE GOVERNANCE OVERVIEW STATEMENT BOARD LEADERSHIP & EFFECTIVENESS

Article 77 of CGC's Constitution states that the Directors shall have power at any time 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) so appointed shall hold office until the next following AGM. Adnan Zaylani Mohamad Zahid was appointed as a Director on 18 October 2018, after the 45th AGM which was held on 25 June 2018. Therefore, he will be due for retirement but eligible for re-election at the forthcoming AGM pursuant to the aforementioned Article. He is recommended for re-election by the BNRC and Board, and has given his consent to be re-elected as a Director.

TIME COMMITMENT

In order to effectively discharge their responsibilities, the Non-Executive Directors must commit sufficient time to their role. The Chairman has confirmed that, in his view, each Non-Executive Director continued to demonstrate commitment to their role during the year.

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

In addition to the time spent preparing for and attending Board and Board Oversight Committee meetings, the Chairman and the Non-Executive Directors allocated sufficient time during the year to further their understanding of CGC. This included briefing meetings with Senior Management as well as regular training sessions to ensure ongoing business awareness. Receptions were also held at venues where the Board met so that all staff had an opportunity to meet Board members.

REMUNERATION FRAMEWORK

CGC's remuneration framework considers the following factors before proposing a revision:

Benchmark of CGC's financial performance and remuneration against peers within the industry	Achievement of CGC's initiatives	Remuneration report by professional bodies i.e. KPMG and FIDE Forum on Directors remuneration
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DIRECTORS' REMUNERATION

	Directors' Fees (RM'000)	Meeting Allowance (RM'000)	Benefit-in-Kind (RM'000)	Total (RM'000)
Non-Executive Directors:				
Dato' Agil Natt	163	42	60	265
Datuk David Chua Kok Tee	66	88	3	157
Dato' Haji Syed Moheeb Syed Kamarulzaman	66	77	3	146
Teoh Kok Lin	66	73	3	142
Suresh Menon	66	70	3	139
Dato' Ong Eng Bin	66	52	3	121
Nadzirah Abd. Rashid	66	83	3	152
Choong Tuck Oon	66	53	3	122
Jessica Chew Cheng Lian ¹	47	26	-	73
Adnan Zaylani Mohamad Zahid ²	12	8	-	20
Total	684	572	81	1,337

Notes:

¹ Resigned as a Director w.e.f. 15 October 2018

² Appointed as a Director w.e.f. 18 October 2018

CORPORATE GOVERNANCE OVERVIEW STATEMENT BOARD LEADERSHIP & EFFECTIVENESS

PERFORMANCE EVALUATIONS

Directors Peer Evaluation and Management Evaluation on Board for year 2018 were conducted internally in early 2019 in view of measuring the overall performance of the Board from the perspective of individual directors and senior management.

Directors Peer Evaluation focused on two (2) sections namely on contribution & performance and calibre & personality of Directors meanwhile Management Evaluation on Board emphasised on strategic thinking, effectiveness in discharging oversight role, industry/technical knowledge, practising good corporate governance and quality of deliberation and decision-making process. The assessments results revealed that the Board had carried out its duties well and amicably in overall areas rated as 'Satisfactory' for Directors Peer Evaluation and 'Agree' for Management Evaluation on Board.

An external facilitator conducted a review on CGC's corporate governance effectiveness in year 2016, which mainly covered Board Effectiveness Assessment and Individual Directors' Evaluation. Based on the assessment report, MINDA recommended nine (9) action items/areas to be improved. These items were tracked at Board level and Management completed all the action items in 2018.

BOARD INDUCTION AND TRAINING

Based on their background, knowledge and skills, all new directors received a comprehensive and tailored induction following their appointment to the Board. Through a combination of office visits, technical briefings and introductory meetings, the CGC Board Induction Programme is designed to broaden Directors' understanding of CGC's business operations, strategic priorities, people, culture and clients.

The Board is responsible for ensuring that all Directors receive ongoing training and development to enhance their roles as Board members. The Non-Executive Directors engage fully in this process. Throughout the year, the Directors received strategic business and technology updates and detailed briefings on corporate governance, regulatory and legislative developments. The list of which can be seen in the next page.



CORPORATE GOVERNANCE OVERVIEW STATEMENT BOARD LEADERSHIP & EFFECTIVENESS

LIST OF TRAINING ATTENDED

Financial Industry

1. Bank Negara Malaysia ("BNM") Financial Stability Conference – "Re-envisioning Financial Stability – The Path Forward"
2. Forum on Performance Measurement for DFIs – "DFIs of the Future: Maximising Development Impact" – World Bank and BNM
3. BNM – Transformasi Nasional 2050 (TN50), Dialogue Session for the Finance Cluster
4. World Capital Markets Symposium – Securities Commission Malaysia
5. Invest Malaysia 2018 – Bursa Malaysia and Malayan Banking Berhad (Maybank)
6. Blockchain in Financial Services Industry by IBM – Financial Institution Directors' Education ("FIDE")
7. The 4th Industrial Revolution and its Impact on the Asean Insurance Industry – 3rd Asean Insurance Summit 2018
8. Global Islamic Finance Forum – Value Based Intermediation: Beyond Profit
9. Market Conduct Regulation and Compliance in Thailand – ASEAN Insurance Training and Research Institute ("AITRI")
10. CPA Congress 2018 – Connecting the Biggest Minds
11. Insurance Core Principles Conference in Philippines – AITRI
12. 2018 International Claims Convention – Malaysian Insurance Institute ("MII")
13. Liability Insurance Seminar – MII
14. Microinsurance Workshop – MII
15. Bank of Singapore Global Outlook 2018 – Sailing on the Winds of Change
16. DBS Sector Focus: Finance & Digital Banking
17. Philippines Investment Forum 2018
18. Nomura Investment Forum Asia 2018
19. Nomura Chinese Investor Forum 2018

Leadership

1. Win the Innovation Race: Unlocking the Creative Power of Asians by Professor Roy Chua – FIDE
2. Leading Leaders Immersion Experience – FIDE
3. FIDE FORUM Dinner Talk – The Director as Coach: An exclusive dialogue with Dr Marshall Goldsmith and Launch of FIDE FORUM's DNA of a Board Leader
4. Leadership Energy Summit Asia – The Iclif Leadership and Governance Centre ("ICLIF")
5. Asean Board of Directors Programme – Malaysian Alliance of Corporate Directors

CORPORATE GOVERNANCE OVERVIEW STATEMENT BOARD LEADERSHIP & EFFECTIVENESS

LIST OF TRAINING ATTENDED

Communication

1. Creating Catalytic Conversations Workshop – ICLIF
2. Panel Speaker at the Belt & Road Initiative Talk & Network – British Malaysia Chamber of Commerce

Risk Management

1. BNM-FIDE Forum Dialogue: Managing Cyber Risks in Financial Institutions
2. Anti-Money Laundering and Anti-Terrorism Financing Training

Governance

1. Pathway to a Governance Practitioner Programme – Malaysian Institute Corporate Governance (“MICG”)
2. Panel Speaker at the Business Integrity & Anti Corruption – Asean CSR Fellowship Programme

Technology

1. Silverlake Conference – Digital Collaboration & Transformation
2. Fujitsu Asia Conference Kuala Lumpur – Human Centric Digital Co-creation
3. Industry 4.0 How Disruptive Technology Affects Business Globally – Arshad Ayub Graduate Business School
4. Blockchain Presentation for BITC members – Cornerstone Tech
5. Singapore Fintech Festival 2018

Others

1. International Social Security Conference 2018 – Employees Provident Fund (“EPF”)
2. Khazanah Megatrends Forum 2018
3. ISIS International Affairs Forum on “60 years of Malaysia – Indonesia Economic Ties – The Way Forward” by ISIS Malaysia
4. AsiaGlobal Dialogue 2018 : Redefining Multilateralism in a new Global Economy
5. Malaysia: A New Dawn Conference

CORPORATE GOVERNANCE OVERVIEW STATEMENT BOARD LEADERSHIP & EFFECTIVENESS

BOARD OVERSIGHT COMMITTEES

Under the Board Charter, the Board delegates certain responsibilities to its respective Board Oversight Committees to assist in carrying out its function of ensuring independent oversight. This allows the Board to spend additional and focused time deliberating on specific and pertinent issues. The Board Oversight Committees operate principally in a review or advisory capacity, except in cases where powers and authorisation are specifically conferred on a Committee by the Board. The Board currently has six (6) principal Board Committees, each of which is governed by clearly defined TORs, which are reviewed from time to time, as the need arises to ensure they remain relevant and up-to-date. Brief descriptions of the Board Oversight Committees established by the Board are as follows:

- | | |
|---------|--|
| a) BGAC | - To establish cost effective controls, assessing risks, review the financial condition of CGC, its internal controls, information system, performance and findings of internal and external auditors and to recommend appropriate remedial action. |
| b) BRMC | - To assist the Board to deliberate on CGC's risk management practices, ensure effectiveness of identification, measurement, monitoring and control of risks, as well as compliance with applicable laws, regulations and guidelines for good corporate governance. |
| c) BIC | - To review investment objectives, strategies, policies and guidelines and provide strategic directions governing investment activities of CGC. |
| d) BNRC | - To assist the Board on the following: <ul style="list-style-type: none"> (i) Appointment and remuneration of Directors and Chief Executive Officer and/or Executive Director (if any) as well as assessment of effectiveness of individual Directors, Board, Board Oversight Committees and assessment on the performance of Chief Executive Officers and/or Executive Directors (if any) and Senior Management Officers; and (ii) CGC's key policies, strategies and practices on human resources, management succession plans, performance and reward system, business conduct and ethical behaviour of the employees. |
| e) BBDC | - To provide strategic guidance and direction with regard to overall development of Bumiputera MSMEs under CGC's various programmes. |
| f) BITC | - To assist the Board in overall IT strategy and governance. |

EXTERNAL ADVICE

Where appropriate, the Directors may obtain independent professional advice in respect of their duties to the Board and its committees at CGC's expense. No Directors sought external advice during the year under review.

DIRECTOR'S CONFLICT OF INTEREST

The Board has procedures in place for the disclosure of conflicts of interest. The Directors are aware of their responsibility to avoid an actual or potential conflict of interest and required to inform the Chairman and the GC&CS of any change in their situation. A procedure is in place for the Board to authorise conflict situations should they arise, in accordance with the Companies Act 2016 and Board Charter.

SUPPLY AND ACCESS TO INFORMATION

The Board is supplied with and have full and unrestricted access to information pertaining to CGC's business and affairs to enable them to discharge their duties effectively.

All scheduled meetings are preceded by a formal agenda issued by the GC&CS in consultation with the Chairman and PCEO. Prior to meetings, appropriate document which include the agenda and reports relevant to the issues of the meetings are circulated to the Board Members. All Directors have full and timely access to information with Board papers distributed in advance of meetings. This ensures that the Board Members have sufficient time to appreciate issues deliberated at meetings which in turn enhances the decision making process.

CORPORATE GOVERNANCE OVERVIEW STATEMENT EFFECTIVE AUDIT AND RISK MANAGEMENT

AUDIT COMMITTEE

The Board has in place BGAC that comprises 5 members, majority of whom are Independent Non-Executive Directors. The BGAC is chaired by Nadzirah Abd. Rashid, an Independent Non-Executive Director.

The Board is satisfied that at least one member of BGAC has relevant financial experience and that all members bring extensive expertise to the committee. BGAC as a whole is deemed to be competent in the sectors in which CGC operates.

BGAC is responsible for the effective governance of CGC's financial reporting, including adequacy of financial disclosures and both external and internal audit functions.

BGAC has the authority to audit and conduct investigations into any organisational entity within CGC, as well as those mandated under contract or any matters within its TOR.

Further information on BGAC including internal audit functions can be found under the BGAC report on pages 145 to 147 of this Annual Report.

RISK MANAGEMENT & INTERNAL CONTROL FRAMEWORK

The Board of Directors takes heed of the importance of corporate governance and strives to instill an effective structure through risk management processes to meet its obligations towards customers, shareholders and other stakeholders. As risk is evolving and present in all our activities, the Board continuously reviews CGC's policies, procedures and processes to enable CGC to function effectively.

The Board determines CGC's overall risk appetite and level of risk tolerance to achieve its strategic objectives, while considering a longer-term view on CGC's ability to meet its obligations.

There is a comprehensive system in place for financial reporting and the Board receives a number of reports to enable it to carry out these functions in the most efficient manner. These

procedures include the preparation of management accounts, forecast variance analysis and other ad hoc reports. There are clearly defined authority limits throughout CGC, including those matters which are reserved specifically for the Board. The Board has established a continuous process for identifying, assessing, evaluating and managing material risks CGC faces and for determining the nature and extent of the material risks, it is willing to take in achieving its strategic objectives.

The Board regularly reviews the process, which has been in place from the start of the year to the date of approval of this report and which is in accordance with guidance on internal control. The Board is also responsible for CGC's system of internal control and for reviewing its effectiveness. Such a system is 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. The Board regularly reviews effectiveness of CGC's risk management and internal control systems.

The Board's monitoring covers all controls, including financial, operational and compliance controls and risk management. It is based principally on reviewing reports from Management to consider whether significant risks are identified, managed and controlled properly. The Board also ensures significant weaknesses are promptly remedied and indicates a need for more extensive monitoring. The BGAC assists the Board in discharging its review responsibilities.

A formal material risk assessment exercise has been carried out resulting in CGC's risk profile which summarises the key material risks, its potential impact and the mitigation plans.

More on our Risks Management and Frameworks can be found in our Statement on Risk Management and Internal Controls on pages 148 to 152.

During the course of its review of the risk management and internal control systems, the Board has not identified, nor been advised of any failings or weaknesses which it has determined to be significant, consistent with the prior year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

RELATIONSHIP WITH STAKEHOLDERS

In fulfilling our role and objectives as a development financial institution, CGC deals with a wide range of stakeholders. CGC recognises the importance of maintaining transparency and accountability while managing a successful and productive relationship with CGC stakeholders.

RELATIONSHIP WITH EMPLOYEES

CGC continues to engage and appreciate employees through its various employee engagement activities. CGC's Core Values, T.H.I.N.K. Teamwork – Hardworking – Integrity – Nurturing – Knowledgeable continue to play a role in shaping the employee engagement activities organised in 2018.

Among the activities organised were

- Town Hall
- Mega Career and Study Fair
- Graduan Aspire Career Fair
- Appreciation Day
- imSME Brownbag Session
- CGC Annual Dinner
- Corporate Responsibility Initiatives

Besides the Quarterly Town Hall to keep employees informed of recent happenings and sharing of updates on organisational performance, the Breakfast Session with PCEO and Senior Management was introduced in 2018. These sessions provided a platform for a face-to-face engagement and interaction between the Management team and groups of staff between 15 and 20 staff at any one time. Employees were given the opportunity to share their feedback and comments on topics ranging from organisational to employee-related updates.

In addition, CGC established strong employee relations through Learning and Development training. As the business environment demands more and more of enhanced learning experiences to support and drive business performances, the Human Capital team has developed an innovative strategy to integrate the Digital Learning Experience with the traditional Face to Face Learning which is known as the 'Blended Learning' solution. With this approach, the learners are engaged and drive their own learning experiences. E-learning modules are also in progress to promote continuous learning and development between employees aiming towards high performance culture.

A corporate-wide Change Management programme titled 'Change Starts with Me' has been successfully organised to transform mind-set and behaviours and minimise resistance to change. The programme has helped staff to improve morale, productivity and quality of work which was translated in the upward shift of the overall Corporation Competency Index.

RELATIONSHIP WITH CUSTOMERS

Client Services Centre (CSC) and CGC Branches engage with the customers through various channels such as:

- walk-in to the branches
- phone calls
- social media
- email
- imSME Chatbot

Our customers' feedback helps us in serving them better. CGC strives to provide timely response to all customer feedback. Customer feedback will be acknowledged within three (3) working days and a decision will be communicated within 14 working days from the date of receipt of the feedback.

CSC maintains excellent customer service experience whereby 99.99% of the 17,179 inquiries received in 2018 via various channels were resolved within CSC's charter. CSC's role was expanded in 2018 to support clients' traffic from the imSME, which role included the following:

- Answering queries, resolving issues and providing advisory services to customers via various channel (call, email, etc.).
- Performing outbound calls to imSME customers to complete their journey in the imSME platform and process flow under the JAccess system.

In addition, CGC branches organise networking activities such as workshops and briefings to consistently engage with customers. The branches also participate in external conference, carnivals, pocket talks and seminars where as part of their participation they also set-up booths to entertain potential customers' queries in regards to CGC and its products and services.

CORPORATE GOVERNANCE OVERVIEW STATEMENT INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS



Interested customers can reach out to CSC officers via Hotline 03-78800088, email csc@cgc.com.my or write at:

Client Service Centre
Credit Guarantee Corporation Malaysia Berhad
Level 2, Bangunan CGC
Kelana Business Centre
97, Jalan SS 7/2
47301 Petaling Jaya
Selangor

RELATIONSHIP WITH SHAREHOLDERS

The AGM is the principal forum for dialogue with all shareholders. At each AGM, the Board takes pleasure in presenting the progress and performance of CGC's business. The Board values dialogue with shareholders and appreciates the keen interest of shareholders in CGC's performance. Shareholders are encouraged to participate in the Question and Answer (Q&A) session on the proposed resolutions or CGC's operations in general. The Board Members as well as External Auditors of CGC are also present to respond to the shareholders' enquiries raised during the meeting.

The publication of the Annual Report and CGC's website, www.cgc.com.my represent other channels of communication made available to shareholders to ensure that they have convenient and easy access to vital information on CGC's financial performance and major initiatives for the year.

RELATIONSHIP WITH SUPPLIERS

Summary on Facilities and Administration Services' (FAS) practice and policy when engaging an external vendor:

1. Request for Information (RFI)
2. Request for Quotation (RFQ), minimum 3 quotations
3. Preparation of business case paper for approval (based on Approving Authority Matrix)
4. Issued Letter of Authorisation (LOA) & agreement

CONTACT WITH OUR SHAREHOLDERS

Annual General Meeting

Shareholders are notified of the AGM and provided with a copy of CGC's Annual Report before the meeting. The Notice of the AGM is circulated at least twenty-eight (28) days before the date of the meeting to enable shareholders sufficient time to peruse the Annual Report and papers supporting the resolutions proposed.

Once the meeting date has been fixed, Directors would commit themselves to attend the AGM as scheduled and approved in advance by the Board, save for unforeseeable reasons that are beyond their control.

BOARD GOVERNANCE AND AUDIT COMMITTEE REPORT

COMMITTEE MEMBERSHIP

The following table shows the committee membership during the year:

COMMITTEE MEMBERS

Nadzirah Abd. Rashid

Suresh Menon

Dato' Ong Eng Bin

Choong Tuck Oon

Jessica Chew Cheng Lian
(Resigned w.e.f. 15 October 2018)

Adnan Zaylani Bin Mohamad Zahid
(Appointed 18 October 2018)

The Board Governance and Audit Committee (BGAC) members consist of a majority of independent non-executive directors and is chaired by Puan Nadzirah Abd. Rashid.

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

The table on page 134 sets out the directors who served the BGAC during the year and their meeting attendance.

The BGAC have the resources required to discharge its function effectively.

It has the authority to obtain independent professional advice to help them discharge its oversight responsibilities. It also has the authority to direct the Internal Audit Function to conduct audits and investigations on any entities within CGC or on any matters within its Terms of Reference.

ROLE AND RESPONSIBILITIES

The BGAC assists the Board in its oversight role in respect of CGC's financial reporting, business governance, risk management and internal control system. The BGAC's roles and responsibilities are defined in the BGAC Terms of Reference which was approved by the Board.

PRINCIPAL ACTIVITIES

The BGAC's principal activities during the year were performing oversight responsibilities in relation to internal audit, external audit and financial reporting.

INTERNAL AUDIT

- a) Approved the Internal Audit Plan and the Internal Audit Function expenses budget in January 2018. The BGAC also reviewed the risk-based audit plan methodology used by the Internal Audit Function in preparing the Internal Audit Plan and the adequacy of the Internal Audit Function resources to implement the Audit Plan. Mid-year review of the Audit Plan was conducted on 20 July 2018.
- b) Approved the KPIs for Chief Internal Auditor (CIA) on 26 January 2018 and evaluated the CIA's 2018 performance on 28 February 2019.
- c) Approved the revised Audit Compliance Committee's (ACC) Terms of Reference on 24 September 2018. ACC is a BGAC delegated committee established to assist the BGAC in ensuring the effectiveness of management actions in addressing key business governance, risk management and internal control weaknesses.
- d) Deliberated the audit reports, audit recommendations and Management's responses.
- e) Deliberated the investigation reports and directed the Management to implement or strengthen controls to prevent recurrence.
- f) Reviewed the progress of MFRS 9 implementation on a quarterly basis until final policy endorsement on 10 April 2018.
- g) Reviewed the updates on Audit Compliance Committee (ACC) meetings and deliberated on actions taken by the Management to ensure the business governance, risk management and control lapses are addressed and resolved promptly.

BOARD GOVERNANCE AND AUDIT COMMITTEE REPORT

EXTERNAL AUDIT

- a) Reviewed and approved the External Auditor's Audit Plan and scope of work on 24 September 2018.
- b) Held a meeting on 08 April 2019 with the External Auditor to review the audit results and areas of concerns identified.
- c) Met the External Auditor without the presence of the Management on 8 April 2019 to discuss relevant issues and to obtain feedback for improvements.
- d) Reviewed and recommended for Board's approval the audit fees and provision of non-audit services by the External Auditor in accordance with the established procedures. The review of non-audit services was to ensure that the provision of such services does not impair the External Auditor's objectivity or judgement.
- e) Completed the annual assessment of the External Auditor covering performance, independence and objectivity, prior to recommendation to the Board on its re-appointment.

FINANCIAL REPORTING

Reviewed the audited financial statements of CGC to ensure that the financial reporting and disclosure requirements are in compliance with the accounting standards, with special focus on the changes in accounting policy, as well as significant and unusual activities or transactions.

INTERNAL AUDIT DEPARTMENT

The Internal Audit Department ("IAD") helps CGC accomplish its goals by bringing an objective and disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes. IAD serves as an important source of advice for the BGAC on these three areas.

IAD establishes an Annual Internal Audit Plan based on discussions with the Management and the BGAC. The Annual Internal Audit Plan was established taking into consideration the risks inherent in CGC's activities.

During the year under review, the BGAC approved the appointment of the new Chief Internal Auditor, Encik Fakrul Azmi Mohamed. Encik Fakrul Azmi joined CGC on 2 October, 2018 and brings with him a wealth of knowledge in governance, risk management and internal controls. He is a Certified Internal Auditor as well as a Chartered Management Accountant. He reports directly to the BGAC to ensure the internal audit function is independent from the Management and thus able to perform its activities objectively.

During the year under review, IAD comprised 26 staff, which was sufficient to carry out audits on high risk areas on a yearly basis.

In evaluating the effectiveness of risk management, controls and governance, IAD adopts the COSO integrated internal control framework. COSO is internationally recognised as providing thought leadership and guidance on internal control, enterprise risk management and fraud deterrence.

In carrying out their duties, IAD has unrestricted access to information required in the course of its work. Its activities are carried out in accordance with the standards and guidelines established by the Institute of Internal Auditors (IIA) and the relevant regulatory guidelines issued by Bank Negara Malaysia.

IAD's activities are regularly reported to the BGAC. IAD presented the internal audit and investigation reports 6 times in 2018. The audit and investigation reports highlighted gaps in the governance, risk management and controls and provided recommendations for improvement.

BOARD GOVERNANCE AND AUDIT COMMITTEE REPORT

SUMMARY OF INTERNAL AUDIT ACTIVITIES DURING THE YEAR

- a) Carried out audits and investigations and issued 43 reports during the year. The scope of audits included business and support units, including IT operations.
- b) Performed various ad hoc compliance and validation reviews requested by the regulator, the Management and the BGAC. 11 reviews were conducted in 2018.
- c) Presented audit reports, investigation reports and ad-hoc review reports to the BGAC.
- d) Monitored and followed up on the implementation of corrective actions by the Management and reported status of outstanding audit findings in every ACC and BGAC meetings.
- e) Participated in the Business Continuity Management and IT Disaster Recovery exercises to gauge and assess the readiness of the businesses/ systems to resume/recover (in the event of disaster) within the agreed timeline.
- f) Witnessed the tender opening process for procurement of services or assets to ensure the tendering process are conducted in a fair, transparent and consistent manner.

RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

OUR APPROACH

The Board is committed to maintain sound risk management and internal control system for CGC and continuously reviews the adequacy and effectiveness of the system. The Management is responsible to assist the Board in the implementation of policies and procedures, governance structure and processes for identifying, evaluating, monitoring, managing and reporting of significant risks and adequacy of the internal controls to achieve its strategic objectives.

CGC is exposed to key risks which include strategic, business, credit, market, liquidity, financial, operational (including cyber risk and legal), compliance and reputational risks. We have put in place an Enterprise Risk Management framework that articulates risk appetite, capital management and details the drill down of the same into a risk tolerance and limits for various risk categories. The risk governance structure ensures oversight and accountability, continuous monitoring for vulnerability mapping and an integrated evaluation for effective risk management.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The risk management and internal control system is embedded into all 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 risks. 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 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. CGC has Internal Audit and Compliance functions that are responsible for independently evaluating the adequacy of all internal controls and ensuring Business Lines adhere to internal processes and procedures as well as to regulatory and legal requirements reasonably.

Principles	Description
Risk Strategy	Our risk management strategy addresses scope of the risk management effort, methods and tools used for risk assessments, risk analysis, risk mitigation, risk monitoring and communication of risk information, and setting of risk appetite and tolerance parameters, comprising risk matrix with equitable thresholds to identify risk mitigations techniques on identified risks.
Risk Governance	We have a well-established risk governance structure with an active and engaged Board, supported with three lines of defense model. A proper governance provides the direction and structures required to make well-informed decision to meet strategic objectives.
Risk Culture	The risk culture at CGC is supported through "Tone from the Top" with a clear and consistent communication from the Board on the risk behavior expectations, embedded throughout the organisation. Risk culture is continuously reinforced through mandatory and customised training for all employees.
Risk Management Policies and Procedures	Our effective risk management provides policies, procedures and processes that enable CGC to function effectively in a changing environment. It is a process of identifying and assessing risks that may affect the ability to achieve objectives, besides determining risk response strategies and controls with the implementation of risk management framework, policies, guidelines and processes in line with the risk appetite.
Adherence to Compliance Standards	Reasonable adherence to compliance standards on internal and external requirements that enables CGC to operate in accordance with strategic objectives and meeting stakeholder commitments.

RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

CGC RISK MANAGEMENT FRAMEWORK

The primary goals of risk management framework are to ensure that the outcomes of risk-taking activities are consistent with our strategies and risk appetite, and that there is an appropriate balance between risk and reward in order to maximise MSMEs and shareholders' 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 and is a top-down process consisting of specific quantitative and qualitative factors and provides an enforceable risk statement on the amount of risk 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.

Capital	Liquidity	Financial Risk	Non Financial Risk	Business-Related Risks
Guarantee Reserve Ratio Capital Adequacy Ratio	Liquidity Gap	Credit Risk Market Risk	Operational Risk Internal Control and Compliance	Earning Reputation Strategy

Capital Management

Capital Management is integrated into governance processes and 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 developed a sound Capital Management Framework to measure and monitor its available capital and assess its adequacy. The framework outlines the requirements to allocate sufficient capital to support its operations and is able to perform mandated roles at all times and to withstand potential business and operational shocks.

Material Risk Assessment

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

Stress Testing

Stress Testing is a key element of the capital adequacy and an integral tool in the risk management framework as it provides management a better understanding of how we operate under adverse economic conditions. CGC periodically conducts stress testing to estimate risk exposures under a severe and plausible scenario and 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.

Authority Limit

CGC Approving Authority Limit (AAM) with clear lines of accountability and responsibility serves as a tool of reference to identify the appropriate approving authority at various levels of management including matters that require the Board's approval. A full review of AAM is undertaken annually and realignment of AAM is performed to cater changes in the organisational structure to ensure effective decision-making.

RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

Compliance Framework

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

Anti-Bribery and Corruption Policy

CGC is committed to conduct business in accordance with the 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 corruption programme to prevent, deter, and monitor bribery and corruption in our business activities.

RISK MANAGEMENT PROCESS

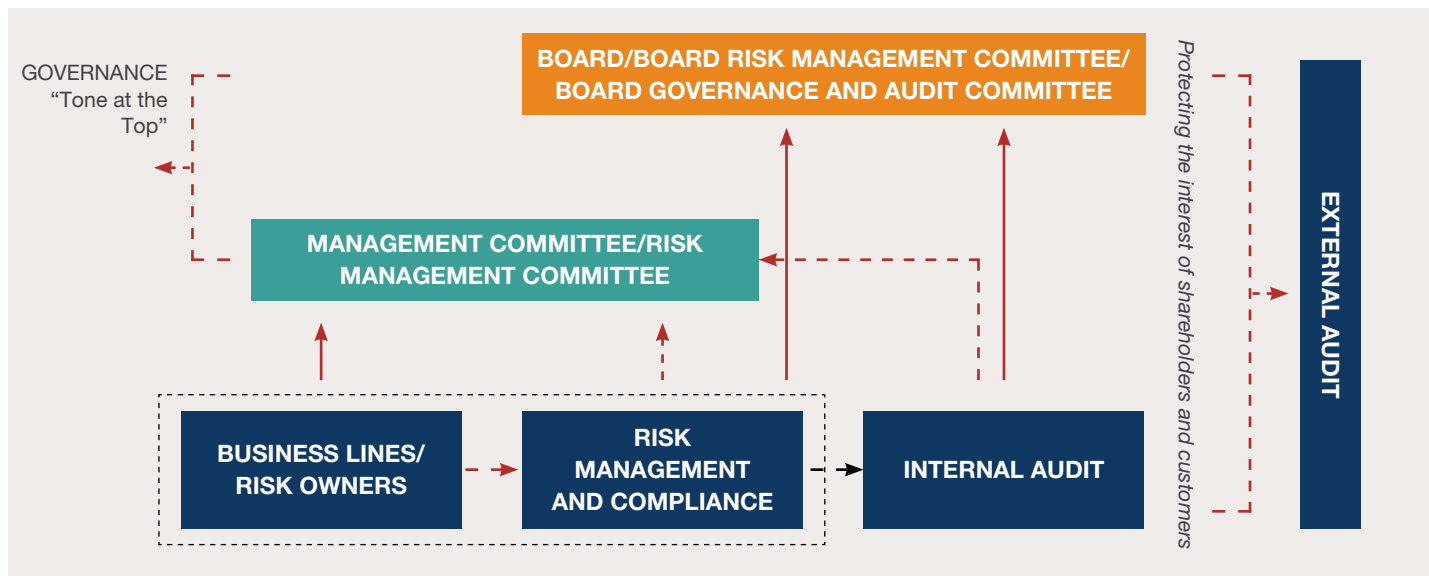
Risk management is an integral part of our management and decision-making process, and is integrated into our structure, operations and processes. The process is applied at strategic, operational and project levels. An effective risk management process supports CGC to achieve its performance and strategic objectives by providing risk information to enable better decision making.



RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

CGC THREE LINES OF DEFENSE MODEL

We have adopted the Three Lines of Defense 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 the policies and limits. Clear accountabilities and robust controls are vital to help manage risks and build trust. It reinforces CGC's risk management capabilities and compliance culture across all divisions and departments.



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

1st Line of Defense

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

2nd Line of Defense

An independent risk management and compliance functions are responsible to maintain an ongoing and effective risk management and compliance framework that resonates through all levels of the organisation. 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. While Compliance function acts as a consultant on regulatory compliance, internal policies and procedures and 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.

3rd Line of Defense

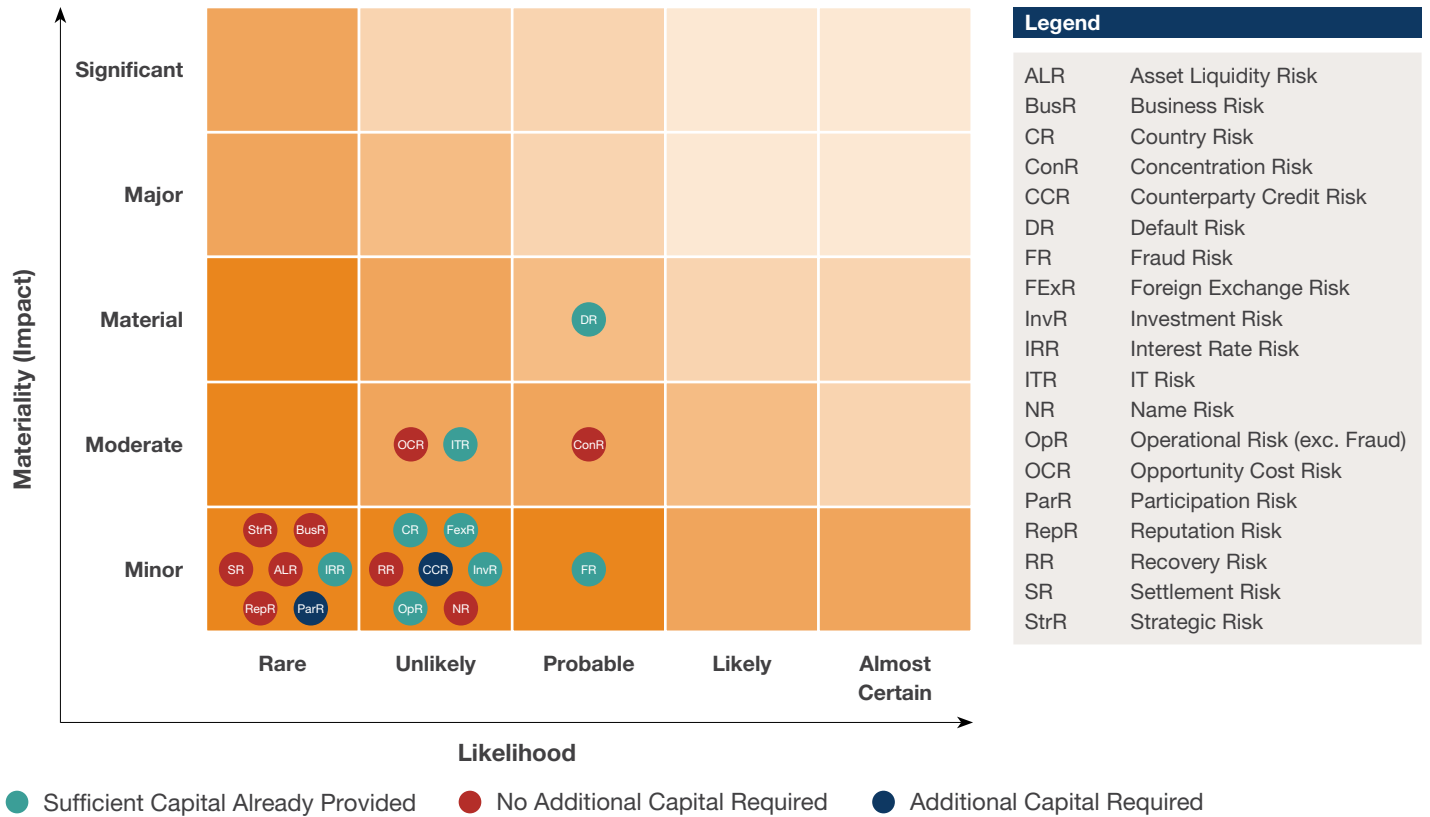
The internal audit function provides independent assurance on the design and operating effectiveness of the governance, risk management and internal control framework and facilitates enhancement, where appropriate.

Governing and Oversight Functions

The Board provides oversight directly and indirectly through its sub committees, to satisfy itself that decision-making is aligned with CGC's strategies and risk appetite. The Board receives regular updates on the risk information and periodically review and approve risk management framework, policies and limits. Management Level Committees comprise senior management responsible for supporting the sub committees of Board in the implementation of an effective risk management framework and embedded throughout CGC.

RISK MANAGEMENT AND INTERNAL CONTROL STATEMENT

SIGNIFICANT MATERIAL RISKS OF CGC



Default Risk	Opportunity Cost Risk	Operation Risk	Credit Concentration Risk
<p>The Corporation is exposed to this inherent risk due to its business of providing credit guarantees. It is a material risk primarily due to relatively riskier segment of MSMEs that it guarantees. In managing the default risk, acceptable default/NPL threshold has been set according to the type of portfolio guaranteed in addition to agreed 'Eligibility Criteria' for approval</p>	<p>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 in these positions.</p>	<p>Risk of loss due to inadequate or failed internal processes, people and systems, or from external events. Currently several projects are already underway by the Corporation to mitigate technology risk that had been identified.</p>	<p>Due to the nature of the business in which the Corporation is exposed to micro, small and medium sized enterprises with high volatility in performance and other similar risks characteristics, the Corporation is exposed to credit concentration risk at the portfolio level.</p>