Statement on Governance for the Year Ended 2025

The Malaysia Deposit Insurance Corporation Act (PIDM Act)[1] sets out the Board's overarching responsibility for the conduct of PIDM's business and affairs. The Board Governance Policy, which serves as the Board's charter, outlines the roles and responsibilities of the Board in relation to corporate governance, as well as the Board's expectations of Management in this regard. The Board Governance Policy is available on PIDM's website at www.pidm.gov.my.

PIDM benchmarks its governance practices against both local and international best practices, including the Ministry of Finance's "Principles on Good Governance for Government Linked Investment Companies", the "Guidelines on the Management and Governance of Federal Statutory Bodies"[2] and the International Association of Deposit Insurers' (IADI) "Core Principles for Effective Deposit Insurance Systems". In addition, PIDM ensures compliance with Shariah requirements for the Islamic protection systems it administers through a robust Shariah governance framework.

Standard 1:
Independence of the Board

Board members will exercise independent judgement.

PIDM is governed by a nine-member Board, as stipulated under the PIDM Act. The composition includes the Governor of Bank Negara Malaysia and the Secretary General of the Treasury as ex officio Directors, the Chairman of the Board with relevant private sector experience, two public sector Directors i.e., one from the public sector and another who may either be from the public sector or who has public sector experience, and four Directors with relevant private sector experience. With the exception of the ex officio Directors, all other Board members are appointed by the Minister of Finance (Minister).

In appointing Board members, the Minister shall have regard to (a) diversity of the Board in terms of interest, knowledge, skills and experience; (b) the person's probity and standing; and (c) the person's knowledge, skill and experience in banking, insurance, economics or in any other relevant discipline, which will enable the person to discharge the functions of a Director. The ex officio Directors may assign a position within their organisation as the alternate Director to attend any Board meetings in their absence.

The Board is responsible for the conduct of PIDM's business and affairs and is required to exercise independent judgement, as well as to act honestly and in PIDM's best interests. The CEO is responsible for the day-to-day administration of the business and affairs of PIDM. To maintain a clear separation between the roles of the Board and Management, the CEO is not a member of the Board.

The Board provides oversight of governance-related policies, succession planning for Directors, the CEO, and corporate officers, as well as strategic plans, financial plans and statements, and risk management policies. Management keeps the Board apprised of the progress on corporate initiatives and significant operational matters. Management's performance is evaluated against the corporate scorecard. The Chief Internal Auditor (CIA), the Chief Risk Officer (CRO), and the Chief Integrity and Governance Officer (CIGO) report functionally to the Board through the Audit Committee.

Directors are expected to evaluate and actively challenge Management's proposals. The Board is also encouraged to hold regular *in camera* sessions without Management present. As a standard practice, these *in camera* sessions are included in the agenda of PIDM's Board and Board Committee meetings. To strengthen Board independence, the Individual Board Member's Profile emphasises that Directors must demonstrate independence of thought and action, as well as integrity, and the courage to dissent when appropriate.

The Board, Board Committees and individual Directors have access to independent professional advice at PIDM's expense, as provided under the Policy and Procedures for the Engagement of Separate Independent Counsel or Other Advisors.

Principle 3 of the IADI's Core Principles for Effective Deposit Insurance Systems provides that deposit insurers should be operationally independent and insulated from external interference. Consistent with this principle, the PIDM Act prohibits the appointment or continued service as a Director of the Board by any person who is a member of the Dewan Negara, Dewan Rakyat or any Legislative Assembly.

In accordance with subsection 12(1) of the PIDM Act, PIDM has implemented a Policy Against External Interference. This policy is established to safeguard against any external interference that could impede PIDM's ability to carry out its mandate, business and affairs with integrity, professionalism and objectivity at all times. This policy also outlines the actions employees must take if they encounter or believe there is external interference when performing their duties and responsibilities.

[1] *The Malaysia Deposit Insurance Corporation Act 2005 (as amended by the Malaysia Deposit Insurance Corporation Act 2011)*
[2] *General Circular Letter No. 5 Year 2024*

Standard 2:
Board Effectiveness and Governance Responsibilities

The Board will obtain and maintain an understanding of PIDM's objects and powers, as well as of its governance responsibilities. To achieve this, the Board will:

(i) develop and maintain approaches to fulfilling those responsibilities and will evaluate objectively, on a regular basis, its effectiveness in doing so; and

(ii) ensure that PIDM has arrangements for the orientation of new Directors and ongoing training appropriate to the Board's governance responsibilities and needs.

Board Evaluation

The performance and effectiveness of the Board and Board Committees are evaluated regularly. Generally, the evaluation is conducted internally each year and an external evaluation is carried out once every three years.

Following an external evaluation in 2024, an internal evaluation was conducted in 2025 via individual performance assessments. This is in line with the Ministry of Finance's requirement[3] where all federal statutory bodies, including PIDM, are required to assess the performance of individual board members, annually.

The individual performance assessment encompassed four key areas: quality of input and independence, ethics, collegiality, and diligence and knowledge. Additionally, the Chairman was assessed on leadership.

The results indicate that all Board members achieved ratings of "Excellent" or "Good".

Board Education

Management organised the following Board education sessions, which primarily focused on PIDM's crisis preparedness and resolution readiness.

	List of Education Sessions	Date(s)
(a)	**Briefing on the Simulation Exercise** – a briefing on the objectives and overview of the comprehensive simulation exercise.	14 May 2025
(b)	**Simulation Exercise** – A comprehensive simulation exercise to allow the Board and Management to assess their resolution readiness.	19 and 20 May 2025

Board members also participated in the following events:

	List of Events[4]	Date(s)
1.	How global events will affect the outlook for the financial industry in 2025	19 February 2025
2.	Engagement Session with FIDE FORUM Members on Bank Negara Malaysia's Annual Report 2024, Economic and Monetary Review 2024 and Financial Stability Review for Second Half of 2024	21 April 2025
3.	The Influence of Board Culture on Corporate Performance	5 June 2025
4.	Economic Outlook & Post Budget 2026	13 November 2025
	List of Conferences[5]	**Date(s)**
5.	Internal Conference on Risk-related Topics Focusing on Risk and Controls[6]	11 June 2025
6.	Engagement Session with Shariah Advisory Council Members on Shariah Considerations in Resolution	12 June 2025
7.	Bilateral Meeting with the Indonesia Deposit Insurance Corporation	18 June 2025
8.	National Resolution Symposium	26 August 2025
9.	Muzakarah (intellectual discourse) on Failure Resolution of Islamic Financial Institutions	27 August 2025

[3] *Outlined in its letter dated 17 September 2024, which referenced the General Circular Letter No. 5 Year 2024: Guidelines on the Management and Governance of Federal Statutory Bodies, issued on 9 August 2024*
[4] *Organised by FIDE FORUM*
[5] *Organised by PIDM*
[6] *The purpose of the internal conference was to raise awareness and inculcate a risk-centric mindset throughout PIDM*

Standard 3:
Roles and Responsibilities of Committees

Where the Board appoints a Committee, it will establish the responsibilities and authority of the Board Committees, as well as accountability requirements for them.

PIDM's Board has established four Board Committees, namely the Audit Committee, the Governance Committee, the Human Capital and Remuneration Committee and the Succession Planning Committee. These Committees assist the Board in overseeing PIDM's business, operations, affairs and leadership succession. Each Board Committee's responsibilities, authority and accountability are outlined in formal charters, which are available on PIDM's website at www.pidm.gov.my. Information on the role and membership of each Board Committees is presented on page 16 of the Annual Report.

The Board Committees provide reports on their work at every Board meeting and a summary of their activities is available on pages 8 to 10 of this Statement on Governance.

Standard 4:
Board Composition and Succession

The Board constitution should maintain independence and there should be an appropriate mix of skills and capabilities, given the objectives and strategic direction of PIDM. To achieve this, the Board will, in consultation with the CEO:

(i) develop a profile of desirable skills and capabilities that would best enable the Board to fulfil its responsibilities and advise the Minister of Finance of the desired mix that should be sought in filling upcoming non-ex officio Board vacancies; and

(ii) have a Board succession plan to recommend to the Minister of Finance for the orderly turnover of Directors.

In assessing the skills required, the Board considers developments within the financial services industry, together with legal and technological developments and other relevant factors. A skills gap analysis is conducted to compare the existing competencies of Board members with the desired competencies. This serves as the basis for evaluating and recommending suitable candidates for appointment as non-ex officio Directors to the Minister.

Standard 5:
Roles and Responsibilities of the CEO

The responsibilities and accountability of the Chairman and CEO should be clearly distinguished and documented. In this connection, the Board will:

(i) develop a position description for the CEO;

(ii) develop a set of corporate objectives at least annually for which the CEO is responsible for achieving, and evaluate the performance of the CEO against those objectives; and

(iii) establish an accountability relationship for the CEO to the Board.

The division of responsibilities and accountability between the Chairman and the CEO is set out in the PIDM Act[7] and in their respective position descriptions. The Chairman is tasked with leading and managing Board meetings and representing PIDM in engagements with the Minister or other government officials. The CEO, on the other hand, is responsible for all operational matters of PIDM.

Each year, the CEO's key performance indicators (KPIs) are determined in line with corporate objectives approved by the Board. At the end of 2025, the Human Capital and Remuneration Committee and the Board reviewed the CEO's performance against these KPIs.

[7] *Subsections 11(1) and 19(2) of the PIDM Act*

Standard 6:
Appointment of Senior Corporate Officers

The Board will appoint the senior corporate officers of PIDM (other than the CEO) and determine their terms of office and compensation.

In accordance with the Corporate By-Law, the Corporate Secretary, General Counsel, CIA, CRO and CIGO are appointed by the Board. The Board is also responsible for setting their terms of service and determining their compensation.

Standard 7:
Compensation of Officers

The Board will satisfy itself, on a regular basis, that the compensation of PIDM's officers and employees is consistent with the sustainable achievement of the Corporation's objects, the prudent management of its affairs, and the risks to which it is exposed and adherence to its policies and procedures.

The Board will review the compensation programme for all Directors and make recommendations to the Minister of Finance in that regard.

Annually, the Board approves PIDM's Corporate Plan and manpower plan, including the budget. The Board also approves annual bonuses and salary increments for employees following recommendation from the Human Capital and Remuneration Committee.

In 2025, the total wages and salaries for employees amounted to RM77.1 million. Refer to page 135 of the Annual Report for further information.

The PIDM Act stipulates that Directors, including the alternate Directors, shall be paid such fees, allowances and any other remuneration as may be determined by the Minister on the recommendation of the Board.[8] In 2025, the total amount of fees and remuneration, inclusive of medical benefits, paid to Directors was RM1.2 million. Refer to page 136 of the Annual Report for further information.

In 2025, PIDM engaged an independent consultant to undertake a comprehensive review of the existing Board remuneration framework. The objective is to ensure Directors' remuneration reflects their contributions, expertise and responsibilities as well as their critical public policy role, in line with PIDM's mandate to safeguard financial stability, protect consumers, and maintain public confidence during periods of stress. A proposal will be brought to the Governance Committee and the Board in 2026.

Standard 8:
Succession Planning

The Board will plan for the succession of the CEO and review succession plans for key senior management.

Under the PIDM Act, the CEO shall be appointed by the Minister on the recommendation of the Board.[9] The Board is responsible for ensuring robust succession plans for the CEO and key senior management positions, and the CEO provides regular updates to the Board on the status of succession planning for senior management roles. In 2025, the Succession Planning Committee held three meetings to deliberate on the CEO succession planning process and to present its recommendations to the Board.

[8] *Section 16 of the PIDM Act*
[9] *Section 19 of the PIDM Act*

Standard 9:
Standards of Behaviour and Ethics

The Board will ensure that Management develops adequate policies, strategies, process and controls within the Corporation to maintain an organisational climate that fosters ethical behaviour, employee commitment to the operations of the Corporation and a high degree of employee satisfaction.

PIDM's policies are available on its website at www.pidm.gov.my. These policies are reviewed regularly to ensure they remain current and aligned with PIDM's objectives. The policies are benchmarked against the latest best practice standards. Each year, PIDM employees are required to undertake a compulsory compliance quiz (Compliance Quiz) to assess their understanding of PIDM's behaviour-related codes, policies, procedures and guidelines including the Organisational Anti-Corruption Plan 2025 – 2029 (OACP 2025 – 2029). In 2025, all employees[10] completed the Compliance Quiz within the required period.

In 2025, the Board approved amendments to the Conflict of Interest Code for Employees. These amendments were made to set out who shall be the "Designated Person" for employees within the Governance cluster, following the separation of the Corporate Secretary and General Counsel positions.

Under the Conflict of Interest Code for Directors, Directors must disclose annually if they have any interest in shares of member institutions or their affiliates, as well as any credit facilities or deposits of RM250,000 or more with any member institution. Employees of PIDM are required under the Conflict of Interest Code for Employees, to make annual declarations of their assets and financial obligations. Additionally, Directors and key employees are required to disclose annually, if they or their connected persons hold any interest or key management position in entities with which PIDM has contractual or business relations. Both Directors and employees are also required to certify annually that they have complied with their respective Conflict of Interest Codes. Employees must further certify their annual compliance with the Code of Business Conduct and Ethics for Employees.

Reports on compliance with laws, standards and ethics are provided to the Audit Committee and the Human Capital and Remuneration Committee, and subsequently to the Board.

Standard 10:
Significant Risks to PIDM

The Board will:

(i) obtain an understanding of the principal risks of PIDM's business;

(ii) ensure that appropriate and prudent risk management systems to manage these risks have been implemented and are reviewed regularly;

(iii) obtain reasonable assurance on a regular basis, that systems are being adhered to and the risks affecting PIDM continue to be effectively managed; and

(iv) ensure that the CRO (or in his absence, a senior representative of the Enterprise Risk Management (ERM) Department as nominated by the CRO) should regularly attend all scheduled Board meetings or as determined by the Board.

The Board ensures that there is an appropriate ERM process in PIDM. A Board-approved ERM Charter provides guidance on the implementation of ERM across PIDM.

The ERM Department provides the Audit Committee and the Board with regular risk reports, enabling them to monitor compliance with the ERM programme, ensure that risk management practices are applied consistently, and confirm that risk mitigation action plans are implemented effectively. The CRO or a representative from the ERM Department, attends all Board meetings. The Chair of the Audit Committee is consulted prior to the appointment or termination of any CRO and will conduct both entry and exit interviews. The appointment of the CRO requires Board approval.

[10] *Except for those (a) involved in setting the questions and (b) responsible for the information technology aspects of the Compliance Quiz*

Each Department is responsible for identifying, managing, and mitigating its own risks, and the head of each Department provides annual confirmation of this responsibility. The CRO provides the Board with an annual ERM representation letter confirming that PIDM's risks are being appropriately managed and that the relevant ERM policies and processes continue to be effective and fit for purpose.

Standard 11:
Control Environment and Internal Audit

The Board will ensure that PIDM has a control environment that supports the prudent management of its operations and of the risks to which it is exposed (including the risks to the attainment of its objects) and has effective policies and practices to assure the integrity of internal controls and management information systems. In this connection the Board will:

(i) allocate resources for, and establish an internal audit group, setting out its mandate;

(ii) approve its audit plan for each year;

(iii) seek from the internal audit group, on a regular basis, reasonable assurance regarding the monitoring of, and compliance with internal controls, the integrity of the system and that appropriate action is being taken to address any significant weaknesses or breakdowns identified; and

(iv) ensure that the Chief Internal Auditor (or in his/her absence, a senior representative from the internal audit group) should regularly attend all scheduled Board meetings or as determined by the Board.

PIDM's Internal Control Framework (ICF) is benchmarked against the Committee of Sponsoring Organizations of the Treadway Commission Internal Control – Integrated Framework (COSO Framework). The Corporate Assurance Department (CAD) maps PIDM's operations against the ICF's components, comprising the control environment, risk assessment, control activities, information and communication, and monitoring activities.

Annually, the Board approves the CAD's plan and monitors its performance through the Audit Committee. The Board ensures that the CAD is sufficiently resourced with employees possessing the required skills and experiences. The qualifications of the CIA are available on PIDM's website.

The CIA reports functionally to the Board through the Audit Committee. The CIA has full and unrestricted access to the Audit Committee and is at liberty to request *in camera* sessions without the presence of Management. The Chair of the Audit Committee is consulted prior to the appointment or termination of any CIA and will conduct both entry and exit interviews. The appointment of the CIA requires Board approval.

The CIA provides an annual representation letter to the Audit Committee and the Board, outlining the assessment results on PIDM's system of internal controls. This includes areas identified as significant risks, as well as matters relating to PIDM's financial management and reporting. For 2025, there were no reported incidents of significant weaknesses or deficiencies in the adequacy and integrity of the risk management and internal controls embedded in PIDM's systems, policies, practices and processes.

Standard 12:
In Control

The Board will obtain, on a regular basis, reasonable assurance that PIDM is "in control".[11]

The Board has reasonable assurance that PIDM is "in control" for the following reasons:

(a) the Board Governance Policy sets out the Board's expectations of Management;

(b) PIDM has an ICF in place which is benchmarked against the COSO Framework. This is described in Standard 11;

[11] *The concept of being "in control" refers to a state where PIDM's operations are subject to effective governance by the Board and are being managed in accordance with an ongoing strategic and risk management process in an appropriate control environment and where significant weaknesses related to those matters will be identified, addressed and brought forward to the Board's attention*

(c) the Board receives a report on compliance with key policies and laws in accordance with Standard 9. It also receives an annual report from the CIGO, through the Audit Committee, covering internal compliance, integrity and governance-related activities;

(d) the ERM Department has established a process to identify, evaluate, and review risks, and provides regular risk reports to the Board;

(e) the CRO and CIA report functionally to the Board through the Audit Committee on key risks or internal control matters. Their direct access to the Audit Committee provides an avenue to raise concerns that may not have been highlighted by PIDM's Management. As they attend all scheduled Board meetings, the Board is able to obtain their views on the reliability of the information presented;

(f) the CIGO reports functionally to the Board through the Audit Committee, on internal compliance, integrity and governance-related activities. In 2025, the OACP 2025 – 2029 was developed guided by the Corruption Risk Assessment Framework and subsequently launched in conjunction with the risk-themed Internal Conference organised for employees;

(g) the Board receives comprehensive representation letters from the CEO, the Executive Vice President responsible for Finance and Stakeholder, and the CRO, affirming the accuracy and reliability of the information provided to the Board. In turn, the CEO and the CRO receive representation letters from the Heads of Department regarding their responsibilities for risk identification and management, as well as the performance of their respective functions. Additionally, the CIA provides a representation letter to the Audit Committee and the Board, confirming the integrity of and compliance with the internal control systems governing the information provided to the Board by Management;

(h) the Board receives regular reports on PIDM's progress in implementing the Corporate Plan and financial plan and actively monitors performance against these plans; and

(i) the Board receives regular updates on the assessment of risks and the ongoing monitoring of member institutions.

Based on the foregoing, the Board is of the view that a robust system of risk management and internal control has been established and is being effectively maintained.

Standard 13:
Strategic Management Process

The Board is responsible for reviewing and overseeing the development of and approving a strategic plan and direction for PIDM, taking into account the opportunities and risks facing PIDM. To fulfil this responsibility, the Board will:

(i) periodically assess PIDM's objects to ensure their continuing relevance and, if thought appropriate, propose changes for consideration by the Minister of Finance;

(ii) adopt a strategic planning process;

(iii) at least annually, approve operating objectives and strategies, the operating budget, capital budget, borrowing plan, corporate plan, premium rates that are appropriate and prudent in light of PIDM's objects, current and anticipated environment, risks, resources and financial position;

(iv) regularly evaluate PIDM's performance in implementing its approved plans and budgets; and

(v) obtain, on a regular basis, reasonable assurance that PIDM has an effective strategic management process.

The Board periodically reviews PIDM's statutory objects to ensure their continued relevance.

Each year, Management conducts an external scan of PIDM's operating environment to identify and assess significant risks that must be managed to achieve its objectives. Since the commencement of PIDM's integrated reporting journey, the Board also considers material matters, which are discussed and incorporated into the Corporate Plan.

Management provides the Board with regular, detailed updates on PIDM's achievements enabling the Board to obtain reasonable assurance that PIDM's business and affairs are being managed effectively. Risk and Material Matters can be found at www.pidm.gov.my. The achievements of key performance indicators in the Corporate Plan are set out on pages 45 to 48 of the Annual Report.

Standard 14:
Effective Communication

The Board will ensure that PIDM communicates effectively with the public, Bank Negara Malaysia and other statutory bodies or regulators, depositors, policy owners, member institutions and other relevant parties.

The Board oversees the implementation of PIDM's communications and stakeholder engagement plans. As part of these efforts, PIDM's Annual Report and a summary of its Corporate Plan are made publicly available.

In 2025, the Communications Policy was updated to broaden its scope to cover both business-as-usual and crisis communications, clarify the status of employees speaking at public events, conferences and seminars, as well as to reflect current practices and enhance clarity. The update also allows the CEO to designate certain communication activities to any persons deemed appropriate for specific situations or scenarios.

Standard 15:
Review of the Board Governance Policy

The Board will review the Board Governance Policy biennially to ensure that it remains responsive to the circumstances and needs of PIDM and that it continues to reflect the legislation to which PIDM is subject to, PIDM's mandate, guidance on matters of governance specific to statutory bodies and recognised best practices.

The Board Governance Policy was reviewed in 2025 and no amendments were deemed necessary. It remains adequate for PIDM's needs, and the next review is scheduled in 2027.

Board Committees

Throughout 2025, the Board was supported by the Audit Committee, the Governance Committee, the Human Capital and Remuneration Committee, and the Succession Planning Committee. During the year 2025, all Board Committees discharged their responsibilities in accordance with their respective charters. Details of the attendance of the Board and Board Committee members are on page 15 of the Annual Report.

Audit Committee

The following is a summary report of the Audit Committee's key areas of work in 2025. The Audit Committee's other work in 2025 is set out on page 24 of the Annual Report.

Internal Audit

The Audit Committee considered the following internal audit reports issued by the CAD. The audit areas included but were not limited to:

(a) audit of the Corporation's financial reporting processes and financial statements for the financial year ended 31 December 2024;

(b) limited scope audit on project management for the office relocation and reinstatement and disaster recovery data centre;

(c) assessment and review of the compliance with PayNet's Cyber Resilience Guidelines for 2024;

(d) information security assessment for 2024 – vulnerability assessment and penetration testing;

(e) audit of the business continuity simulation exercise, with a focus on functional testing;

(f) review of vendor risk management, with a focus on Information Technology (IT)-related vendors;

(g) audit of information security in relation to the Information Security Management System (ISMS) Surveillance; and

(h) audit of information management processes.

Recommendations arising from these audits were presented to the Audit Committee, and Management's responses and corresponding action plans were duly considered. For 2025, there were no reported incidents of significant weaknesses or deficiencies in the adequacy and integrity of the risk management and internal controls embedded in PIDM's systems, policies, practices and processes. There were also no financial losses incurred during the financial year under review that resulted from weaknesses or deficiencies in PIDM's risk management and internal control systems.

The Audit Committee continued to monitor the performance of the internal audit function against the CAD's annual plan and ensured that the function remained independent. The Audit Committee reviewed the CAD's plan for 2026 – 2027 and considered its financial plan and resource requirements. Additionally, the Audit Committee also monitored Management's implementation of action plans arising from previous internal audits.

Financial Reporting

The Audit Committee supported the Board in ensuring reliable, accurate and transparent financial reporting by reviewing PIDM's financial statements as well as other information disclosed in the Annual Report and Corporate Plan. In accordance with the PIDM Act, PIDM's Annual Report (including its financial statements and the report from the Auditor General) must be provided to the Minister within three months after the end of the financial year (31 December).

Financial Reporting Processes, Accounting Policies and Internal Control Structure

The Audit Committee reviewed and advised the Board on the annual financial statements, external audit reports, and the integrity of the financial reporting process and internal control reports. The Audit Committee also obtained a written certification from the CIA regarding the effectiveness of PIDM's system of internal control.

Strategic and Financial Management Oversight

The Audit Committee fulfilled its responsibilities with regard to financial management oversight, including the monitoring of annual financial plan and the management of investments. In particular, the Audit Committee reviewed regular reports on progress against the Corporate Plan 2025, and considered and recommended the Corporate Plan 2026 – 2028 to the Board.

The Audit Committee also reviewed the Resolution Accounting Framework and the Procurement Policy.

Risk Management

The Audit Committee reviewed the Board Risk Report for 2025 which highlighted the Corporation's major risks in the areas of resolution readiness, cybersecurity, and human capital.

The Audit Committee further considered the reports on PIDM's ISMS – ISO/IEC 27001:2022 certification initiative, the assessment of control effectiveness, as well as reports on cyber security risk management and PIDM's Shariah risk management.

Ethical and Legal Compliance

The Integrity and Governance Department updated the Audit Committee on its internal compliance, integrity and governance-related activities, which included implementing the Board-approved Compliance Programme, launching the second edition of the OACP 2025 – 2029 and conducting the annual Compliance Quiz for employees.

The Audit Committee also reviewed the report on compliance with applicable laws and key codes and policies from the General Counsel.

Governance Committee

In 2025, the Governance Committee considered the:

(a) draft governance disclosures in the Annual Report and the Statement on Governance on PIDM's website;

(b) review of the Policy and Procedures for the Engagement of Separate Independent Counsel or Other Advisors;

(c) Board succession plan;

(d) review of Board members' profiles;

(e) review of PIDM's Governance Policy and Board Committee Charters;

(f) review of position descriptions for Board members, Chairman of the Board and Board Committees;

(g) report on the results of the Board's and Committees' performance and management support to the Board in 2024;

(h) individual Director's performance assessment;

(i) annual Board education programme for Directors;

(j) review of the PIDM Act – governance-related;

(k) schedule planner 2026; and

(l) report on the Governance Committee's work against the Governance Committee Charter for the year 2025.

Human Capital and Remuneration Committee

In 2025, the Human Capital and Remuneration Committee considered the:

(a) review of long-term retention plan of employees;

(b) review of PIDM's Compensation and Benefits Policy;

(c) review of Human Capital and Remuneration Committee Charter;

(d) review of financial entitlements provided under the PIDM's scholarship programme;

(e) CEO's performance against his KPIs for 2025 as well as his KPIs for 2026;

(f) status report on PIDM's human capital matters and key initiatives;

(g) results of the Management's review of PIDM's compliance with key human capital policies and legal requirements;

(h) report on PIDM's scholarship programme; and

(i) annual report on the Human Capital and Remuneration Committee's work against the Human Capital and Remuneration Committee Charter.

The Human Capital and Remuneration Committee also recommended to the Board for approval, the employees' salary recommendations for 2026 and the 2025 annual bonus range and bonus awards for all employees.

Succession Planning Committee

In 2025, the Succession Planning Committee held three meetings to deliberate on the CEO succession planning process and to present its recommendations to the Board.

Accountability And Audit

Financial Reporting

PIDM adopts the Malaysian Accounting Standards Board's Approved Accounting Standards in Malaysia for Entities Other than Private Entities. It administers six distinct and separate Protection Funds under the Deposit Insurance System (DIS) and the Takaful and Insurance Benefits Protection System (TIPS). Each Protection Fund is reported and accounted for separately.

The Directors' Report on the financial statements for the financial year ended 31 December 2025, together with the accompanying Statement by Directors, can be found on page 65 and page 70 respectively of the Annual Report.

Five subsidiaries were incorporated in 2012 as special purpose entities to undertake specific intervention or failure resolution activities when required. These companies are currently dormant. In accordance with section 35 of the PIDM Act, the financial results of these subsidiaries have not been consolidated into PIDM's financial statements. Furthermore, in line with the requirements of Malaysian Financial Reporting Standard 10 (MFRS 10) *Consolidated Financial Statements*, PIDM has not prepared consolidated financial statements, as it does not meet all the criteria required for "control" over its subsidiaries as defined in MFRS 10.

PIDM is of the view that consolidating its financial statements with those of its subsidiaries would not provide meaningful information and a true and fair view of PIDM's financial position and performance. The financial exposure and impact of any intervention or failure resolution of a member institution relate solely to the specific Protection Fund associated with that member institution. Further details can be found in Note 2.2(b) to the financial statements.

Audit

Pursuant to the PIDM Act, the financial statements of PIDM are audited by the Auditor General in accordance with the Audit Act 1957. PIDM maintains a collaborative working relationship with the external auditors from the National Audit Department (NAD). Representatives from the NAD have direct access to the Audit Committee members to raise any matters arising from their review, and the Audit Committee may likewise engage with NAD as needed. All relevant documentation is provided to NAD in the normal course of their work to support effective oversight and governance. The annual fees paid to the NAD are found on page 136 of the Annual Report.

Islamic Deposit Insurance System And Takaful Benefits Protection System

PIDM seeks advice and endorsement from the Shariah Advisory Council (Council) of BNM on Shariah matters relating to the administration of the Islamic Deposit Insurance System and the Takaful Benefits Protection System. The arrangements and salient features governing the administration of these systems have been endorsed by the Council.

Premiums and levies collected from Islamic banks and takaful operators are managed and maintained separately in the Islamic Deposit Insurance Fund and the Takaful Benefits Protection Funds, respectively. These funds are invested in accordance with Shariah principles, and only Shariah-permissible expenses will be charged to these funds.

In the event of an intervention or failure resolution involving an Islamic bank or a takaful operator, the Islamic Deposit Insurance Fund or the Takaful Benefits Protection Funds, as applicable, will be utilised. Should PIDM need to obtain funding from the Government or the market, the funding arrangements will be structured in accordance with Shariah principles.

The roles and responsibilities of the Board, Executive Management, Heads of Department and the Islamic Resolution Unit are set out in the Shariah Governance Framework.