

# STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROLS

## RESPONSIBILITY OF THE BOARD

The Board of Directors of Cagamas Holdings Berhad (“the Board”) together with the Boards of other companies within the Cagamas Group of Companies (“the Group”) affirms its overall responsibility for maintaining a sound and effective system of internal controls that supports the achievement of the Group’s objectives. The system of internal controls covers risk management, financial, strategy, organisational, operational and compliance controls. The Board recognises that such a system is designed to manage and control the risks at acceptable levels in line with the risk appetite set by the Board in achieving business objectives. Therefore, the system provides reasonable, but not absolute assurance, against the occurrence of any material misstatement of financial information.

The role of Management is to implement the Board’s policies on risk and internal control by identifying and evaluating the risks faced by the Group as well as designing, operating and monitoring a suitable system of internal controls to mitigate and control identified risks.



## STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROLS *(continued)*

### RISK MANAGEMENT

The Board Risk Committee (“BRC”) of Cagamas Berhad (“Cagamas”) oversees the management of risks associated with the Group’s business and operations. The BRC oversees the development of risk management strategies, policies, key internal processes and systems to identify, assess, measure, manage, monitor and report risk exposures within the Group. The BRC being the subcommittee of the Board of Cagamas keeps the Board informed of the decisions pertaining to risk reviews and related issues.

The BRC is supported by the Risk Management & Compliance Division (“RMD”) of Cagamas, which provides risk management functions and performs risk management and compliance reviews on the business and operations of the Group. The results of the risk management and compliance reviews and other findings are reported to the Board and the Boards of the respective subsidiaries. The Group’s risk management principles are generally based on Bank Negara Malaysia (“BNM”) and Securities Commission Malaysia (“SC”) guidelines and industry best practices.

#### 1. Risk Management Overview

The Group’s risk management approach is supported by a sound and robust Enterprise Risk Management Framework (Framework), which is continuously enhanced to remain relevant and resilient against a versatile risk landscape and evolving industry practices. Key components of the Enterprise Risk Management Framework are represented in the diagram below:



\* Key Committees

## STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROLS *(continued)*

### 2. Risk Governance

In line with the Framework, three lines of defence in managing risks are adopted within the Group. The following table summarises the responsibility and accountability of the various parties involved in the Group's risk management.

FIRST LINE OF DEFENCE Business and Support Units	SECOND LINE OF DEFENCE Risk Management & Compliance Division (RMD)	THIRD LINE OF DEFENCE Internal Audit Division (IAD)
<ul style="list-style-type: none"> <li>Primary responsibility to identify, mitigate and manage risks within their respective lines of business.</li> <li>Ensure day-to-day activities are carried out within the established risk and compliance policies, procedures, and limits.</li> </ul>	<ul style="list-style-type: none"> <li>Independently assess risk exposures and coordinate risk management on an enterprise-wide basis.</li> <li>Ensure that risk management and compliance policies are implemented accordingly.</li> <li>Ensure compliance with the applicable laws and regulations.</li> </ul>	<ul style="list-style-type: none"> <li>Independently review the adequacy and effectiveness of risk management processes, system of internal controls and conformity with risk and compliance policies.</li> </ul>

## KEY INTERNAL CONTROLS PROCESSES

The Group's internal control system encompasses the following key processes:

### 1. Authority and Responsibility

- An organisational structure, job descriptions and Key Results Areas clearly define lines of responsibility and accountability aligned to business and operational requirements.
- Clearly defined lines of responsibility and delegation of authority to the Committees of the Board, management and staff.
- Management has established the Management Executive Committee, Asset Liability Committee, Product Development Review Committee, Reverse Mortgage Credit Committee, Operations Committee, IT Steering Committee, Safety & Health Committee and Crisis Management Committee to ensure effective management and supervision of the areas under the respective Committees' purview.

### 2. Planning, Monitoring and Reporting

- The Annual Business Plan and Budget ("ABPB") is developed, presented and approved by the Board before implementation. Actual performances are reviewed against targeted results quarterly, allowing timely responses and corrective actions to be taken to mitigate risks. The results of these performance reviews are reported to the Board semi-annually. Where necessary, the ABPB is revised, considering changes in business conditions.
- Regular reporting to the Board, the Boards of other companies within the Group and Board committees. Reports on the financial position, status of loans and financings purchased, bonds and notes issued, and interest rate swap transactions are provided to the Board at least once each quarter. Where necessary, other issues such as legal, accounting, and other relevant matters are also reported to the Board.
- Regular and comprehensive information covering financial and operational reports is provided to management at least on a monthly basis.

### 3. Policies and Procedures

Clear, formalised, and documented internal policies and procedures manuals are in place to ensure compliance with internal controls and relevant laws and regulations. Regular reviews are performed to ensure that documentation remains current and relevant.

### 4. Independent Review by Internal Audit Division

- (a) The Internal Audit Division provides reasonable assurance to the Board by conducting independent reviews on the adequacy, effectiveness, and integrity of the system of internal controls. It adopts a risk-based audit approach in accordance with the annual audit plan approved by the Group Board Audit Committee (“GBAC”) of Cagamas Holdings Berhad. The results of the audits were presented to the GBAC, which met four times during the financial year ended 31 December 2024.
- (b) The audit plan and audit reports are submitted to the Board and the respective Boards of the other companies within the Group, to inform of any gaps in the internal controls system. During the financial year, several observations were highlighted, but none resulted in any material loss, contingencies, or uncertainties nor any impact on reputational risk that would require disclosure in the Annual Report (“AR”).

### 5. Performance Measurement and Staff Competency

- (a) Key Performance Indicators, which are based on the Performance Scorecard approach, are used to track and measure staff performance.
- (b) Proper guidelines for hiring and terminating staff, formal training programs and upskilling certification by industry experts, annual performance appraisals, and other relevant procedures are in place to ensure that staff are competent and adequately trained in carrying out their responsibilities.

### 6. Business Continuity Planning

- (a) A Business Continuity Plan, including a Disaster Recovery Plan, is in place to ensure the continuity of business operations.
- (b) Governance, controls and processes to manage the business continuity are in place to prepare the Group in the event of disaster or pandemic situations.

## CONCLUSION

The system of internal controls in place for the year under review and up to the date of the issuance of the AR and financial statements are sound and sufficient to safeguard the shareholders’ investment as well as the interests of key stakeholders namely regulators, counterparties, employees and the Group’s assets.