

# CORPORATE GOVERNANCE

AS AT 31 DECEMBER 2020

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 Autoriti Monetari Brunei Darussalam (AMBD) 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 Pg Muda Dr Abdul Fattaah (Chairman)	Non-Executive and Non-Independent
2	YM Dato Paduka Timothy Ong	Non-Executive and Independent
3	YM Dato Seri Paduka Dr Hj Abdul Manaf bin Haji Metussin	Non-Executive and Independent
4	Hjh Rahayu binti Dato Paduka Haji Abdul Razak	Non-Executive and Independent
5	Mr Pierre Imhof	Non-Executive and Independent
6	Mr Bertie Cheng	Non-Executive and Independent

### 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**
  - save for matters expressly delegated by the Board, to review and approve the following matters which requires the Board’s approval.
    - 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 Group's risk profile.
  - Approval of investment or divestment of a capital project which represents a significant diversification from Group's existing business activities.
  - Approval of major changes in the activities of Group.
  - Approval of key policies of the Bank and 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 2020 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 2020	Board of Directors	Executive Committee	Nomination Committee	Remuneration Committee	Audit Committee	Risk Management Committee
Frequency of meetings	4	4	3	2	4	4

The Group Nomination Committee will assess the independence and the composition of the directors on a yearly basis under Guidelines for Corporate Governance for Banks issued 2 March 2017 from Autoriti Monetari Brunei Darussalam (AMBD) Section 2.11.

## **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:

	<b>Name of Members</b>
1	Mr. Ti Eng Hui
2	Mr. Bertie Cheng (Chairman)
3	Mr. Pierre Imhof

The Group EXCO is established to assist the Board of the Group in the carrying out of the Board’s responsibilities, including amongst others, operational matters, 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 objectives
- To monitor the Group’s financial performance
- To approve credit limits, treasury and investment activities and capital expenditure
- To review and recommend the annual budget and business plans
- Perform all other functions delegated by the Board

### **Group Nomination Committee (“GNC”)**

The GNC is comprised of at least three Board members, including the Chairman. The members are:

	<b>Name of Members</b>
1	YAM Pg Muda Dr Abdul Fattaah
2	YM Dato Paduka Timothy Ong
3	Mr. Bertie Cheng (Chairman)

The GNC is established to assist the Board in the carrying out of the Board’s responsibilities, including amongst others, evaluation of the effectiveness of the performance of the Board and Senior Management, making recommendations on, appointments and re-appointments of directors and Senior Management, and training needs of directors.

The roles and responsibilities of the GNC are:

- To strive to ensure that there should be an effective Board composition with a strong independent element where no individual or small group of individuals should be allowed to dominate the Board’s decision making.
- To make recommendations to the Board on relevant matters relating to:
  - the review of Board succession plans for directors, in particular the Chairman and for the CEO (if appointed as a director);

- the development of a process for evaluation of the performance of the Board, its Board Committees and directors;
- the review of training and professional development programs for the Board; and
- the appointment and re-appointment of directors (including alternate directors, if applicable).

Issues to take into consideration as part of the process for the selection, appointment and re-appointment of directors include composition and progressive renewal of the Board and each director’s competencies, commitment, contribution, and performance.

The selection process for Board members should include reviewing whether the Board candidates:

- possess the knowledge, skills, experience and particularly in the case of non-executive directors, independence of mind given their responsibilities on the board and in the light of the Bank’s business and risk profile;
- have a record of integrity and good repute;
- have sufficient time to fully carry out their responsibilities; and
- have the ability to promote a smooth interaction between board members
- To ensure that all Board members does not have any conflicts of interest that may impede their ability to perform their duties independently and objectively and subject them to undue influence.
- To determine annually and as and when required, if a director is independent.

#### **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:

	<b>Name of Members</b>
1	YM Dato Seri Paduka Dr Hj Abdul Manaf bin Haji Metussin (Chairman)
2	Hjh Rahayu binti Dato Paduka Haji Abdul Razak
3	Mr. Bertie Cheng

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 AMBD 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; 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 including the Chairman. The members are:

	<b>Name of Members</b>
1	YAM Pg Muda Dr Abdul Fattaah
2	YM Dato Paduka Timothy Ong (Chairman)
3	Mr. Bertie Cheng

The GRC is established to assist the Board of the Group in carrying out the Board’s responsibilities, including amongst others, to implement and review the framework on remuneration system and fixing

remuneration packages of directors, Senior Management, and heads of control functions, and to evaluate performance-related incentives.

The roles and responsibilities of the GRC are:

- To establish formal and transparent policies and procedures for fixing the remuneration packages of Board members, Chief Executive Officer, Senior Management, and heads of control functions.
- In setting the remuneration packages, to consider the following:
  - ensure that the remuneration policy supports the Bank's objectives, culture and strategy
  - remuneration and employment conditions of the industry
  - the Bank's relative performance
  - the performance-related elements of remuneration should form a significant proportion of the total remuneration package of Executive Directors. However, salary scales should be within the scope of the general business policy and not be solely based on short-term performance to avoid incentives for excessive risk-taking
  - the remuneration of Non-Executive Directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Directors. In addition, the remuneration of each Board member may differ based on their level of expertise, knowledge, and experience, and
  - to cover all aspects of remuneration including Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind and termination benefits.

### **Group Remuneration Policy**

The Group Remuneration Policy applies to the Bank and all its subsidiaries within the Group and guides the design, operation, and management of its remuneration programmes. The policy sets out the principles and philosophies that are adopted to attract, motivate, and retain a highly skilled workforce across the Group while driving business strategic objectives, corporate and shareholder values.

The Group adopts a performance driven approach to compensation. Compensation packages are linked to personal performance and the overall performance of the Group.

The total compensation packages for employees comprise of 2 main components: fixed pay and variable pay. Fixed pay consists of a basic salary and a fixed bonus (13<sup>th</sup> month). Employees may be eligible for fixed allowances depending on their respective function. The variable pay rewards employees based on the performance of the Group and their individual performances measured through Group Annual Performance Appraisal process.

The Group Remuneration Policy also undertakes benchmarking exercises to ensure compensation packages remain fair and where appropriate, competitive against the local market industry. Independent industry surveys conducted by external consultants may be used as a reference for employee salary benchmarking purposes.



Compensation is tied to the achievement of business and performance objectives. Each business unit has its own performance measures that match their functions and objectives, and these objectives are consistent to the Group’s risk appetite.

The remuneration packages and performance of control function staff are determined independent of the business line they oversee. The employees of these control function are assessed based on their performance measures which should be based principally on the achievement of the objectives of their functions.

The GRC also recommends the remuneration for Executive Directors and Non-Executive Directors of the Bank, including attendance fee and annual directors’ fee.

The attendance fee is determined based on the level of responsibility undertaken and contribution to the effective functioning of the Board. This fixed fee is payable to all directors and applicable to each of their attendance on the Board meeting, Executive Committee meeting and Audit and Risk Committee meetings held.

The annual directors’ fee is determined based on the profitability of the Group and paid the following year.

**Group Risk Management Committee (“GRMC”)**

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

	<b>Name of Members</b>
1	YAM Pg Muda Dr Abdul Fattaah
2	YM Dato Paduka Timothy Ong (Chairman)
3	Mr. Pierre Imhof

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 approving major risk management policies 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"), which should include the results of stress tests covering a range of scenarios.
- 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.
- 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 AMBD on 2 January 2018.

### **Group Audit**

The role of the Group Audit function is to provide independent, objective assurance designed to add value and improve the Group's operations.

The mission of Group Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. The Internal Audit Department helps the Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and internal control processes.

The department's focus is 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 AMBD on 2 January 2018.

### **Group Compliance**

The Bank's Board of Directors is responsible in overseeing the management of the Group's compliance risk. The Compliance Policy and the Anti-Money Laundering and Combatting the Financing of Terrorism Policy were documented for this purpose. At least once a year, the Board or its designated committee must ensure that these policies are effectively implemented.

The Board must also have a sound understanding of the Group's organizational structure and the risks it poses. Compliance issues arising from money laundering and terrorist financing risks must be resolved by Senior Management and the compliance function with oversight by the Board or its designated committee.

Approved by the Board, the Group Compliance Risk Management Framework defines three lines of defense in mitigating compliance risk.

#### **Compliance Risk Management Framework**

- The first line of defence is front-line business management under respective Management Committees who administers compliance risk, implement mitigation controls, and ensure that activities are consistent with Group compliance risk management objectives.
- The second line of defence places the Group Compliance Department responsible for covering the implementation of effective compliance risk assessment, identify emerging risk issues, incorporating risk mitigation measures and monitoring of transactions, including to guide the development and implementation of internal policies and procedures ensuring compliance with laws and regulations.

- The third line of defence places the Internal Audit Department responsible for providing the assurance of independent reviews and assessments on the effectiveness of the compliance function.

The Group Compliance function is governed by the Guidelines on Compliance and Compliance function (BU/G-5/2018/13) issued by AMBD 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 includes 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:

- Credit Risk
- Market Risk
- Operational and Technology Risk
- Funding and Liquidity Risk
- Compliance Risk
- Reputation Risk

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) and Guidelines on Market Risk Management (BU/G-1/2020/20).

### **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 Meeting: 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 Risk Committee: This committee is responsible for design, formulation, and implementation of the Group's operational 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.

## 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.
- 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 encompasses of being *Trustworthy, Inclusivity, Empathy and Enterprising*.

## **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, Autoriti Monetari Brunei Darussalam ("AMBD") 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, 2019 and 2020. Management monitors capital based on “capital funds” as defined under the Brunei Darussalam Banking Order, 2006.

	Bank		Group	
	2020 B\$'000	2019 B\$'000	2020 B\$'000	2019 B\$'000
				Restated
<b>Capital</b>				
Core Capital (Tier I Capital)	432,655	394,811	527,367	487,499
Supplementary Capital (Tier II Capital)	11,050	19,631	15,382	25,417
Less: Investment in Subsidiaries	(47,949)	(47,949)	-	-
<b>Total Capital base</b>	<b>395,756</b>	<b>366,493</b>	<b>542,749</b>	<b>512,916</b>
<b>Risk-weighted amount</b>				
Risk-weighted amount for Credit Risk	1,632,989	1,570,495	2,293,444	2,206,900
Risk-weighted amount for Operational Risk	267,148	265,271	322,211	324,674
Risk-weighted amount for Market Risk	3,264	1,802	3,194	1,779
<b>Total Risk-weighted amount</b>	<b>1,903,401</b>	<b>1,837,568</b>	<b>2,618,849</b>	<b>2,533,353</b>
<b>Capital Ratios</b>				
Core Capital (Tier I) Ratio, %	22.73%	21.49%	20.14%	19.24%
<b>Total Capital Ratio, %</b>	<b>20.79%</b>	<b>19.94%</b>	<b>20.72%</b>	<b>20.25%</b>

## Regulations

The Group’s regulator, Autoriti Monetari Brunei Darussalam (AMBD) sets and monitors capital requirements of the Group. The minimum capital adequacy ratio is 10% 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 12%. 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.