



**PERBADANAN
INSURANS
DEPOSIT
MALAYSIA**

DIRECTORS' GUIDE

SECTION 1 THE INTRODUCTION

1.1 INTRODUCTION TO THE GUIDE

Welcome On Board - what exactly is expected of you

This Guide has been produced to provide you with basic information that you will need to understand your role as a member of the Board of PIDM, and to help make your time with the Board fulfilling and effective. The Guide contains general information to help you to discharge your responsibilities as a Board Member.

In due course, the Guide will be supplemented and complemented by information provided to you by PIDM about its own work, and by training events on general or specific areas.

This Guide is merely the starting point of your induction into PIDM. The Guide will be updated as information changes.

1.2 STRUCTURE OF THE GUIDE

The Guide is organised into four Sections, as follows:

Section 1 The Introduction

Sets the background.

Section 2 Governance Approach and Roles and Responsibilities

Outlines the responsibilities of the Board and individual Board Members.

Section 3 Financial Reporting and Internal Controls

Describes and explains the requirements arising from the Corporation's financial stewardship and control responsibilities.

Section 4 Standards of Behaviour

Outlines the standards of expected behaviour from Board Members of PIDM.

Annexes:

[Annex 1](#): What to expect for your induction

[Annex 2](#): The list of material you will receive

SECTION 2 GOVERNANCE APPROACH AND ROLES AND RESPONSIBILITIES

Part I: Corporate Roles and Responsibilities

2.1 THE ROLE OF THE BOARD

What is the role of the Board of PIDM?

Section 11(1) of the [Malaysia Deposit Insurance Corporation Act 2011](#) (“Act”) provides that the Board is responsible for the conduct of the business and affairs of PIDM. The Board has all the powers of PIDM under the Act and may carry out all acts that may be exercised or done by PIDM. The Act is found in the Directors’ Handbook provided with this Guide.

In practice, the Board is expected to provide strategic leadership, direction, support and guidance to PIDM. Board Members are expected to demonstrate commitment to PIDM’s core values, policies and objectives.

Some of the key tasks of the Board in line with its Board Governance Policy are:

- to oversee the development (and review) of strategies, plans and policies;
- to oversee the development (and review) of performance targets, including key financial targets;
- to ensure that the Corporation communicates effectively with stakeholders;
- to obtain an understanding of the principal risks of the Corporation and ensure there are systems to deal with them; and
- to ensure an appropriate control environment.

There are several documents setting out the expected role and responsibilities of the Board. As a start, you should read the documented [position descriptions for the Board \(collectively\) and the Chief Executive Officer](#) (“CEO”) as well as the [documented description of the relationship between the Board, Chairman and CEO](#). You should also read the [Board Governance Policy](#), which is discussed further in paragraph 2.2 below. All these documents may be found in the Directors’ Handbook. We discuss the individual role and responsibilities of a Board Member in Part II below.

2.2 PIDM’S GOVERNANCE APPROACH AND STANDARDS OF GOVERNANCE

What are our guiding principles?

As a public body, we firmly believe that achieving public trust and confidence is critical to the achievement of our mandate. We strive to ensure that we adopt best practices in governance and management.

PIDM’s approach to governance is based on the overarching governance principles of transparency, accountability and integrity. The Board Governance Policy elaborates on the meaning of these principles.

What is the Board Governance Policy?

The Board Governance Policy is an important document setting out the Board's role and responsibilities as well as the 15 principles and standards guiding the Board in carrying out such role and responsibilities.

The Board reports on its work against each of the 15 principles and standards in PIDM's Annual Report.

You will need to read the Board Governance Policy and each standard expressed in it to familiarise yourself with the expected standards of the Board. The Board Governance Policy also sets out expectations from Management in providing support to the Board to achieve these standards.

2.3 CONDUCT OF BOARD BUSINESS

How can the Board get through its business efficiently?

Annual agenda planner

The Act requires the Board to meet as frequently as needed but not less than 4 times in a year. At the beginning of each year, the Board approves an [agenda planner](#) for the year ahead. The agenda planner sets out the tentative items that will be brought forward to the Board (and its Committees) in line with Management's planning cycle. You will find a copy of this planner in the Directors' Handbook. Note that the agenda planner includes the tentative dates scheduled for Board and Committee meetings so that you may organise your calendar.

Setting the agenda

Board meetings have a manageable and prioritised agenda. As a Board Member, you will have an opportunity to provide feedback on the proposed items to be included on the agenda. The draft agenda is prepared by the CEO, in consultation with the Chairman.

Board Members will be provided with the opportunity to provide input into the agenda items. You may wish to note the following:

- In each Board or Committee folder, you will find a tentative agenda for the next meeting.
- Closer to the meeting date, the draft agenda will again be considered by the Chairman. Once the Chairman agrees with the draft agenda, this will be circulated to other Board Members for their input.

The focus of the agenda

Generally the agenda should be focused on long term matters (strategy and planning) and monitoring performance. There will be certain matters the Board will consider regularly, or that are reserved to the Board for decision, and these must be on the agenda. The agenda should include strategic items and not be overloaded with detail, even if they are just items "for information".

Materials

You can expect folders containing papers in advance of meetings, generally five (5) business days before the Board or Committee meeting. Apart from the quarterly financial and corporate plan

reports, you can also expect to receive press articles relating to PIDM and other relevant information from time to time.

Corporate By-Law

The *Corporate By-Law* governs the proceedings of the Board as well as the composition of the Committees. This may be found in the Directors' Handbook.

The Minutes

The Chairman ensures that action is agreed for substantive items on the agenda. Minutes are to clearly and accurately record decisions taken, the responsibilities for agreed action and, as appropriate, the views of individual Board Members. Minutes are usually taken by the Corporate Secretary. You will be provided with the last 12 months' minutes of past meetings shortly, for your reference.

Committees

To function efficiently and effectively, the Board has established the following Board committees to assist the Board in particular areas:

- the Remuneration Committee;
- the Audit Committee; and
- the Governance Committee.

The respective *Charters* (found in the Directors' Handbook) set out the Committees' principal responsibilities. The objective of having committees is to allow for these areas to be deliberated in detail by Committee members with the appropriate knowledge or skills. Key matters already deliberated upon can then be presented to the full Board for approval, making more effective use of time. You may expect to participate in at least one of these committees. The same process for agenda-setting and provision of materials for Board meetings applies for Committee meetings.

How does the Board know it is obtaining sufficient information?

Management's responsibilities

Management is responsible for providing periodic reports on the operations of the Corporation, highlighting any significant issues, including information to enable the Board to effectively monitor and evaluate performance against the Corporate Plan.

Timely, relevant and accurate information

Information provided must be timely, relevant and accurate. Board Members will be given an opportunity to evaluate Management's support for providing information to the Board yearly through a formal process. However, feedback from Members is welcome at any time.

Access to the Corporate Secretary and Management

In line with best practices, all Board Members have access to the Corporate Secretary and Management.

Chief Internal Auditor and Chief Risk Officer

The Chief Internal Auditor ("CIA") and the Chief Risk Officer ("CRO") both report functionally to the Audit Committee and administratively to the CEO. The CIA provides regular reports on internal audit

and the CRO reports on risks faced by the Corporation to the Audit Committee and the Board. The Board has unrestricted access to the CIA and the CRO respectively, and vice versa.

In camera sessions

In camera sessions are regularly offered at Audit Committee and Board meetings to allow Directors to discuss matters without the presence of Management. They may also be offered at other Committee meetings.

Policy on the Engagement of Separate Independent Counsel and Other Advisors

The [Policy on the Engagement of Separate Independent Counsel and Other Advisors](#) allows any Board Member, or any of the Committees, to appoint separate legal counsel or other advisors on matters relating to the Corporation. There are related procedures to guide Directors on the process for doing so.

Ask questions

The position description for Board Members considers that Board Members should “... ask penetrating questions to ensure full understanding of the issues in question and consequences of actions proposed ...”. Members are encouraged to do so and seek clarification from Management as necessary. You can find the contact details of the Executive Management Committee Members in the Directors’ Handbook.

2.4 CORPORATE PLANNING AND STRATEGIC MANAGEMENT

How does the Board manage the planning process?

One of the key tasks of the Board is to set the strategic direction of PIDM and exercise strategic control. The strategic direction forms the basis for development of a 3-year Corporate Plan, which is prepared and published annually. The Corporate Plan is a key publication used to promote continuous improvement in performance. Generally, the planning process involves:

- an analysis of the operating environment;
- an articulation (or review) of PIDM’s mission and vision;
- the development of long term business strategies to achieve our mandate;
- an articulation of corporate objectives and tasks for the period of the plan; and
- key performance indicators against which performance is measured.

The Board's role is to manage the planning process to:

- ensure that effective long and medium term planning takes place;
- ensure that the plans are aligned with PIDM’s mandate and objectives;
- consider, challenge, and if necessary change, the plans; and
- review the plans - and performance against them - on a regular basis.

A strategic planning session with Members of the Board is held yearly, usually in the third quarter of the year. Following the strategic planning session, the detailed Corporate Plan will be developed and presented to the Board for approval.

Following the end of every quarter, you will receive an update from Management on the progress of the Corporation against the Corporate Plan for the year, together with financial statements of the Corporation.

Before joining PIDM, you will have been provided with the most current Corporate Plan. You will also be provided the latest quarterly report on the progress of the Corporation against the Corporate Plan shortly.

2.5 COMMUNICATIONS AND STAKEHOLDER MANAGEMENT

How does the Board approach stakeholder management, transparency and accountability?

As a public sector body, we are mindful of the concerns of all stakeholders, and the need to actively manage our relationships with them. Stakeholders range from depositors and member institutions to service providers, employees and other regulatory bodies.

PIDM must submit an Annual Report to the Minister each year and the Report is laid in Parliament. An “Annual Dialogue” with key stakeholders is also held upon public release of the Annual Report, to provide stakeholders with an opportunity to ask questions.

We have adopted a policy of consulting on proposed policies or regulations that may have an impact on interested stakeholders. The Board approves consultation papers before publication.

We also work with strategic partners in achieving our objectives. These include other safety net players, external suppliers, international counterparts as well as the member institutions.

What are the Board’s responsibilities with regard to communications?

The Board approves the Communications Strategy. Currently there is an integrated 5-year Communications Strategy to reach out to the general public and PIDM is engaged in a whole range of activities to communicate with the public and educate them about deposit insurance and the work of the Corporation. The Board receives regular reports on communications activities and monitors the implementation of the Communications Strategy. Annually, a “Corporate Outreach” is held in a State other than the Federal Territories / Selangor, to provide an opportunity for community leaders to meet with Board Members and Management of PIDM.

There is also a Board-approved Communications Policy that addresses matters such as the official spokesperson for PIDM, and the objectives of PIDM’s communications based on principles of transparency and accountability.

The conduct of an individual Director in public is discussed further in Section 4.

2.6 THE ROLE OF THE MINISTER

PIDM has a clear mandate under the Act and is operationally independent. As such, it operates at “arms-length” from the Minister of Finance, though it remains accountable to Parliament through

the Minister. The Act provides for the Minister's powers in certain areas such as appointment and remuneration of Directors. In turn, the Minister is responsible to Parliament.

2.7 STRATEGIC ALLIANCE AGREEMENT WITH BANK NEGARA MALAYSIA

Both PIDM and Bank Negara Malaysia ("BNM") have distinct and separate mandates and responsibilities and are integral regulatory agencies of the financial safety net.

The Strategic Alliance Agreement ("SAA") formalises the interrelationship of the two agencies. The SAA identifies the areas of collaboration and cooperation between PIDM and BNM, with a view to enhance the ability of PIDM and BNM to carry out their mandates efficiently and effectively. The SAA provides for separate frameworks or arrangements between PIDM and BNM to coordinate their activities, promote consultation and to facilitate the exchange of information. The SAA also sets out guiding principles in managing their interrelationship in respect of their role in the safety and soundness of member institutions and the overall stability of the financial system. The areas of cooperation include: ongoing cooperation, coordination of activities and sharing of information, ideas and experience to enhance the effectiveness of actions and communications, development, implementation and enhancement of prudential regulatory and supervisory framework or system, conduct of any intervention and failure resolution actions of Member Institutions and ongoing sharing of resources and operational support services based on mutual interest, strategic and long-term benefits and values of each agency.

2.8 THE BOARD AS AN EMPLOYER

What is the Board's philosophy as an employer?

Employee Philosophy

Our business model is to have a lean team, supplemented by external resources when the need arises. PIDM believes in attracting, developing and keeping critical talents with the right attitude, and that this is critical to PIDM's success. Our mission statement includes a reference to the interests of our employees, and our corporate values demand that employees demonstrate professionalism and excellence, respect and fairness, communications and teamwork and financial stewardship.

The Board ensures (with the support of the Remuneration Committee) that there are sound human capital strategies for the attraction, development and retention of employees and these are implemented. The Board (again with the assistance of the Committees) also ensures compliance with employment laws and all health and safety requirements.

Succession Planning

A key area of focus of the Board is succession planning for critical employees. The Board considers it important to have a systematic succession plan. This will ensure that there is a ready talent pool that is able to accept new leadership roles, and also ensure that PIDM is in a position to deal with the unexpected loss of critical talents.

Setting the Tone

The Board also sets the tone for the conduct of ethics and integrity within the organisation. As such, Board Members are expected to understand and demonstrate the highest standards of behaviour as described in section 4 of this Guide.

Part II: Individual Role and Responsibilities

2.9 ROLE AND RESPONSIBILITIES OF BOARD MEMBERS

What specifically is the role of a Board Member?

When you join the Board, you will undergo an induction programme to ensure your integration into PIDM, so that you are able to provide valuable input as soon as possible. Annex 1 sets out broadly what you can expect from the induction programme, and Annex 2 has a list of the key materials you will receive.

As a Member of the Board, you will be expected to:

- contribute to decision-making and share responsibility for the Board's decisions;
- attend Board meetings on a regular basis and be well prepared by reading relevant papers in advance;
- attend training events and keep up to date with subjects relevant to the Board's work;
- contribute to the work of any of the Committees already established by the Board; and
- represent the Board at meetings and events as needed.

2.10 ROLE AND RESPONSIBILITIES OF THE CHAIRMAN

What additional role and responsibilities does the Chairman have?

The [position description of the Chairman of the Board](#) explains his role and responsibilities over and above those of ordinary Board Members, particularly in relation to strategic leadership and the conduct of Board business. These include:

- providing leadership to achieve overall Board performance;
- ensuring that the responsibilities of the Board, Board Committees and individual Directors, as set out in the Committee charters or position descriptions, are well understood by the Board and individual Directors and are executed effectively;
- developing an effective working relationship with Management; and
- taking lead responsibility in representing PIDM at meetings with the Minister.

2.11 FUNDAMENTAL PRINCIPLES APPLICABLE TO MEMBERS

What are the fundamental principles applicable to Board Members?

As a Member of the Board of a public body, you will need to have regard to a number of fundamental principles outlined below:

Section 4 - Standards of Behaviour

Directors of PIDM, as directors of a public body that prides itself with good governance, are expected to demonstrate the utmost integrity and conduct themselves with high standards of behaviour. Please see Section 4, which discusses the standards of behaviour expected from you as a Board Member of PIDM under the applicable Codes.

Duty of Confidentiality

In particular, we would highlight that all Board Members are required to respect the confidentiality of sensitive information held by PIDM. Section 17(2)(a) of the Act prohibits a director from making improper use of information obtained in the course of his or her duties for his or her gain or advantage. In addition, section 24(1) imposes an obligation of secrecy and as such, a Board Member cannot disclose information relating to the business and affairs of the Corporation or that he or she obtains in the course of performance of duties and functions, as well as information about member institutions or customers of member institutions. All confidential information remains confidential even when you no longer serve on the Board and it cannot be exploited or improperly used.

Loyalty to PIDM and the Board

Please note that you have a responsibility to be loyal to PIDM, the Board and fellow Board Members, and to be fully committed to all Board-related activities.

Section 17(2)(b) of the Act prohibits you from doing, saying or publishing anything that may be detrimental to PIDM's interests. As a Board Member, you must be aware that, when writing or speaking on any matter related to PIDM, you could be perceived as representing the Board or the Board's position even when you are writing or speaking in any other capacity. Any perception or misperception that you are speaking in the capacity as a PIDM Board Member can lead to embarrassment and distress for both you and the organisation. If you are approached by the media, you should decline to comment and refer them to the CEO, who is the official spokesperson for the Corporation. The Act requires you to act in PIDM's best interest.

You should never publicly criticise PIDM or fellow Board Members nor should you attempt to undermine Board decisions or distance yourself from them outside of the Boardroom. It is important that nothing you do or say, whether acting in your capacity as a Board Member or in a business or private capacity, should in any way tarnish PIDM's reputation. If you have specific concerns about the manner in which PIDM is being run, these concerns should be raised with the Chairman and Management.

Operational Issues

The Board's role is to consider and approve strategies, plans and policies for PIDM and to monitor and review Management's performance. It is the role of Management to recommend and implement those plans and strategies. Board Members should avoid interfering in the day-to-day running of the organisation.

Management does not sit on the Board. Being wholly non-executive, the Board is to hold Management to account more effectively and to make difficult decisions about PIDM's priorities. The CEO and other senior officials attend Board meetings to provide reports and advice.

Responsibility for Board Decisions

Board Members must be capable of providing constructive challenge. However they are also expected to share responsibility for decisions taken by the Board as a whole. If you fundamentally disagree with the decision taken by the Board, you have the option of recording your disagreement in the minutes. However, ultimately, you must either accept (and support) the collective decision of the Board or resign.

2.12 PERSONAL LIABILITY

To what extent are you personally liable for the decisions taken by the Board and/or your conduct and actions as a Board Member?

The Act provides that those responsible should not be personally liable for decisions, actions or omissions taken in good faith in the ordinary course of carrying out their responsibilities, so that they are not hesitant in performing their work for fear of litigation against them in their personal capacity.

Section 98(1) of the Act offers protection for things done, or omitted to be done, by Directors in the course of carrying out their functions in good faith. Directors are also indemnified against losses and liabilities related to an action or omission to which the Director is a party, as stated in the Corporate By-Law. The [Procedures for Advances or Funding with regard to Legal Proceedings Involving Directors, Officers, Employees and Agents of the Corporation](#) set out how a Director may be provided with an advance or funding in relation to costs, charges and expenses related to any such proceedings.

However, it is important to note that this immunity does not afford the Director protection from having conducted in bad faith, and that further, PIDM remains answerable for the performance of its duties and functions and may only act within the confines of the powers conferred on it under the Act.

2.13 APPRAISAL AND RE-APPOINTMENT OF BOARD MEMBERS

How is the performance of the Board (and Committees) evaluated?

Board and Committee evaluation

The objective of the evaluation is to strive for continuous improvement by the Board and individual Board Members. An annual evaluation of the Board, as a whole, and its Committees takes place usually at year-end. This involves administering an assessment by each Director on the performance of the Board as a whole and the Committee(s) on which he or she sits, based on a detailed questionnaire.

There will also be an annual review of your individual performance as a Board Member through the use, currently, of a self-assessment questionnaire. A Board Member may wish to discuss the evaluation with the Chairman of the Board.

2.14 KEY RELATIONSHIPS

Board Members and Management

It is essential that Board Members and Management work together as an effective team. This involves having clarity about the roles and responsibilities and having an atmosphere of mutual respect for each other's position. In particular, the working relationship between the Board, the Chairman and Chief Executive is key to the successful conduct of business. Hence, there is a [formal description of the relationship between the Board, the Chairman and the CEO](#) that spells out the nature of this relationship.

The Chair and Board Members

In the Boardroom, you are expected to contribute fully to Board deliberations and constructively challenge Management, then to provide support to Management for decisions taken. However, it is important that neither the Chairman nor individual Board Member dominates the debates or has an excessive influence on Board decision-making. The Chairman ensures that all Board Members have an opportunity to contribute to Board discussions.

Outside the Boardroom, the Chairman is a useful source of advice and guidance for Board Members (in particular, less experienced Board Members) on any aspect of their role, responsibilities and conduct.

As a Board Member, you should support the Chair in his efforts to conduct Board business in an efficient and effective manner. However, you should not hesitate to raise concerns if you believe that a decision is contrary to law or has been taken without a full and proper debate.

SECTION 3 FINANCIAL REPORTING AND INTERNAL CONTROLS

3.1 BUDGETING AND FINANCIAL MANAGEMENT

The Board ensures there are policies and procedures in place to ensure effective budgeting and financial management. This includes oversight (supported by the Audit Committee and the Internal Audit function) of the financial management system, as well as the adoption of appropriate investment and accounting policies.

What is the role of the Board in the budget setting process?

The Board is responsible for approving the Corporate Plan and annual budgets. The integration between our corporate planning and the ERM process allows us to set our key focus as well as the key initiatives to address those significant risks identified. From this, we develop our financial plan, which sets out the operating and capital budget, to support the achievement of our key initiatives.

The budgeting process is therefore part of our ERM-integrated corporate planning process. The Corporate Plan will set out the key initiatives to achieve PIDM's objectives and a projection of resources required for each area of work. Operating and capital expenditure plans as well as the expected income are drawn up for a 12-month period, representing the first year in the 3-year Corporate Plan.

Board Members will need to carefully scrutinise the plans and underlying assumptions before approving the same. Once the Corporate Plan and annual budget are approved, Management is then held to account for performance and spending.

3.2 PERFORMANCE MEASUREMENT AND REPORTING

How does the Board ensure performance?

PIDM demonstrates through the contents of the Corporate Plan and reporting on progress against the Corporate Plan that its resources have been used effectively and efficiently. Key performance indicators provide an indication of how well PIDM is managing its resources and meeting its objectives.

Key targets are agreed as part of the planning process and performance is reported against those targets. These include targets for efficiency and effectiveness of operations as well as for the quality of service provided. A robust system is in place to monitor performance against these targets.

The Corporate Plan is a published document that is publicly released and distributed to key stakeholders. It is, in itself, a tool that demonstrates our transparency and accountability. The performance against the Corporate Plan is also described in our Annual Report – testament to our strong reporting and accountability regime.

How does the Board monitor plans and budgets?

Plans and budgets are continuously monitored. Regular monitoring reports are produced both for internal purposes and to meet the information needs of the Board. Board Members will receive regular financial reports (at least quarterly) showing actual expenditures against planned budgets. Any variations between actual spending and performance, and planned spending and performance are reported to the Board.

3.3 THE ANNUAL REPORT AND ACCOUNTS

Management is responsible for the preparation of the financial statements of PIDM and the information related to them, while the Board is responsible for ensuring the integrity of financial statements. The Chief Financial Officer is responsible for maintaining internal and financial control, i.e. that there are effective processes and systems relating to financial management and reporting.

Section 33 of the Act requires that financial statements be prepared in accordance with the Statutory Bodies (Accounts and Annual Reports) Act 1980, which specifies that such accounts be kept in accordance with generally accepted accounting principles. On that basis, PIDM's financial statements are prepared based on the Malaysian Accounting Standards Board's Approved Accounting Standards in Malaysia for Entities Other Than Private Entities.

The Annual Report and accounts act as the primary means of reporting on PIDM's activities to the Minister, the Parliament and the public. Our policy is to be transparent in our actions and performance. However, we cannot disclose certain confidential aspects of our business, including those on our intervention and failure resolution activities as well as the risk assessment of our member institutions.

You would have been provided with a copy of the latest Annual Report as part of your orientation. The Annual Reports are also easily obtainable from PIDM's website.

3.4 FINANCIAL STEWARDSHIP

The CEO is responsible for the overall organisation, management and staffing of PIDM and for its procedures in financial and other matters, including conduct and discipline. The CEO and the Chief Financial Officer ensure the proper and effective use of the finances; ensure that appropriate advice on financial matters is given to the Board; and respond to any questions raised by the external auditor.

The Board has an important role in financial stewardship. Board Members, supported by Management, are collectively responsible for ensuring that PIDM adheres to strict standards of financial propriety, and complies with relevant financial reporting requirements including accounting principles, in particular those contained in applicable legislation.

The Board:

- considers and approves budget allocations and financial targets within key strategic and planning documents, such as the Corporate Plan;
- monitors the financial position against budget allocations and key financial targets and takes corrective action where required;
- approves high value, novel or contentious expenditure proposals;
- approves the annual accounts; and
- ensures that proper internal controls and internal audit function are established and maintained.

3.5 RISK MANAGEMENT AND INTERNAL CONTROLS

What is risk management?

All institutions are exposed to uncertainty or risks. In the context of PIDM, “risks” is the chance of an event happening that will have a negative impact or influence on the achievement of PIDM’s mandate and stated objectives.

Risk management comprises principles or practices of good management of these uncertainties, including having a system that identifies, measures, monitors and reports on the potential occurrence of events that pose risks to the organisation. Sound risk management helps to address uncertainties within the risk boundaries or appetite of the organisation. Importantly, it also helps management to make better strategic and business decisions.

What is enterprise risk management?

PIDM has developed “enterprise risk management framework and guidelines”, which are about ensuring that all significant risks are identified and are being well managed in a systematic and consolidated manner.

The ERM Framework and Guidelines is a document that aims to ensure that risk management is owned by all individuals in PIDM, and that risk management practices are consistent across the whole Corporation. It also sets out the respective responsibilities for risk management within the organisation. You should familiarise yourself with this document which can be found in the Directors’ Handbook.

With whom lie the principal responsibilities for risk management?

The responsibility for achieving PIDM’s corporate objectives rests with Management. In order to achieve the corporate objectives, Management identifies the risks associated with not achieving these objectives. Management then has the responsibility of matching controls to these risks in order to minimise or avoid these risks altogether. Management is also charged with the responsibility of implementing these controls, and monitoring their effectiveness and continued relevance.

The Board's role is to work with Management to identify the principal risks to PIDM and ensure that the systems to manage those risks are in place. Management maintains and regularly updates a risk register which is regularly presented to the Board for its consideration. The Board's role is to obtain an understanding of the principal risks to the Corporation's business, ensure that there are appropriate risk management systems to manage these risks and that these systems are reviewed regularly. The Board is also to obtain reasonable assurance, on a regular basis, that the systems are being adhered to and are effective.

3.6 INTERNAL AUDIT

What is Internal Audit?

Internal Audit is an independent appraisal function established within the Corporation to provide independent and objective assurance and consulting services designed to add value to and improve the Corporation's operations.

Internal Audit:

- supports the responsibility of the Audit Committee, in that it provides an independent and objective assurance, and related consulting services, by evaluating and improving the effectiveness of controls, risk management, business and governance processes implemented by Management.
- assists the Board, the Audit Committee and Management in the effective discharge of their responsibilities by recommending cost-effective controls and risk management measures to mitigate identified risks and ensuring proper governance.

To achieve full effectiveness, the scope of internal audit service should include an unrestricted range of coverage of the Corporation's operations. The internal auditors should have unrestricted access to all functions, information, records, property and personnel of the Corporation as is necessary for the fulfillment of their responsibilities and report to the Board, Audit Committee and Management.

The Corporation, in line with best practices, provides an annual Statement on Internal Control which reports on the overall state of the effectiveness of the internal controls of the Corporation. As part of the process, Directors are required to review the effectiveness of key controls, including financial, operational and compliance controls.

3.7 AUDIT COMMITTEE

The Board has established an Audit Committee, which advises the Board on internal control and risk management matters. The Audit Committee:

- is a formal committee of the Board;
- has at least three members who are or undertake to be financially literate;
- meets at least four times a year; and
- is governed by its own Charter.

Items for discussion at committee meetings may include:

- the reports from the Chief Internal Auditor and Chief Risk Officer;
- the annual audit plan and the resource implications arising therefrom;
- internal controls, risk management and corporate governance issues arising from audit assignments;
- major policy issues and their implications for internal control and risk management;
- the plans and audit findings of external audit; and
- the adequacy of the risk management system and measures to mitigate identified risks.

You should note that since 2009, the Chief Risk Officer reports to the Board through the Audit Committee.

3.8 EXTERNAL AUDIT

Who are the external auditors of PIDM?

The external auditor of PIDM is the Auditor General. At a working level, the Auditor General sends a team from the National Audit Department to perform audits.

The financial audit is conducted by the Auditor General, who will then issue an opinion as to whether the accounts give a true and fair view of the state of financial affairs of PIDM at year-end and of the results of its operations and cash flows for the year end based on the approved accounting standards.

The Auditor General has powers under the Audit Act 1957. As such, the Auditor General has a statutory right of access to all records, books, vouchers, documents, or other property subject to his audit. The Auditor General is also entitled to call any person for any information or explanation which he requires.

The Auditor General also undertakes management audits to ascertain the effectiveness of PIDM's management of its business and operations.

SECTION 4 EXPECTED STANDARDS OF CONDUCT

As noted earlier, a fundamental principle for Directors at PIDM as directors in the public sector is that they must meet the highest standards of conduct and ethics, both to protect the reputation and ensure public confidence in PIDM, as well as to set the tone for the organisation.

4.1 QUALIFICATIONS AS A MEMBER OF THE BOARD

Prior to your appointment as a Director of PIDM:

- we would have provided you with copies of the Act and the Codes relating to conduct and ethics discussed in paragraphs 4.2 and 4.3 below; and
- you should have confirmed to the Chairman in writing that your background does not contain anything which would disqualify you as a potential candidate for appointment to the Board including disqualifications set out under section 14 of the Act.

4.2 CODE OF BUSINESS CONDUCT AND ETHICS FOR DIRECTORS

Responsibility to read and understand the Code

PIDM has the [Code of Business Conduct and Ethics for Directors](#) that sets out the standards of conduct that Board Members must apply in everything they do. The Code is based on the seven Principles of Public Life by the Nolan Committee of Standards in Public Life, UK, and the Director's Code of Ethics by the Companies Commission of Malaysia.

It is your personal responsibility to make sure that you are familiar with, and that your actions comply with, the provisions contained in the Code. You should also review regularly, and at least annually, your personal circumstances with this in mind, particularly when your circumstances change. You must not at any time advocate or encourage any action contrary to this Code.

Confidentiality

In paragraph 2.10, we noted the need to maintain confidentiality of information obtained by you in the course of your functions, about the business and affairs of PIDM and information about member institutions as well as customers of member institutions.

Please note that a breach of the secrecy provisions under the Act is an offence.

Speaking in public

Only a designated spokesperson may issue statements or make comments regarding PIDM. Should you be asked to comment publicly, please decline and refer the question to the CEO.

Conflicts of Interest

As a Director of PIDM, you are obliged to act in the best interest of PIDM. Should you be subject to other specific obligations or duties by virtue of the office that you hold with another organisation, you need to take steps to resolve any conflict that may arise in such manner that will protect PIDM. (See paragraph 4.3 below and the Conflict of Interest Code for guidance.)

It is important to emphasise that the provisions contained in the Code should be followed at all instances as the Code sets the standards against which your conduct will be measured. You are further reminded to submit annually the required declaration, report and certification to the Chairman on your compliance with the provisions of the Code.

4.3 CONFLICT OF INTEREST CODE

The Conflict of Interest Code elaborates the circumstances in which a conflict of interest, real, apparent or potential, may occur, and how Directors and employees must deal with such situations.

Addressing conflicts

If you have a financial interest in any proposal coming before the Board, you must declare your interest at Board meetings and withdraw from participation in the discussion and voting. If you have a non-financial interest, you must consider whether the conflict is material in the context of the issue under consideration and also, in terms of public perception, whether there could be any possible misinterpretation of your reasons for taking part in the discussion. In circumstances where you are unsure as to whether or not a conflict of interest exists or is material, you should discuss the matter with the Chairman prior to the meeting.

Where a conflict of interest exists and the Board Member does not declare his or her interest and/or offer to withdraw, the Chairman should if he is aware, take appropriate action to ensure that the Board (and the Board Member concerned) is not compromised.

The fundamental principle is that no one should use, or give the appearance of using, their public position to further their private interests. This is an area of particular importance as it receives considerable media attention and even innocent acts could be misinterpreted.

Prohibition against holding shares in member institutions

You will have been advised, before your appointment on the Board that, under the Conflict of Interest Code, you may not hold interests in shares in the member institutions (including affiliates) or other institutions falling within PIDM's regulatory purview. If you hold any interests in shares in these institutions, you will be given reasonable time to divest your interests. You will be required to make certain annual and other declarations pursuant to the [Conflict of Interest Code](#). Please review the Code thoroughly and ask if you need any clarification regarding this Code.

In particular please note the following:

- You will need to make disclosures of conflicts that arise in the course of Board or Committee proceedings in line with the Corporate By-Law; and
- On a yearly basis, you will be provided a list of the types of organisations with which PIDM conducts business (e.g. a supplier or consultant). If you are its director or a member of management of such organisations or organisations similar to these, you will need to make a disclosure to the Chairman of the Board. These conflicts or potential conflicts will be disclosed in the financial statements published in the Annual Report of PIDM.

It is important to note that a violation of the Codes may result in your removal from office and, in addition, a breach of the Conflict of Interest Code is an offence under the Act.

ANNEX 1

<p><i>Recruitment stage</i></p>	<ul style="list-style-type: none"> • You will be provided material that gives an overview of the Corporation, such as the Malaysia Deposit Insurance Corporation Act 2012 and the latest Corporate Plan and Annual Report. • The Corporate Secretary should have highlighted key provisions of the Code of Business Conduct & Ethics and the Conflict of Interest Code. • An arrangement will be made for you to meet the Chairman to discuss expectations of Board Members. • The Chief Executive Officer and the Corporate Secretary will also be available to answer the candidate's queries.
<p><i>Upon appointment</i></p>	<ul style="list-style-type: none"> • You will receive the appointment letter by the Minister of Finance. • You will receive this Directors' Guide and the Directors' Handbook (the contents of which are highlighted in Annex 2). • You will meet with the Chairman to have a discussion about expectations from you in the first year, and your individual responsibilities, if necessary.
<p><i>After appointment</i></p>	<ul style="list-style-type: none"> • We will arrange a welcome reception to allow you to meet with other Board Members in an informal setting. • You will be provided other key materials (eg. minutes of Board and Committee meetings). • You will be provided an opportunity to meet with each executive management committee ("EMC") member.
<p><i>Before the new Director's first Board meeting (if possible)</i></p>	<ul style="list-style-type: none"> • You will be invited to attend a briefing with EMC members to prepare you for the upcoming Board meeting.
<p><i>Before the new Director's first Committee meeting</i></p>	<ul style="list-style-type: none"> • You will be invited to attend a briefing with the relevant EMC members for the purposes of the Committee meeting.

ANNEX 2

Upon appointment, you will be provided this Guide and the Directors' Handbook, which contains most of the material mentioned in the Guide, for your reference.

In the Directors' Handbook, you will find:

VOLUME I

A. BOARD OF DIRECTORS

Tab A1 General Information

- a. Directors' Guide
- b. Board of Directors: Current Composition and Contact Details
- c. Executive Management Committee: Members and Contact Details
- d. Governance Framework, Organisational Chart and Overview of PIDM Divisions
- e. 2012 Timetable of Scheduled Meetings and Agenda Planner
- f. 2012 Board Education Programme: Topics and Tentative Schedule
- g. Board Orientation Programme

Tab A2 Profile and Position Descriptions

- a. Directors' Profile
- b. Position Description: Members of the Board of Directors
- c. Position Description: Chairperson
- d. Position Description: Board Committee Chairperson
- e. Position Description: Chief Executive Officer
- f. Description: The relationship between the Board, Chairperson and Chief Executive Officer
- g. Evaluation of Board and Committees' effectiveness: Process and Forms

Tab A3 Corporate By-Law

Tab A4 Board Committees

- a. Audit Committee Charter
- b. Governance Committee Charter
- c. Remuneration Committee Charter
- d. Composition of Committees as of a specific date

Tab A5 **Board Governance Policy**

Tab A6 **Remuneration of Directors**

Tab A7 **Board Succession Plan**

B. KEY CORPORATE DOCUMENTS

Tab B1 **Procedures for Advances or Funding with regard to Legal Proceedings Involving Directors, Officers, Employees and Agents of the Corporation**

Tab B2 **Codes**

- a. Conflict of Interest Code for Directors
- b. Code of Business Conduct and Ethics for Directors

Tab B3 **Policy and Procedures for the Engagement of Separate Independent Counsel or Other Advisors**

Tab B4 **Policy for Disclosure of Information Concerning Wrongdoing in the Workplace (Whistleblowing Policy)**

Tab B5 **Internal Control Framework**

Tab B6 **Enterprise Risk Management Framework and Guidelines**

Tab B7 **Communications Policy**

VOLUME II

LEGISLATION

Tab 1 **Malaysia Deposit Insurance Corporation Act 2011**

Tab 2 **MDIC Regulations**

- a. Malaysia Deposit Insurance Corporation (Overdue Charges) Regulations 2012
- b. Malaysia Deposit Insurance Corporation (Protected Benefits) Regulations 2011
- c. Malaysia Deposit Insurance Corporation (Provision of Information on Deposit Insurance) Regulations 2011
- d. Malaysia Deposit Insurance Corporation (Financial Agreements And Transactions) (Revocation) Regulations 2011
- e. Malaysia Deposit Insurance Corporation (Differential Premium Systems In Respect Of Deposit-Taking Members) Regulations 2011
- f. Malaysia Deposit Insurance Corporation (Terms And Conditions Of Membership) Regulations 2008
- g. Malaysia Deposit Insurance Corporation (Disclosure Requirements For Trust Accounts And Joint Accounts) Regulations 2007

- h. Malaysia Deposit Insurance Corporation (Overdue Charges) Regulations 2006

Tab 3 MDIC Orders

- a. Malaysia Deposit Insurance Corporation (Payment of Annual Premium in respect of Insurer Members) Order 2012
- b. Malaysia Deposit Insurance Corporation (Minimum Amount of Premium in respect of Insurer Members) Order 2012
- c. Malaysia Deposit Insurance Corporation (Allocation of Expenses, Costs or Losses) Order 2011
- d. Malaysia Deposit Insurance Corporation (Deposit Insurance Limit) Order 2011
- e. Malaysia Deposit Insurance Corporation (Protected Benefits Limit) Order 2011
- f. Malaysia Deposit Insurance Corporation (Annual Premium and First Premium In Respect Of Deposit-Taking Members) Order 2011
- g. Malaysia Deposit Insurance Corporation (First Premium and Annual Premium In Respect Of Insurer Members) Order 2011
- h. Malaysia Deposit Insurance Corporation (Payment Of Annual Premium In Respect Of Deposit-Taking Members) Order 2011
- i. Statutory Bodies (Discipline and Surcharge) (Amendment of First Schedule) Order 2008

Tab 4 MDIC Guidelines

- a. Note of Perbadanan Insurans Deposit Malaysia on Takaful Benefits Protection System
- b. Guidelines for Insurer Members on the Use of PIDM's Protection and Membership Representation in Advertisements
- c. Guidelines on Deposit Insurance Coverage for Deposits
- d. Guidelines on Takaful and Insurance Benefits Protection System: Submission of Returns on Calculation of Premiums for Takaful and Insurance Businesses 2011
- e. Revised Guidelines on the Differential Premium Systems
- f. Revised Guidelines on Total Insured Deposits: Calculation and Completion of Return
- g. Guidelines on Disclosure Of Deposit Insurance Information
- h. Guidelines on Submission of Deposit Product Information
- i. Guidelines on Deposit Information System and Submission
- j. Guidelines on Validation Programme: Differential Premium Systems, Total Insured Deposits and Total Deposits

In due course, after your appointment, you will receive the following material:

- (a) The latest quarterly report on the Corporate Plan and financial statements;
- (b) The past 12 months' Board and committee minutes;
- (c) A summary of the list of key issues considered in the past 12 months;
- (d) The updated risk register; and
- (e) Any other matter you may require.

You may also expect to receive the Board folder and other correspondences relating to the Board proceedings and the Corporation's business and affairs as a matter of course.