

CORPORATE GOVERNANCE

AS AT 31 DECEMBER 2023

Baiduri Finance Berhad ("BFB") is committed to upholding good corporate governance standards and is guided by principles of good corporate governance enumerated in the Guidelines on Corporate Governance for Finance Companies issued by Brunei Darussalam Central Bank ("BDCB") BU/G-1/2019/19 issued on 27 November 2019 with the date of implementation from 1 January 2020.

Principle 1 – Every finance company should be headed by an effective Board to lead and control the finance company. The Board has ultimate responsibility for the finance company's business strategy and financial soundness and is collectively responsible for the long-term success of the finance company, including approving and overseeing management's implementation of the finance company's strategic objectives, governance framework and corporate culture. The Board works with Senior Management to achieve these objectives and Management remains accountable to the Board.

Baiduri Finance Board ("the Board") works in line with its parent company, Baiduri Bank ("the Bank") to set the purpose, strategic direction and risk appetite for Baiduri Finance.

Roles of the Board

The main roles of the Board are to:

- to operate, and have oversight of, the business of BFB and perform its duties and exercise its powers conferred by the Articles of Association, not exclusively reserved to shareholders, and to abide by Group Policies;
- exercise leadership in directing BFB to achieve its objectives;
- protect and safeguard the financial soundness and long-term growth of BFB and the Baiduri Bank Group;
- implement Group Policies on corporate governance and set the "tone-from-the-top" to promote good corporate governance;
- know and understand BFB's organisation structure, specific objectives and specific types of risks.

Responsibilities of the Board

The responsibilities of the Board include:

- **Senior Management**
 - to oversee and monitor Senior Management in its day-to-day management of BFB's business to ensure sound and prudent management, including that –
 - it complies, and conducts itself in accordance, with the governance, roles, responsibilities and operations stated in the Baiduri Finance Management Charter ("BFMC");
 - it complies with BFB Internal Policies and acts consistently with Group Policies;
 - it liaises and cooperates with Group internal control functions, and Group Support Functions, i.e. the divisions and departments listed in the BFMC Charter which performs various functions and services for the Baiduri Bank Group.

- **Finance**
 - to approve, oversee and review, BFB's annual business plan, financial budget, capital management, including capital adequacy, capital and liquidity plans, major capital expenditure in meeting BFB's objectives in accordance with relevant Group Policies and having due regard to the Guidelines;
 - to approve annual financial statements and require independent review of critical areas;
 - to set dividend policies in accordance with Group Policies;
 - to make material disclosures in the Annual Report as guided by the Guidelines and required by law.

- **Risk Management**
 - to review, oversee and monitor the implementation of Group Policies on –
 - corporate governance, including risk management and compliance;
 - internal control systems, to ensure adequate systems and functions are in place to enable risks to be identified, assessed, reported and managed whilst keeping in mind that –
 - BFB meets its own distinctive requirements for corporate governance and risk management; and
 - where necessary, to make adjustments to Group Policies which conflicts with applicable legislation and the Guidelines.

- **Strategy**
 - to assist and provide inputs in the formulation of all Group Policies relating to BFB;
 - to have oversight of, and keep up-to-date with, BFB's business plans and strategies, and strategic changes;
 - 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 understand it remains accountable and responsible for any authority it delegates to Senior Management;
 - to understand that BFB –
 - is an independent legal entity with its own set of obligations imposed by applicable law and the Guidelines;
 - as part of the Baiduri Bank Group, the BFB Board of directors forms the first line of defence, with ultimate responsibility for the management of BFB;
 - to maintain an effective relationship with regulatory supervisors.

- **Human Resources**
 - to implement and adhere to Group Policies on –
 - human resources strategy including recruitment, training, promotion and remuneration;
 - 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 contract of the Managing Director.
 - Remuneration matters
 - Approval of remuneration packages, including service contracts, for the Managing Director, 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 Managing Director and evaluating the performance of the Managing Director 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 Baiduri Bank 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 Baiduri Bank Group's risk profile.
 - Approval of investment or divestment of a capital project which represents a significant diversification from Baiduri Bank Group's existing business activities.
 - Approval of major changes in the activities of BFB.

- Financial
 - Review and recommend annual budget of BFB to the Parent Board for approval.
 - 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 the Managing Director and Senior Management.
 - Approval of financial statements and their release.
 - To determine Dividend Policy and the amount, nature and timing of dividends to be paid.

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

Group EXCO

The Group EXCO is comprised of at least three members. 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 review and recommend the annual budget and business plans / strategies.
- To assist the Board to oversee the Group's performance and activities globally and review business lines, functions, objectives and achievements, including the prompt escalation of any material event which may result in significant financial, operational or reputational impact to the Group.
- To review and recommend the Board level policies together with other Board committees where relevant, relating to credit, market activities and investments to the Board for approval.
- The Board may delegate authority to make decisions to the Group EXCO but in doing so the Board does not abdicate its roles and responsibilities, specifically the Board is delegating to Group EXCO its role of approving credit risk, market risk, corporate and retail portfolio, treasury and investment activities.
- To recommend to the Board credit limits granted to the Group Credit Committee and sub-delegations 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 oversee the activities of the Assets and Liabilities Committee and approve or recommend for approval, when necessary, the strategies and guidelines to businesses given by the Assets and Liabilities Committee.
- Perform all other functions delegated by the Board.

Group Risk Management Committee (“GRMC”)

The GRMC is comprised of four Board members. The members are:

Name of Members	
1	YAM Pengiran Muda Dr Abdul Fattaah
2	Dato Paduka Timothy Ong Teck Mong
3	Mr Pierre Imhof
4	Prof David Grayson (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 have oversight and where appropriate to make recommendations to the Board on matters relevant to:
 - The Group's Risk Appetite Statement and risk governance framework;
 - The Group's risk-related policies;
 - The Group's risk profile, limit breaches and mitigation plans;
 - The Group's strategies for the main risks of the Group, which include capital, liquidity, external, credit, market, operational, compliance and reputational risks;
 - The Group's Internal Capital Adequacy Assessment Process (“ICAAP”) and Group Recovery Plan;
 - Risk management and compliance functions are properly staffed to carry out their responsibilities independently, objectively and effectively;
 - Appointment and independence assessment of staff in key functions over which the GRMC has oversight including the Head of Group Risk and Head of Group Compliance.

Baiduri Finance Audit Committee (“BFAC”)

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

Name of Members	
1	Dato Paduka Timothy Ong Teck Mong
2	Mr Pierre Imhof
3	Haji Shazali bin Dato Haji Sulaiman (Chairman)

The purpose of the BFAC 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 BFAC 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 statements and public accountability reporting

The roles and responsibilities of the BFAC are:

- To provide the Board with independent, objective advice on the adequacy of BFB'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 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 Group'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;

- Review, at least annually, the adequacy and effectiveness of the internal audit function;
 - Prepares the work of, and reports to the Board in specific areas for which it has designated responsibility as defined and in accordance with the BDCB Guidelines for Internal Audit Function in Finance Companies; and
 - Perform other activities related to the BFAC Charter as requested by the Board.
- Perform other responsibilities including the following:
 - Review and assess the adequacy of the BFAC 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 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	Dato Paduka Timothy Ong Teck Mong (Chairman)
3	Prof David Grayson

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, Managing Director and where appropriate Senior Management;
- Appointment and performance evaluation of the Managing Director ;
- 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 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	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, Managing Director 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.

The induction program for newly appointed director ensures that new directors gain an understanding of their role as a director, the organisation as well as the framework within which BFB operates.

The induction process covers the following areas:

Area of induction	Activity
Welcome	<p>Provide new Director with letter of appointment and copy of:</p> <ul style="list-style-type: none"> - Board / Committee Planner - Board / Committee Charter - Board / Committee Work Plan - Corporate Governance Guidelines - Memorandum & Articles of Association - Group Code of Conduct & Ethical Standards - Anti Bribery and Corruption Policy - Conflict of Interest Policy - Whistleblowing Policy <p>Tour of site by Managing Director of BFB</p>
Company Information	<p>Explanation of function and services by Managing Director of BFB:</p> <ul style="list-style-type: none"> - History of BFB - Vision, mission and values - Corporate profile - Group's strategic plan
Role Description	<p>Explanation on the following by DCEO or Managing Director of BFB:</p> <ul style="list-style-type: none"> - Board and Committee composition and structure - New Director roles and responsibilities - Processes and procedures relevant to the Board Member as an individual - Training / information needs of the Director to support their role - Evaluation / review process of the Board / Committee

Baiduri Finance Management Committee Introduction	<p>One on one session (to be arranged) with each Baiduri Finance Management Committee member to present:</p> <ul style="list-style-type: none"> - Background of Baiduri Finance Management Committee - Organisation Chart of respective department - Main roles and responsibilities of the respective department
Induction Review	New Director to provide feedback to the Chairman & Managing Director of Baiduri Finance on the induction process to identify any potential areas for improvement

Newly appointed directors are expected to complete trainings on Anti-Money Laundering and Know-Your-Customer within 3 months from their date of appointment. Incumbent directors are required to complete these trainings annually as part of a refresher.

In line with directors' training and development needs, all directors will also attend relevant training(s) identified and recommended by the GNC. The Board is notified of upcoming trainings and workshops. For 2023, all directors attended a workshop on Basel III facilitated by Mr Richard Ellis, Banking Expert with BDCB.

Principle 2 – 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.

Board Composition

As of 31 December 2023, the Board is comprised of 6 directors.

	List of Directors	Type
1	YAM Pengiran Muda Dr Abdul Fattaah (Chairman)	Non-Executive and Non-Independent
2	Dato Paduka Timothy Ong Teck Mong	Non-Executive and Independent
3	Mr Pierre Imhof	Non-Executive and Independent
4	Haji Shazali bin Dato Haji Sulaiman	Non-Executive and Independent
5	Ti Eng Hui	Executive and Non-Independent
6	Haji Haliluddin bin Dato Haji Talib	Executive and Non-Independent

Principle 3 – There should be a clear division of responsibilities between the leadership of the Board and those executives responsible for managing the Finance company’s business. Decision making power should not be concentrated in the hands of one individual.

The Chairman and Managing Director are separate persons, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. In promoting the highest standards of integrity, there is a clear and effective division of responsibilities between the Chairman and the Managing Director, and each plays a distinctive role but complementing each other.

Principle 4 – There should be a formal and transparent process for the identification, assessment, appointment and reappointment of directors to the Board. The Board, not Senior Management, nominates candidates and promotes appropriate succession planning of directors.

The GNC is responsible to make recommendations to the Board on relevant matters relating to:

- The review of Board succession plans for directors;
- 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 BFB’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

The appointment of a new director shall follow the appointment process established by the GNC:

1. Evaluation of needs

The GNC will evaluate and identify any gaps in board composition in terms of agreed criteria which will include generic and technical skills, expertise relevant experience and diversity.

The agreed Board Skills Matrix / "desired skillset and experience for future director candidates" helps the GNC to identify the skills, experience and attributes the new independent director should possess.

2. Nomination of potential candidates

The GNC is open to receiving nominations from board members, management and shareholders.

A third-party executive search firm may be engaged to assist in identifying suitable candidates if deemed appropriate.

3. Evaluation of potential candidates

The GNC will evaluate potential candidates based on its assessment of board needs and in consultation with board members and key stakeholders.

The GNC will use the approved "New Director Qualification Assessment Process" which is divided in 2 parts:

- The fit and proper assessment checklist for director ("Director Fit and Proper Assessment Checklist") which contains the assessment criteria and documents required; and
- The skills and experience self-assessment checklist for director ("Director Skills and Experience Self-Assessment Checklist") which details the skills and experience in various areas / fields.

4. Recommendation to Board for approval

Following evaluation and consultation with shareholders, the GNC will present its recommendation/s to the Board for approval.

In accordance with the Guidelines on Corporate Governance for Finance Companies, directors are nominated for re-appointment once every 3 years. In line with Baiduri Finance's Article of Association, newly appointed director(s) are re-appointed the preceding year from their date of appointment under Article 82. Incumbent directors are re-appointed once every 3 years under Articles 75 and 77. Recommendations for appointment / re-appointment are reviewed by the GNC and recommended to the Board and shareholder for approval at the Annual General Meeting held in March of the year.

Principle 5 – The Board should define appropriate governance structures and practices for its own work and put in place the means for such practices to be followed and periodically reviewed for ongoing effectiveness. There should be a formal annual assessment of the effectiveness of the Board as a whole and its Board Committees and the contribution by each director to the effectiveness of the Board.

The Board plays a vital role in developing and implementing the Group's strategy. The Board is responsible for setting the Group's strategic direction and ensuring it is aligned with its mission and values.

The Board is guided by its Baiduri Finance Board Charter which outlines the Board's duties, responsibilities, and roles in line with all applicable laws. The effectiveness of the Board and Board Committees is further strengthened by the composition of the Independent Directors on the Board as well as the chairmanship of the Board Committees which are held by a majority of Independent Directors:

- Group EXCO – YAM Pg Muda Dr Abdul Fattaah
- Group Risk Management Committee – Prof David Grayson
- Group Nomination Committee – Dato Paduka Timothy Ong Teck Mong
- Group Remuneration Committee – Dato Paduka Timothy Ong Teck Mong
- Baiduri Finance Audit Committee – Haji Shazali bin Dato Haji Sulaiman

An annual Board assessment is conducted to assess the effectiveness of the Board, its Board Committees and Director. The assessment process is as follows:

1. The assessment is carried out annually by completing performance evaluation forms for each Board / Board Committee the director is a member of.

2. The performance evaluation forms are disseminated by the Board Secretary and will be completed individually by each member of the Board.
3. The Corporate Governance team will consolidate, summarise and highlight the items with its score that needs improvement together with comments in a summarised assessment report and such report will be provided to the GNC.
4. The summarised assessment report will then be presented to the Board for its consideration and / or to decide on further improvements and action plans, if any, are required.

Principle 6 – The Board should meet regularly and be duly furnished with complete and timely information.

The Board meets at least four times a year. All the directors at the Board and Board Committee meetings in 2023 are required to meet the minimum number of required attendance or if unable to, been subsequently provided with the relevant information of the meetings. Individual directors must attend at least 75% of Board and Board Committee meetings in each financial year. Directors' meeting attendance for 2023 is at 100%.

Name	Role	Board and Board Committees													
		BOD		GROUP EXCO		GRMC		BFAC		GNC		GRC		AGM	
		H	A	H	A	H	A	H	A	H	A	H	A	H	A
YAM Pg Muda Dr Abdul Fattaah	Chairman	4	4	4	4	4	4	NA	NA	4	4	4	4	1	1
Dato Paduka Timothy Ong Teck Mong	Director	4	4	NA	NA	4	4	2	2	4	4	4	4	1	1
Pierre Imhof	Director	4	4	4	4	4	4	2	2	NA	NA	4	4	1	1
Haji Shazali bin Dato Haji Sulaiman	Director	4	4	NA	NA	NA	NA	2	2	NA	NA	NA	NA	1	1
Ti Eng Hui	Director	4	4	4	4	NA	NA	NA	NA	NA	NA	NA	NA	1	1

Haji Haliluddin bin Dato Haji Talib	Director	4	4	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	1	1
-------------------------------------	----------	---	---	----	----	----	----	----	----	----	----	----	----	---	---

H – Held

A – Attended

NA – Not applicable as the director is not a member of the Committee

The Board Secretary ensures that the agenda and meeting materials must be issued at least seven (7) days prior to each Board meeting to allow sufficient time for all directors to consider the relevant information. Proper minutes of the meetings are recorded in a clear, accurate and timely manner.

Principle 7 – There should be a formal and transparent procedure for fixing the remuneration packages of Board members, Chief Executive Officers and Senior Management and the remuneration policies and practices should be in line with the Finance company’s ethical values, objectives and culture.

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 Managing Director . The GRC shall comprise of 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 Performance Management process, the Group's financial results and strategic objectives.

The performance assessment process for Senior Management and all employees are assessed yearly against performance targets which are set at the outset of the financial year. The performance assessment is based on Goals and Objectives comprising of 60% and Competencies of 40%.

The Head of Group Human Resources & Administration will compile the completed performance assessments from all divisions and business units of the Group and will undertake a moderation exercise to ensure an overall balanced overall performance is tabled at the GRC meeting for approval.

Board members shall be paid board and committee attendance fees as determined by the GRC.

Principle 8 – The Board should present a balanced and understandable assessment of the finance company's performance, risk position and prospects.

To ensure alignment in the implementation of the business strategy, risk appetite and policies approved by the Board, the Board has established a two-level Committee within the Group, namely:

- 1) Board Level Committees
 - Group EXCO
 - Group Risk Management Committee
 - Group Nomination Committee
 - Group Remuneration Committee
 - Baiduri Finance Audit Committee

- 2) Management Level Committees

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

Asset & 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.
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.

Fraud Committee	This committee ensures effective fraud risk management including due diligence, oversight, governance, reporting and remediation of fraud risk.
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.
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.
Management Committee	The objectives of this committee are to carry out and manage Baiduri Bank Group activities in a manner consistent with the business strategy, risk appetite, remuneration and other policies approved by the Board.
Operational & 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.
Procurement Committee	This committee review and approves all group expenditure exceeding the Bank's CEO's delegation for all fixed asset investments or purchases for the Group.
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.
Sustainability Committee	The purpose of the committee is to develop, implement and monitor sustainable practices and policies that align with the organization's goals and values.
Treasury & Investment Committee	This committee oversees strategies and recommendations involving Treasury and Investments activities and operations.
Baiduri Finance Management Committee	This committee monitors aspects of BFB's operations, including performance, risk, audit, compliance and customer services.

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

Principle 9 – The Board is responsible for the governance of risk. The Board should ensure that Senior Management maintains a sound system of risk management and internal controls to safeguard shareholders’ interests and the finance company’s assets and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

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 an 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.

Principle 10 – Finance companies should have an effective independent risk management function under the direction of a Chief Risk Officer (CRO) with sufficient stature, independence, resources and access to the board.

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 12 main risk areas including Strategic, External, Capital, Earnings, Funding & Liquidity, Market, Asset Quality, Diversification, Technology & Operations, People, Compliance and Reputational Risk.

Principle 11 – Risks should be identified, monitored and controlled on an ongoing enterprise-wide and individual entity basis. The sophistication of the finance company's risk management and internal control infrastructure should keep pace with changes to the finance company's risk profile to the external risk landscape and in industry practice.

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 Operational Risk Management Framework is in place and reviewed on a periodic basis to ensure a robust internal control infrastructure including an annual Risk and Control Self-Assessment process, Risk event reporting, Issues management, Outsourcing risk management and Third-Party risk management established through respective policies and procedures.

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), Guidelines on Operational Risk Management (BU/G-1/2022/22) and Guidelines on Liquidity Risk Management (BU/G-1/2023/24).

Principle 12 – The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties. The Chairman must be an Independent Director and must not be the Chairman of the Board or of any other committee.

The Board established an Audit Committee known as the BFAC. The terms of reference and the constitution of the BFAC are as provided in Principle 1. The BFAC consists of non-executive directors, all of whom are independent. The Committee Chairman is an Independent Director, who is appointed by the Board. The finance company also ensures that at least 1 member of the BFAC is a Chartered Accountant and a member of an accounting body and at least 2 members have extensive professional experience in the field of financial reporting, risk management or auditing.

Principle 13 – The finance company should establish an effective internal audit function that is adequately resourced and independent of the activities of its audits. The internal audit function should provide independent assurance to the board and should support board and senior management in promoting an effective governance process and the long-term soundness of the Finance company.

The Internal Audit function is 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. The Internal Audit function reports directly to the BFAC and provides independent and objective assurance to the BFAC and the Board that the internal control functions within the Group are operating effectively. The Internal Audit function adopts a risk-based approach to audits focusing on high risk-areas across the Bank and its subsidiaries and the frequency of audits vary from one entity to another.

Principle 14 – The finance company's board of directors is responsible for overseeing the management of the Finance company's compliance risk. The board should establish a compliance function and approve the finance company's policies and processes for identifying, assessing, monitoring and reporting and advising on compliance risk.

The Board delegates oversight of compliance risk management to the GRMC. In 2021, the GRMC approved the Group Compliance Policy, which outline the purpose of the policy, the scope of the policy, the GRMC's authority in approving the compliance

policy, the authorities given to the compliance function, the roles and responsibilities of various internal stakeholders in managing compliance risk, and consequences for non-compliance.

The Board and the Senior Management are assisted by the Group Compliance Department, an independent function that is a key component of the Bank's second line of defence. This function is responsible for, among others, ensuring that the Bank operates in compliance with regulatory requirements.

The Senior Management has an important responsibility of ensuring the compliance department can carry out its roles and responsibilities to the highest standard, and with independence from business influence.

The compliance function plays a significant role in reviewing policies and procedures of the Bank, with a focus on ensuring the policies and procedures address relevant regulatory requirements. The compliance function provides advice to the Board and Senior Management on the Bank's compliance with applicable laws and regulations and keep them informed of regulatory changes. The compliance function also conducts compliance training for staff and acts as a contact point for any compliance queries from staff. In addition, the compliance function establishes compliance policies, procedures and guidelines to outline the general framework and how the Bank will manage its business in a manner that complies with regulatory requirements.

The compliance function is separate and independent from business lines to avoid any conflict of interest or perception of impact on its objectivity. The Head of Group Compliance Department directly reports on the Bank's compliance risk management efforts to the GRMC.

The Head of Group Compliance Department is a member of the Senior Management and has sufficient authority, stature, independence and resources to discharge compliance responsibilities. The Head of Group Compliance Department has a direct reporting line to the GRMC, and has the authority to present reports to the GRMC without the Senior Management's authorisation. The Head of Group Compliance is not involved in any "dual-hatting".

Principle 15 – Finance companies should treat all shareholders fairly and equitably and should recognise, protect and facilitate the exercise of shareholders’ rights and continually review and update such governance arrangements.

BFB is a wholly owned subsidiary of Baiduri Bank. BFB ensures there is transparency and full disclosure of material information including information relating to the operations and businesses of BFB. Shareholders may access this information through Baiduri’s website or Annual Reports.

Principle 16 – Finance companies should actively engage their shareholders, depositors and other relevant stakeholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

BFB’s communication channels are maintained by Group Strategic Marketing and Communications Department and is regularly updated to ensure that its shareholders and stakeholders are kept informed of all information relating to material changes of developments in the BFB’s financial information, its operations and business.

The majority shareholder is kept informed by the Board on Baiduri Finance’s financial performance and strategic direction during quarterly Board meetings.

Principle 17 – Finance companies should encourage greater shareholder participation at general meetings of shareholders and allow shareholders the opportunity to communicate their views on various matters affecting the finance company.

Annual General Meetings (“AGM”) are convened on a physical basis. The Chairman and members of the Board are present at the AGMs and are readily available to address any issues or concerns raised by the shareholders. Shareholders who are not able to attend the AGM in person are entitled to appoint proxies to attend the AGM.

Principle 18 – Persons empowered with decision-making authority (including directors) should exercise care to avoid situations that may give rise to a conflict of interest situation.

The Group has put in place a Conflict of Interests Policy (“Policy”) which applies across the Group and aims to define and provide the guiding principles in identifying, preventing and managing conflict of interests situations. The Policy aims to help its employees and its Board of Directors uphold its commitment to high standards of ethical conduct, professionalism and integrity of the Group. The Policy also covers our clients, vendors, suppliers and business associates (collectively referred to as “third parties”).

A conflict of interest is described as a situation in which a person or an entity(ies) involved in where, the person or entity(ies) may have competing interests and serving one interest may result in the detriment of the other. This could adversely influence the decision making or present a risk that may not serve to the best interest of the clients or the Bank Group.

A conflict of interest situation call into question the ability of the person /entity(ies) involved in the conflict to:

- i) Act objectively in the best interest of the organization
- ii) Have a decrease ability to perform on the job
- iii) Have Preferential treatment
- iv) Have Loss of impartiality
- v) Impeding company efficiency
- vi) Compromising business ethics

The failure to appropriately identify and avoid a potential conflict of interest situation may result in adverse consequences including damages to reputation, negative impacts to client/partners/ associate relationships, loss of business, risks of sanctions by regulators and litigation.

The guiding principles on conflict of interest are based on Principle 18 of BDCB's Guidelines on Corporate Governance for Finance Companies (BU/G-1/2019/19) issued on 27 November 2019.

The Policy covers the types of conflicts of interest as such Business-related conflicts where such conflict may arise as a result of the structure and different activities of the Group's businesses and where Personal Conflict of interest may arise between those employed with the Group and the members and the interest of the Group or the clients.

The Group recognises that related party transactions present a heightened risk of conflicts and therefore the Group has adopted a Related Party Transactions Policy which applies to any financial transaction or relationship where the Bank or its subsidiaries is a participant, a director, key management personnel, significant shareholder, controlling shareholder, an immediate family member who has or will have a direct or indirect material interest.

The Policy covers the roles and responsibilities of its Board Members and Related Parties, all employees, people managers and leaders as well as third parties with business dealings with the Group.

The Board places great importance on making clear any existing or potential conflicts of interest. All such conflicts of interest shall be promptly declared by the member concerned and documented with the Board's Secretary who shall maintain records of such declarations. Each Board member must always work in the best interest of BFB he/she serves and should not engage directly or indirectly in activities, either in a personal or professional capacity, that may compete or be in conflict with Baiduri Bank and/or its subsidiaries. Where a Board member has a conflict of interest, that Board member shall not vote on that matter. Board members are not barred from engaging in business dealings with the organization, provided that these are negotiated at arm's length without the participation of the Board member concerned.

All employees are responsible to identify and manage conflict of interest situations by complying with the Policy. All employees of Baiduri Bank Group have knowledge of the financial affairs of their customers. It is imperative that staff avoid every conceivable conflict of interest or breach of confidence. Employees should be aware of and avoid situations where there may be an appearance of conflict or decreased ability to perform on the job and are required to exercise discretion at all times in their dealings with the public in order to protect the interests of customers as well as those of the Group.

People Managers and Leaders have a responsibility to lead by example and are required to uphold the Group code of conduct in the highest standards including strictly complying with the requirements of the conflict of interest policy.

The appropriate due diligence is required to be performed on any 3rd parties who wish to have business dealings with Baiduri Bank Group to ensure that there is no conflict of interest and a process in place for departments to be able to identify, assess and manage conflict of interests. Such conflict of interests should then be documented and maintained centrally.

The Policy also laid out the disclosure requirements by all members where it is required to complete and submit the relevant disclosures annually as well as the other requirements for declaration as well as the requirements for education and training of its members including that of new Directors on conflict of interests.

The Policy covers the process in place to report and/or escalate any identified conflicts of interest to higher management. The Board secretary is responsible for maintaining a register of all conflict of interests of the Board of Directors. In the event a conflict of interest situation may arise, this required to be raised in the relevant board committee for record keeping. For employees, the reporting shall be maintained by Group Human Resources. For third parties with business dealings, the reporting shall be under the vendor management policy.

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:**

<i>Trustworthy</i>	We value the trust placed in us by our customers, partners and colleagues, standing full-heartedly on the promises we make.
<i>Inclusivity</i>	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.
<i>Empathy</i>	We prioritize our customers' interests and seek to understand their needs better through active listening.
<i>Enterprising</i>	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.

The Whistleblowing Policy is intended to encourage and enable employees and others to raise serious concerns within the organisation prior to seeking resolution outside the organisation.

Reporting

A person's concerns about possible fraudulent or dishonest use or misuse of resources or property, or program operation, should be reported:

- To the Group Human Resources of Baiduri Bank Group (if an employee)
- To the Chairperson of Baiduri Bank Board of Directors (if a board member)
- To the Baiduri Bank Chief Executive Officer (if a customer or business associate or consultant)

If, for any reason, a person finds it difficult to report his or her concerns to such person, she/he may report the concerns directly to:

- The Bank's CEO and/or Chairperson of the Bank's Board of Directors or the Chairperson of the Group Audit Committee or Baiduri Finance Audit Committee

Alternatively, to facilitate reporting of suspected violations, a written statement may be submitted to one of the individuals listed above.

Investigation

All relevant matters, including suspected but unproved matters, will be promptly reviewed, and analysed, with documentation of the receipt, retention, investigation, and treatment of the complaint. Appropriate corrective action will be taken, if necessary, and findings may be communicated to the reporting person and his or her supervisor, if appropriate.

Investigations may be conducted by independent persons such as auditors and/or attorneys. Investigators will endeavour to maintain appropriate confidentiality, but subject to regulatory or legal obligations.

No Retaliation

No director, officer, employee, volunteer, or client who in good faith reports suspected fraudulent or dishonest use or misuse of the Group resources or property, or complaints concerning the services the Group provides and programs the Group runs, shall suffer harassment, retaliation, or adverse employment or other consequence.

An employee who retaliates against someone who has reported a violation in good faith is subject to disciplinary sanctions up to and including termination of employment.

The Whistleblowing Policy is in addition to any non-retaliation requirements contained in the Group's Employees' Policies or required by law.

This protection from retaliation is not intended to prohibit supervisors from taking action, including disciplinary action, in the usual scope of their duties and based on valid performance-related factors.

Individuals making complaints must be cautious to avoid baseless allegations; employees who intentionally make false allegations are subject to disciplinary action in accordance with the Group Employee Policies.