

CORPORATE GOVERNANCE

AS AT 31 DECEMBER 2024

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 have oversight of the company 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 the company to achieve its objectives;
- protect and safeguard the financial soundness and long-term growth of the company 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 the company's structure, specific objectives and specific types of risks.

Responsibilities of the Board

The responsibilities of the Board include:

- **Senior Management**
 - to oversee 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 Committee ("BFMC") Charter;
 - 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, review and oversee the company'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 policy in accordance with Group Policies;
 - to make material disclosures in the Corporate Governance Disclosure for BFB and Annual Financial Statements as guided by the Guidelines and required by law.

- **Risk Management**
 - to oversee 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 –
 - the company 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 the company;
 - to have oversight of, and keep up-to-date with, the company'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 the company –
 - 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 exercise responsibility for the management of the company;

- **Human Resources**
 - to implement and adhere to Group Policies on –
 - human resources strategy including recruitment, training, promotion and remuneration
 - Whistleblowing, Conflict of Interest and Group Code of Conduct & Ethical Standards.

- **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 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.
- Approval 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 the company.

- Financial
 - Review and recommend annual budget of the company 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 the dividend policy and the amount and timing of dividends to be paid.

- Others
 - Granting of power of attorney.
 - Recommendation for the changes in the company'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 by the Management 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, which include but are not limited to, the approval of CEO's expenses and ratification of bad debts written off.

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;
 - The Group's regulatory compliance and Anti-Money Laundering / Countering the Financing of Terrorism (AML/CFT) related policies;
 - The effectiveness of the implementation and operation of the Regulatory Compliance and AML/CFT programme;
 - 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;
 - The Group's material sustainability matters including among others the Group's Sustainability Strategy.

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;

- Overseeing the establishment of accounting policies and practices by the Baiduri Finance Berhad;
 - Reviewing the third-party opinions on the design and effectiveness of the overall risk governance framework and internal control system;
 - Review, at least annually, the adequacy and effectiveness of the internal audit function;
 - Review all Related Party Transactions as defined by the Related Party Transactions Policy (to ensure these transactions are made on an arm's length basis) 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 with the BDCB Guidelines of Corporate Governance Guidelines for 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 Group 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 Baiduri Finance's management of compliance risk through annual meetings with the Head of Group Compliance;
 - Confirm annually that all responsibilities outlined have been carried out; and
 - Review and ensure that the policy or equivalent arrangements are put in place by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

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 the company operates.

The induction process covers the following areas:

Area of induction	Activity
Welcome	<p>Provide new Director with letter of appointment and copies of various documents such as:</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 - Code of Ethical and Professional Standards - Anti Bribery and Corruption Policy - Conflict of Interest Policy - Group Whistleblowing Policy <p>Tour of site by Managing Director</p>
Company Information	<p>Briefing on the company's function and services by Managing Director:</p> <ul style="list-style-type: none"> - History of the company - Vision, mission and values - Corporate profile - Group's strategic plan
Role Description	<p>Briefing on the following by Managing Director:</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 and professional development 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 Directors may 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 of their appointment. Incumbent directors are required to complete these trainings annually as a refresher.

In line with directors' training and development needs, all directors will participate in relevant training sessions identified and recommended by the GNC. The Board is informed of upcoming trainings and workshops. For 2024, all directors attended workshops on:

- Evaluation of Strategic Risks and Opportunities in Regional Diversification, facilitated by Dragoman; and
- ASEAN Sustainability Insight, facilitated by CIMB

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 2024, 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 distinct individuals, ensuring an appropriate balance of power, increased accountability and a greater capacity for independent decision-making by the Board. To uphold the highest standards of integrity, there is a clear and effective division of responsibilities between the Chairman and the Managing Director, with each playing a distinctive yet complementary role.

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 the company’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 evaluates and identifies any gaps in board composition based on agreed criteria which will include generic and technical skills, expertise relevant experience and diversity.

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

The GNC uses 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 presents 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 every 3 years. In line with Baiduri Finance's Article of Association, newly appointed director(s) are re-appointed the following year from their date of appointment under Article 82. Incumbent directors are re-appointed every 3 years under Articles 75 and 77. The GNC reviews recommendations for appointment / re-appointment, which are then recommended to the Board and shareholders 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 crucial role in developing and implementing the Group's strategy. The Board is responsible for setting the Group's strategic direction and ensuring alignment 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 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 evaluate the effectiveness of the Board, its Board Committees and Director. The assessment process is as follows:

1. Each year, performance evaluation forms are completed for each Board and Board Committee which the director is a member of.

2. The performance evaluation forms are distributed by the Board Secretary and each Board member completes them individually.
3. The Corporate Governance team consolidates, summarises and highlights areas needing improvement, along with comments, in a summarised assessment report, which is provided to the GNC. The summarised assessment report is presented to the Board for consideration and / or to decide on any necessary improvements and action plans.

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

The Board convenes at least four times annually. In 2024, all directors at the Board and Board Committee meetings in 2024 were required to meet the minimum number of required attendance or, if unable to, were subsequently provided with the relevant meeting information. Each director must attend at least 75% of Board and Board Committee meetings each financial year. For 2024, directors' meeting attendance was 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	3	3	1	1
Dato Paduka Timothy Ong Teck Mong	Director	4	4	NA	NA	4	4	2	2	4	4	3	3	1	1
Pierre Imhof	Director	4	4	4	4	4	4	2	2	NA	NA	3	3	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
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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 are distributed at least seven (7) days before each Board meeting, providing ample time for all directors to review the relevant information. Meeting minutes 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 compiles the completed performance assessments from all divisions and business units of the Group and undertakes 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.
Group Compliance and 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.
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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 recognised 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/consulting/advisory services 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.

In alignment with Principle 15, Baiduri Finance ensures that an effective governance framework is in place. While the Board holds ultimate responsibility for compliance risk management, it delegates oversight to the Group Risk Management Committee (GRMC), which plays a pivotal role in ensuring the effective management of compliance risk across the Baiduri Bank Group.

The GRMC is tasked with overseeing the management of Baiduri Bank Group’s compliance risk and plays a central role in recommending the Group Compliance Policy to the Board for approval. This policy outlines the principles and framework for managing compliance risks and ensuring adherence to relevant laws and regulations, aiming to safeguard the Baiduri Bank Group’s reputation and minimise compliance risks.

In addition, the GRMC is responsible for ensuring the establishment of a permanent and effective compliance function within the Baiduri Bank Group. This function is dedicated to supporting compliance efforts across all levels of the business, ensuring that the Baiduri Bank Group adheres to all relevant laws, regulations, and internal compliance policies.

At least annually, the GRMC assesses the effectiveness of Baiduri Bank Group’s compliance risk management, reviewing compliance activities, identifying potential areas for improvement, and ensuring that the compliance risk management framework remains robust in mitigating compliance risks.

Through the oversight of the GRMC, Baiduri Finance ensures that compliance risk management is given the highest priority, with robust mechanisms in place to assess, monitor, and address risks, while also promoting an organisational culture based on ethical conduct and accountability.

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 transparency and full disclosure of material information, including financial details and information relating to its operations and businesses. Shareholders can 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.

Group Strategic Marketing and Communications Department maintains BFB’s communication channels, ensuring they are regularly updated to keep shareholders and stakeholders informed about material changes in BFB’s financial information, 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 held in person, with the Chairman and Board members present to address any issues or concerns raised by shareholders. Shareholders who cannot attend the AGM in person are entitled to appoint proxies to attend on their behalf.

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