

CORPORATE GOVERNANCE

AS AT 31 DECEMBER 2022

Baiduri Bank Group ("the Group") in its management and governance of Baiduri Bank Berhad ("the Bank") is committed to upholding good corporate governance standards and is guided by principles of good corporate governance enumerated in the Corporate Governance Guidelines issued by Brunei Darussalam Central Bank ("BDCB") BU/G-1/2017/5 issued on 2 March 2017 with the date of implementation from 1 January 2018.

INFORMATION ON THE BOARD

BOARD COMPOSITION

The Board of Directors ("the Board") of the Bank is comprised of six directors, including the Chairman. The members are:

Name of Members		
1	YAM Pengiran Muda Dr Abdul Fattaah (Chairman)	Non-Executive and Non-Independent
2	YM Dato Seri Paduka Dr Hj Abdul Manaf bin Haji Metussin*	Non-Executive and Independent
3	YM Dato Paduka Timothy Ong Teck Mong	Non-Executive and Independent
4	Mr Pierre Imhof	Non-Executive and Independent
5	Hjh Rahayu binti Dato Paduka Haji Abdul Razak	Non-Executive and Independent
6	Prof David Grayson CBE	Non-Executive and Independent
7	Muhammad Harris bin Brigadier General (B) Dato Paduka Haji Ibrahim**	Non-Executive and Independent

*The directorship of YM Dato Seri Paduka Dr Hj Abdul Manaf bin Haji Metussin has ceased on 1 October 2022.

**Muhammad Harris bin Brigadier General (B) Dato Paduka Haji Ibrahim was appointed on 15 December 2022.

Roles of the Board

The main roles of the Board for the Group are to –

- provide leadership, and to establish a group corporate structure and corporate governance framework;
- exercise all powers, not exclusively reserved to shareholders, and to manage its business;
- ensure its financial soundness and long-term growth;
- set the "tone-from-the-top" to promote good corporate governance;
- know and understand the Group's organisation structure, objectives and risks;

- respect each subsidiary's independent legal and governance responsibilities;
- be guided by the Guidelines and ensure compliance with applicable laws.

Responsibilities of the Board

The responsibilities of the Board for the Group include –

- **Finance**
 - to approve, monitor and review, annual business plans, financial budgets, capital management, including capital adequacy, and allocation, liquidity plans, major capital expenditure, investments and divestments in meeting its objectives;
 - to maintain a robust finance function responsible for accounting and financial data;
 - to approve annual financial statements and require independent review of critical areas;
 - to set dividend policies and observe the Authority's notices on statutory reserve fund and distribution of profits;
 - to make material disclosures in Annual Reports as guided by the Guidelines and in compliance with applicable laws.
- **Risk Management**
 - to approve, review and oversee the implementation and effectiveness of –
 - a risk governance framework and risk management;
 - internal controls functions and system to enable risks to be identified, assessed, reported and managed.
- **Strategy**
 - to have oversight of the Group's business strategies, keep up-to-date with strategic changes and external environment;
 - to consider sustainability issues, including the environment, social and governance factors, in formulating strategies;
 - to ensure obligations owed to shareholders and stakeholders are understood and met;
 - to delegate clear authorities and responsibilities to Senior Management in day-to-day management;
 - to establish, set terms of reference and oversee the effectiveness of Board Committees;
 - to understand it remains accountable and responsible for any authority it delegates to Board Committees and Senior Management;
 - to maintain an effective relationship with regulatory supervisors.

- **Human Resources**

- to approve, monitor and review the formulation and implementation of human resources strategies, including selection of Key Responsible Persons, promotion and training, and remuneration strategies for directors and employees;
- to oversee the integrity and effectiveness of policies and procedures for whistleblowing.

- **Reserved matters**

- The following matters are reserved for the Board's review and approval unless the Board has expressly delegated them.
 - Board Structure
 - Appointment and recommendation for removal of Directors.
 - Appointment and removal of the Company Secretary.
 - Establishment of Board Committees including, their members and the specific Terms of Reference.
 - Appointment and extension of contracts of the CEO.
 - Remuneration matters
 - Approval of remuneration packages, including service contracts, for the CEO, the Key Senior Management, other material risk takers, and any other person the Board determines.
 - Determination of the corporate goals and objectives relevant to the remuneration of the CEO and evaluating the performance of the CEO in light of these objectives.
 - Determination of the size of bonus/incentive pools as part of the annual plan based on consideration of pre-determined business performance indicators and the financial soundness of the Group.
 - Strategy
 - Review and approval of the strategic plans.
 - Approval of the risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Group's risk profile.
 - Approval of investment or divestment of a capital project which represents a significant diversification from the Group's existing business activities.
 - Approval of major changes in the activities of the Group.
 - Approval of key policies of the Bank and the Group.

- Financial
 - Approval of annual budget of the Bank and the Group.
 - Approval of capital expenditure and/or disposal of capital items sanctioned over and above delegated levels, i.e. where the amount involved exceeds a pre-determined threshold given to Management.
 - Approval of financial statements and their release
 - To determine Dividend Policy and the amount, nature, and timing of dividends to be paid.
 - Approval of the review on adequacy and effectiveness of the Group's system or risk management and internal controls

- Others
 - Granting of power of attorney.
 - Recommendation for the changes in the Company's Constitution.
 - Recommendation for issue of debt instruments

Board Delegation

The Board has delegated certain functions to five board committees namely the Group Executive Committee, Group Nomination Committee, Group Remuneration Committee, Group Audit Committee and Group Risk Management Committee.

The Board meets four times a year and may also meet whenever there is urgent business to deal with.

All the directors at the Board and board committee meetings in 2022 are required to meet the minimum number of required attendance or if unable to, been subsequently provided with the relevant information of the meetings.

Number of meetings attended in 2022	Board of Directors	Group Executive Committee	Group Nomination Committee	Group Remuneration Committee	Group Audit Committee	Group Risk Management Committee
Frequency of meetings	4	4	4	2	4	4

The Group Nomination Committee will assess the independence and the composition of the directors on a yearly basis under Section 2.11 of the Guidelines for Corporate Governance for Banks issued 2 March 2017 from BDCB.

BOARD COMMITTEES

Group Executive Committee (“Group EXCO”)

The Group EXCO is comprised of at least three members, including the Chairman and the Chief Executive Officer of the Bank. The members are:

Name of Members	
1	YAM Pengiran Muda Dr Abdul Fattaah (Chairman)
2	Mr Pierre Imhof
3	Mr Ti Eng Hui

The Group EXCO is established to assist the Board of the Group in the carrying out of the Board's responsibilities, including amongst others, investments, and divestments and oversees management of risks of the Bank and the Group, within the parameters set by the Board.

The roles and responsibilities of the Group EXCO are:

- To assist the Board to oversee the Group's performance and review business lines, functions, objectives and achievements
- To monitor the Group's activities globally and more precisely to review reports on the performances and credit quality of the business lines including the prompt escalation of any material event which may result in significant financial, or reputational impact to the Group.
- To review and recommend the annual budget and business plans
- To approve credit limits on corporate and retail portfolio, treasury and investment activities including exposure on counterparties, market risks and liquidity risks as well as capital expenditure in line with the budget To sub-delegate, as appropriate, approval authority for credit limits on corporate and retail portfolio, treasury and investment activities as well as capital expenditure to the Group Credit Committee and management
- To review and recommend policies relating to credit, treasury and investment activities to the Board for approval
- To oversee the activities of the Assets and Liabilities Committee and approve, when necessary, the strategies and guidelines to businesses given the Assets and Liabilities Committee
- To review the role and performance of functions (finance, operations, IT, legal,)
- Perform all other functions delegated by the Board

Group Nomination Committee (“GNC”)

The GNC is comprised of at least three Board members. The members are:

Name of Members	
1	YAM Pengiran Muda Dr Abdul Fattaah
2	YM Dato Paduka Timothy Ong Teck Mong (Chairman)
3	Prof David Grayson CBE

The GNC is established to assist the Board in the carrying out its responsibilities in ensuring its effectiveness as a Board including in relation to the appointment of Board members and senior management, succession planning and training programs for Board members.

The roles and responsibilities of the GNC are:

- To have oversight and where appropriate to make recommendations to the Board on matters relevant to:
 - The composition and independence of the Group boards;
 - Succession planning for board and committee members, CEO and where appropriate senior management;
 - Appointment and performance evaluation of the CEO;
 - Appointment and effectiveness assessment of Board members with due consideration given to skills, experience, reputation, contribution, independence and potential conflicts of interest;
 - Appointment and independence assessment of staff in key functions over which the GNC has oversight including the Head of Group Risk, Head of Internal Audit, Head of Group Compliance and Company Secretary;
 - Training programs for Board members.

Group Audit Committee (“GAC”)

The GAC is comprised of at least three Board members, made up of entirely Independent or Non-Executive directors. The members are:

Name of Members	
1	YM Dato Seri Paduka Dr Hj Abdul Manaf bin Haji Metussin (Chairman)*
2	Hjh Rahayu binti Dato Paduka Haji Abdul Razak (Chairperson)
3	Mr Pierre Imhof
4	Haji Shazali bin Dato Haji Sulaiman**
5	Muhammad Harris bin Brigadier General (B) Dato Paduka Haji Ibrahim

*YM Dato Seri Paduka Dr Hj Abdul Manaf bin Haji Metussin is the Chairman of GAC for the period from 1 January 2022 to 30 September 2022. He ceased to be a director from 1 October 2022.

**Haji Shazali bin Dato Haji Sulaiman is the Chairman of the Baiduri Finance Audit Committee and hence he sits on the GAC as a member from 27th September 2022.

The purpose of the GAC is to provide a structured, systematic oversight of the Group's governance, risk management and internal controls system including financial, operational and information technology controls. The GAC assists the Board and Senior Management by providing advice and guidance on the adequacy of the organisation's initiatives for:

- Values and ethics
- Governance structure
- Risk management
- Internal control framework
- Oversight of internal audit activity, external auditors, and other providers of assurance
- Financial statement and public accountability reporting

The roles and responsibilities of the GAC are:

- To provide the Board with independent, objective advice on the adequacy of the Group's management with respect to the following:
 - Recommendations on appointment, remuneration and dismissal of the external auditors, the scope of external audits and other services;
 - Providing the opportunity for the internal and external auditors to meet and discuss findings;
 - Reviewing with the external auditors the end of year financial statements;
 - Framing policy on internal audit and financial reporting, among other things;

- Overseeing the financial reporting process;
 - Providing oversight of and interacting with the Bank's internal and external auditors;
 - Reviewing and approving the audit scope and frequency; Receiving key audit reports and ensuring the Senior Management is taking necessary corrective actions in timely manner to address control weaknesses, non-compliance with policies, laws and regulations and other problems identified by auditors and other control functions;
 - Overseeing the establishment of accounting policies and practices by the Bank;
 - Reviewing the third-party opinions on the design and effectiveness of the overall risk governance framework and internal control system; and
 - Review, at least annually, the adequacy and effectiveness of the internal audit function;
 - Review all Related Party Transactions and to keep the Board informed of these transactions, if any;
 - Prepares the work of, and reports to the Board in specific areas for which it has designated responsibility as defined and in accordance to the BDCB Guidelines for Internal Audit Function in Banks; and
 - Perform other activities related to this charter as requested by the Board.
- Perform other responsibilities including the following:
 - Review and assess the adequacy of the committee charter *annually*, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
 - Institute and oversee special investigation as needed;
 - Oversee the implementation of the Compliance policy, including ensuring that issues relating to compliance matters are resolved effectively and in a timely manner by Senior Management with the assistance of the Group Compliance Department;
 - Assess the effectiveness of the Group's management of compliance risk through annual meetings with the Head of Group Compliance; and
 - Confirm annually that all responsibilities outlined have been carried out.

Group Remuneration Committee (“GRC”)

The GRC is comprised exclusively or in majority of non-executive directors with at least three Board members. The members are:

Name of Members	
1	YAM Pengiran Muda Dr Abdul Fattaah
2	YM Dato Paduka Timothy Ong Teck Mong (Chairman)
3	Mr Pierre Imhof

The GRC is established to assist the Board in carrying out its responsibilities including in relation to group policies and guidelines on remuneration, bonuses and benefits for Board members, CEO and senior management.

The roles and responsibilities of the GRC are:

- To have oversight, review and where appropriate to make recommendations to the Board on the remuneration policy of the Group including in relation to Board members and senior management with due consideration given to:
 - The Group's mission and objectives, culture and strategy;
 - Employment terms and conditions within the Group, the industry as well as international best practices;
 - Relative performance of the Group against historical performance, budget and the performance of the Group's competitor set;
 - Incentivizing high performance with due regard for managing risk; Time committed, contribution and responsibility of non-executive board members.

Group Remuneration Policy

The Group Remuneration Policy sets out the Group's policy towards attracting, motivating and retaining people with the skills and talents to contribute significantly to the Group's strategic objectives, business plans and corporate values.

The GRC shall have oversight of the Group's Remuneration Policy including regarding the remuneration and benefits of non-executive board members and CEO. The GRC shall comprise at least three Bank board members with a majority of independent directors and be chaired by an independent director. The Group Remuneration Policy will be reviewed at least once annually to ensure its alignment with the Group's strategic objectives, business plans and corporate values.

The Group adopts a performance-based approach to compensation based on individual performance and the overall performance of the Group. Typically, the compensation of each employee comprises two components:

- A fixed component consisting basic salary and a 13th month fixed bonus taking into account salaries for employees with comparable skills and attributes in comparable companies;
- A variable component based on the employee's performance and contribution as measured through the Group Annual Appraisal process, the Group's financial results and strategic objectives.

Board members shall be paid board and committee attendance fees as determined by the GRC. In consideration of their contribution and responsibility, non-executive board members of Baiduri Bank and the chairperson emeritus will receive a combined annual director's fee amounting to 5% of audited Bank net profit after tax in accordance to guidelines determined by the GRC.

Group Risk Management Committee (“GRMC”)

The GRMC is comprised of at least three Board members. The members are:

Name of Members	
1	YAM Pengiran Muda Dr Abdul Fattaah
2	YM Dato Paduka Timothy Ong Teck Mong
3	Mr Pierre Imhof
4	Prof David Grayson CBE (Chairman)

The GRMC is established to assist the Board of the Group in fulfilling its oversight responsibilities for the Group's risk management framework and the Group's corporate risk structure including the strategies, policies, processes, procedures, and systems established by Senior Management to identify, assess, measure, manage and monitor the Group's significant financial, operational, and other risk exposures.

The roles and responsibilities of the GRMC are:

- To review and advise the Board in determining the Group's levels of risk tolerance and risk policies in a Risk Appetite Statement (“RAS”), and oversee Senior Management in the design, implementation and monitoring of risk management and internal control systems.

- To assist the Board in reviewing and recommending to the Board risk management strategies and controls formulated by Senior Management and the Heads of Risk Management and Compliance functions to identify assess, measure, manage, and monitor the Group's financial, operational, compliance and other risk exposures.
- To oversee the Group's risk governance framework which should include well-defined organizational responsibilities for risk management, referred to as the "three lines of defence": (a) the business line including support functions; (b) independent risk management and compliance functions; (c) an internal audit function independent from the first and second lines of defence.
- To ensure that the risk management and compliance functions are properly positioned, staffed, and resourced and carry out their responsibilities independently, objectively and effectively.
- To advise the Board on the Group's overall current and future risk appetite, overseeing Senior Management's implementation of the RAS, reporting on the state of risk culture in the Group, and interacting with and overseeing the Heads of Risk Management and Compliance functions.
- To maintain oversight of the strategies for capital and liquidity management as well as for all relevant risks of the Bank, including credit, market, operational, compliance and reputational risks, to ensure they are consistent with the stated risk appetite.
- To review significant risk exposures facing the Group and the steps Senior Management has taken to mitigate, manage, and monitor such exposures.
- To review and advise the Board on the Group's Internal Capital Adequacy Assessment Process ("ICAAP") and Group Recovery Plan, which should include the results of stress tests covering a range of scenarios and recovery measures
- To receive regular reporting and communication from the Head of Risk Management, Head of Compliance as well as any other relevant functions about the Bank's current risk profile, current state of the risk culture, utilisation against the established risk appetite, and limits, limit breaches and mitigation plans.
- To approve the appointment and removal of the Head of Risk Management and Head of Compliance, as well as annually review the performance and independence of the Head of Risk Management and Head of Compliance.
- To review and assess the adequacy of the GRMC Charter and review its own performance annually.
- To review and recommend Group risk-related policies to the Board for approval.
- Perform such other duties and responsibilities as may be directed by the Board or required by applicable laws, rules, or regulations.

INTERNAL CONTROLS

The Bank's Board of Directors is responsible for the governance of risk. The Board ensures that the Senior Management maintains a sound system of risk management and internal controls to safeguard shareholder's interest and the Group's assets.

The Bank has in place a system of internal controls that safeguards the business. The Board oversees the performance of such internal control systems through the various board committees and through various control functions within the Bank.

The Bank is further also governed by the Guidelines on Internal Controls Systems (BU/G-7/2018/15) issued by BDCB on 2 January 2018.

Group Audit

The role of the Group Audit function is to provide an independent, objective assurance and consulting activity designed to add value and improve the Organization's operations. It helps an Organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The mission of Group Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight.

The department's main objectives are to assist the Board and Senior Management in the effective discharge of their responsibilities by furnishing them with internal audit reports setting forth independent and objective analyses, appraisals, recommendations, and pertinent comments concerning the systems, processes or activities audited.

In carrying out the above objectives, the internal auditor's work shall govern itself by adhering to the mandatory elements of the Institute of Internal Auditors International Professional Practices Framework including the Core Principles for the Professional Practices of Internal Auditing, the Code of Ethics, the international Standards for the Professional Practice of Internal Auditing ["Standards"] and the Definition of Internal Auditing.

The Internal Audit function is also governed by the Guidelines on Internal Audit function (BU/G-3/2018/11) issued by BDCB on 2 January 2018 and the Charter of the Internal Audit Department dated 29 June 2022.

Group Compliance

The Board is responsible for overseeing the management of the Group's compliance risk. The Board and the Senior Management are assisted by the Group Compliance Department, an independent function that is a key component of the Group's second line of defence. This function is responsible for, among other things, ensuring that the Group operates in compliance with applicable laws, regulations and internal policies.

While the Board and Senior Management are accountable for the Group's compliance, the Group Compliance function plays an important role in helping ensure that the Group acts responsibly and fulfils applicable obligations. The Group Compliance function advises the Board and the Senior Management on the Group's compliance with applicable laws, rules and standards and keep them informed of developments in the area. It also helps

educate staff about compliance issues, acts as a contact point within the Group for compliance queries from staff members and provides guidance to staff on the appropriate implementation of applicable laws, rules and standards.

The Group Compliance function is led by a member of the Management Committee with no direct business line responsibilities to avoid undue influence or obstacles as that function performs its duties. The Group compliance function directly reports to the Board or Board Committee, as appropriate, on how the Group is managing its compliance risk.

On 22 June 2021, on behalf of the Board, the Group Risk Management Committee approved the Group Compliance Policy. This Policy replaced the existing Compliance Charter and describes in more details the basic principles to be followed by the Group and the main processes by which compliance risks are to be identified and managed through all levels of the Group. The Group Risk Management Committee also approved revisions to the Group Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Policy to provide better clarity on compliance to AML/CFT regulatory requirements.

The Group Compliance function is governed by the Guidelines on Compliance and Compliance function (BU/G-5/2018/13) issued by BDCB on 2 January 2018.

Group Risk

The Group Risk function is responsible for overseeing risk-taking activities across the Group. The responsibilities of the Group Risk include ensuring that all relevant risks of the Group are properly identified and well-understood, measured and assessed; avoided, mitigated and/or controlled, as appropriate; monitored, and reported via a Monitoring and Assessment of Main Risks framework, covering 11 main risk areas including Credit, Liquidity, Market, Technology and Operational Risk, as well as Strategic, Compliance and Reputational Risks.

Group Risk Management Framework

The responsibility for risk management within the Group resides at all levels and adopts the principle of three lines of defense.

- The first line of defense is provided by the business units where risks are taken in pursuit of revenue generation and all supporting functions. First-line management is responsible for identifying and managing the risks inherent in the products, activities, processes, and systems for which it is accountable. When conducting business activities, staff in the business units hold first-line responsibility in the proper identification, measurement, assessment, mitigation and controlling, monitoring, and reporting of risk exposures on an ongoing basis, having regard to the Group's risk appetite, and policies, procedures, and controls. Ownership of risks and corresponding controls is held by the first line of defense.

- The second line of defense is provided by independent risk management function. The risk management function is primarily responsible for overseeing the Group's risk-taking activities, undertaking risk assessments, and reporting independently from the business line.
- The third line of defense is provided by an independent and effective internal audit function, which is responsible for providing assurance on the effectiveness of the Group's Risk Management Framework, including the risk governance arrangements. It provides independent review and objective assurance on the quality and effectiveness of the Group's internal control system, the first and second lines of defense as well as strategic and business planning, compensation, and decision-making processes.

The Group has established policies, processes, and systems to provide assurance that the material risks which could adversely affect the achievement of the Group's strategic objectives are being recognized and continually assessed. This assessment covers all types of material risks facing the consolidated group, which include, but not limited to:

- Capital Adequacy
- Earnings
- Funding and Liquidity
- Market and Interest Rate
- Asset Quality
- Diversification
- Operational and Technology Risk
- Compliance
- Reputation

The identification and assessment of risk considers both internal and external factors that could adversely impact the Group's financial performance, operations, compliance with regulations and reputation among stakeholders.

The Group Risk Appetite Statement identifies the key risks and expresses the maximum tolerance of such risks that the Group is prepared to take in order to achieve its strategic objectives. The Group's performance against Risk Appetite limits is closely monitored and Senior Management is expected to have a strong regard to the Risk Appetite Statement in its decision-making process.

The Group Risk function is also governed by Regulatory Guidelines on Risk Management Framework (BU/G-9/2018/17), Guidelines on Credit Risk Management (BU/G-1/2018/9), Guidelines on Market Risk Management (BU/G-1/2020/20) and Guidelines on Operational Risk Management (BU/G-1/2022/22).

Senior Management Committees

The following Senior Management Committees assist the CEO in the day-to-day running of the Group:

Management Committee: This committee oversees the management of the Group.

Asset and Liability Committee: This committee oversees the Asset and Liability Management, Interest rate and its hedging activities, funding, net interest margin and profit performance, liquidity management and product pricing.

Procurement Committee: This committee review and approves all group expenditure exceeding the CEO's delegation for all fixed asset investments or purchases for the Group.

Group Credit Committee: This committee is responsible for the day-to-day management oversight over credit risk arising from the Group's lending activities.

IT Steering Committee: This committee oversees the IT and related infrastructure strategies, IT related projects, initiatives, and its progress.

Risk Management Committee: The meeting is held monthly for Senior Management to review the Group's risk profile, address any material risk management issues, and provides a forum to discuss the Group's top and emerging risks.

Operational and Compliance Risk Committee: This committee is responsible for design, formulation, and implementation of the Group's operational and compliance risk management framework, including related policies and processes to identify, evaluate, measure, monitor and report on risks as well as the effectiveness of the internal control systems, taking appropriate and timely remedial actions as required.

Treasury and Investment Committee: This committee oversees strategies and recommendations involving Treasury and Investments activities and operations.

Business Continuity Management Committee: This committee provides the oversight, direction, and guidance to the Bank's BCM programme to ensure the exercise of best BCM practices and continuation of critical business functions at all times.

Governance Committee: This committee oversees the necessary steps taken by the Group to ensure activities that could impact regulatory risks are being appropriately tracked and followed-up until closure.

ACCESS TO INFORMATION

The directors will receive sufficient information from the Senior Management to monitor the performance of the Group. The directors also have access to the company secretary who will attend all Board and board committee meetings and facilitates communications between the directors and the Senior Management.

ETHICAL STANDARDS

- The Group Code of Conduct & Ethical Standards guides directors and employees on their conduct at the workplace, and with stakeholders in order to maintain the highest ethical standards and culture of integrity and responsibility in their dealings.
- The Group Code of Conduct & Ethical Standards provides a guide on the expected standards, expected behavior and expected actions to live up to our promises.
- The Group Code of Conduct & Ethical Standards applies to all employees (whether permanent, daily-paid or temporary) and directors (referred as “member(s)”).

Professionalism, Integrity, Trust and Compliance

- Banking is a business based on integrity, confidentiality and mutual trust. All members have a responsibility towards building up its reputation by applying the highest ethical standards in all of their dealings.
- The Group has developed an Anti-Bribery and Corruption Policy. The Group takes a zero-tolerance approach against any form of bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates. The policy defines the principles for identifying and preventing bribery and corruption to protect the integrity and reputation of the Group. It applies to the Group, its directors, employees and third parties.
- Members and employees must always be on their guard against circumstances that are susceptible to fraud, forgery or corruption. In order to maintain and safeguard the trust and confidence of customers and the public, it is essential that the Group be protected from involvement not only in any form of malpractice but also in any situations or activities which, though innocent, might be perceived by others to constitute malpractice.
- In keeping with the policy of maintaining the highest standards of conduct and ethics, the Group will investigate complaints of suspected fraudulent or dishonest use or misuse of its resources or property or misuse of authority by staff, board members,

consultants or clients. To maintain the highest standards of service, the Group will also investigate complaints concerning its programs and service.

- In 2020, the Group introduced Core Values to align its beliefs, philosophies and principles that reflects the business when engaging with stakeholders and customers. These values of being *Trustworthy*, *Inclusivity*, *Empathy* and *Enterprising* form part of the core competencies of employees and will be embedded into the work culture.
- **Our Core Values:**
 - Trustworthy* We value the trust placed in us by our customers, partners and colleagues, standing full-heartedly on the promises we make.
 - Inclusivity* We work as a team. Together, we are at our best when we embrace diversity and work towards the greater good of the organisation and society.
 - Empathy* We prioritize our customers' interests and seek to understand their needs better through active listening.
 - Enterprising* We are courageous and innovative, always seeking better ways to add value and adapt quickly to changes in the market.

Compliance

- Members should at all times, comply with the laws of Brunei Darussalam.
- Members should scrupulously comply with the laws, rules, and regulations of the markets in which they operate, without impeding or distorting market operations in any way.
- When members fail to meet the established Rules and Regulations, it is the management's responsibility to take corrective action.
- The Rules and Regulations and Disciplinary Procedures set out in the Group Code of Conduct apply to all employees (whether permanent, daily paid, temporary or contract), and where relevant, to directors, within Baiduri Bank and its subsidiaries.

Whistle-Blowing Policy

In keeping with the policy of maintaining the highest standards of conduct and ethics, the Group has a whistle-blowing policy covering complaints of suspected fraudulent or dishonest use or misuse of its resources or property by staff, board members, consultants, or clients. To maintain the highest standards of service, the Group will also investigate complaints concerning its programs and services.

Staff, board members, consultants, business associates and customers are encouraged to report suspected fraudulent or dishonest conduct or problems with services provided,

pursuant to the procedures set forth by the Group. This policy supplements, and does not replace, any procedures required by law, regulation, or funding source requirements.

CAPITAL MANAGEMENT

The Group's regulator, Brunei Darussalam Central Bank ("BDCB") sets and monitors capital requirements for the Group.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Group's overall strategy remains unchanged from the previous financial year.

The capital structure of the Group consists of equity of the Bank and its subsidiaries (comprising issued capital, reserves, and retained earnings).

The Group has complied with all imposed capital requirements for the financial years ended December 31, 2022 and 2021. Management monitors capital based on "capital funds" as defined under the Brunei Darussalam Banking Order, 2006.

	Bank		Group	
	2022 B\$'000	2021 B\$'000	2022 B\$'000	2021 B\$'000
Capital				
Core Capital (Tier I Capital)	514,831	471,193	622,664	571,373
Supplementary Capital (Tier II Capital)	10,666	11,422	16,732	18,015
Less: Investment in Subsidiaries	(47,949)	(47,949)	-	-
Total Capital base	477,548	434,666	639,396	589,388
Risk-weighted amount				
Risk-weighted amount for Credit Risk	1,829,347	1,708,157	2,513,953	2,352,358
Risk-weighted amount for Operational Risk	252,478	250,733	319,290	316,747
Risk-weighted amount for Market Risk	3,619	6,800	3,567	6,599
Total Risk-weighted amount	2,085,444	1,965,690	2,836,810	2,675,704
Capital Ratios				
Core Capital (Tier I) Ratio, %	24.69%	23.97%	21.95%	21.35%
Total Capital Ratio, %	22.90%	22.11%	22.54%	22.03%

Regulations

The Group's regulator, Brunei Darussalam Central Bank (BDCB) sets and monitors capital requirements of the Group. The minimum capital adequacy ratio is 12% in line with international standards, and recommendations by the Regulators is to be comfortably higher.

To meet the regulatory requirements, the current capital policy requires the Group to have a minimum Capital Adequacy Ratio of 15%. The current Capital Adequacy Ratio is well above this minimum requirement.

Dividends Policy

Dividends for the year are generally paid and accounted for in the following year. The standard practice is for the Bank to propose the distribution of dividends in line with conservative principles.

From time to time, interim dividends on the current year and/or exceptional dividends from the accumulated retained earnings may be distributed.

In all cases, this policy strictly complies with all present and future regulations. Any change to this policy would require the approval of the Board of Directors.