

CORPORATE GOVERNANCE

AS AT 31 DECEMBER 2024

Baiduri Bank Sendirian Berhad (“the Bank”) 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 Banks issued by Brunei Darussalam Central Bank (“BDCB”) BU/G-1/2017/5 issued on 2 March 2017 with the date of implementation from 1 January 2018.

Principle 1 – Every Bank should be headed by an effective Board to lead and control the Bank. The Board has ultimate responsibility for the Bank’s business strategy and financial soundness and is collectively responsible for the long-term success of the Bank, including approving and overseeing management’s implementation of the Bank’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 Bank Board (“the Board”) sets the purpose, strategic direction and risk appetite for the Group and is the ultimate decision-making body for matters of Group-wide strategic, financial, regulatory or reputational significance.

Roles of the Board

The main roles of the Board are to:

- provide leadership, and to establish a group corporate structure and corporate governance framework;
- exercise all powers, not exclusively reserved to shareholders, and to manage its business;
- ensure its financial soundness and long-term growth;
- set the “tone-from-the-top” to promote good corporate governance;
- know and understand the Group’s organisation structure, objectives and risks;
- respect each subsidiary’s independent legal and governance responsibilities;
- be guided by the Guidelines and ensure compliance with applicable laws.

Responsibilities of the Board

The responsibilities of the Board include:

- **Finance**
 - to approve, review and oversee annual business plans, financial budgets, capital management, including capital adequacy, and allocation, liquidity

- plans, major capital expenditure, investments and divestments in meeting its objectives;
- to maintain a robust finance function responsible for accounting and financial data;
 - to approve annual financial statements and require independent review of critical areas;
 - to approve dividend policy and observe the Authority's notices on statutory reserve fund and distribution of profits;
 - to make material disclosures in Annual Reports as guided by the Guidelines and in compliance with applicable laws.
- **Risk Management**
 - to approve, review and oversee the implementation and effectiveness of –
 - a risk governance framework and risk management;
 - internal control functions and system to enable risks to be identified, assessed, reported and managed.
 - **Strategy**
 - to have oversight of Baiduri Bank Group's business strategies, keep up-to-date with strategic changes and external environment;
 - to consider sustainability issues, including the environment, social and governance factors, in formulating strategies;
 - to ensure obligations owed to shareholders and stakeholders are understood and met;
 - to establish group structure (including the legal entity and business structure) with clearly defined roles and responsibilities including those at the parent Bank level and at the subsidiary level as may be appropriate;
 - to delegate clear authorities and responsibilities to Senior Management in day-to-day management, where appropriate and having regard to the established group structure;
 - to establish terms of reference and oversee the effectiveness of Board Committees;
 - to understand it remains accountable and responsible for any authority it delegates to Board Committees and Senior Management;
 - **Human Resources**
 - to approve, review and oversee the formulation and implementation of human resources strategies, including appointment of Key Responsible Persons, promotion and training, and remuneration strategies for directors and employees;

- to oversee the integrity and effectiveness of policies and procedures which include but are not limited to 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 CEO.
 - Remuneration matters
 - Approval of remuneration packages, including service contracts, for the CEO, the key senior management, other material risk takers, and any other person as the Board determines.
 - Determination of the corporate goals and objectives relevant to the remuneration of the CEO and evaluating the performance of the CEO in light of these objectives.
 - Determination of the size of bonus / incentive pools as part of the annual plan based on consideration of pre-determined business performance indicators and the financial soundness of 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 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 Group.
 - Approval of key policies of the Bank and Baiduri Bank Group.

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

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.

Group Audit Committee (“GAC”)

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

Name of Members	
1	Hjh Rahayu binti Dato Paduka Haji Abdul Razak (Chairperson)
2	Mr Pierre Imhof
3	Haji Shazali bin Dato Haji Sulaiman
4	Mohammad Harris bin Brig. Jen (B) Dato Paduka Haji Ibrahim

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

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

The roles and responsibilities of the GAC are:

- To provide the Board with independent, objective advice on the adequacy of the Group's management with respect to the following:
 - Recommendations on appointment, remuneration and dismissal of the external auditors, the scope of external audits and other services;
 - Providing the opportunity for the internal and external auditors to meet and discuss findings;
 - Reviewing with the external auditors the end of year financial statements;
 - Framing policy on internal audit and financial reporting, among other things;
 - Overseeing the financial reporting process;
 - Providing oversight of and interacting with the Bank's internal and external auditors;
 - Reviewing and approving the audit scope and frequency;
 - Receiving key audit reports and ensuring the Senior Management is taking necessary corrective actions in timely manner to address control weaknesses,

- non-compliance with policies, laws and regulations and other problems identified by auditors and other control functions;
- Overseeing the establishment of accounting policies and practices by the Bank;
 - Reviewing the third-party opinions on the design and effectiveness of the overall risk governance framework and internal control system; 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 to the BDCB Guidelines for Internal Audit Function in Banks; and
 - Perform other activities related to the GAC Charter as requested by the Board.
- Perform other responsibilities including the following:
 - Review and assess the adequacy of the GAC 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 Bank Group'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, CEO and where appropriate Senior Management;
 - Appointment and performance evaluation of the CEO;
 - Appointment and effectiveness assessment of Board members with due consideration given to skills, experience, reputation, contribution, independence and potential conflicts of interest;
 - Appointment and independence assessment of staff in key functions over which the GNC has oversight including the Head of Group Risk, Head of Internal Audit, Head of Group Compliance and Company Secretary;
 - Training programs for Board members.

Group 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, CEO and Senior Management.

The roles and responsibilities of the GRC are:

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

The induction program for newly appointed director ensures that the new directors gain an understanding of their role as a director, of 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 CEO or DCEO</p>
Company Information	<p>Briefing on the company's function and services by CEO or DCEO:</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 CEO or DCEO:</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

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

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	Hjh Rahayu binti Dato Paduka Haji Abdul Razak	Non-Executive and Independent
5	Prof David Grayson	Non-Executive and Independent
6	Mohammad Harris bin Brig. Jen (B) Dato Paduka Haji Ibrahim	Non-Executive and Independent

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

The Chairman and the CEO 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 CEO, 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 includes reviewing whether the Board candidates:

- possess the knowledge, skills, experience and particularly in the case of non-executive directors, independence of mind given their responsibilities on the board and in the light of the Bank's business and risk profile;
- have a record of integrity and good repute;
- have sufficient time to fully carry out their responsibilities; and
- have the ability to promote a smooth interaction between board members.

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, 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 Banks, directors are nominated for re-appointment every 3 years. In line with Baiduri Bank'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 and 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 Bank 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 Audit Committee – Hajah Rahayu binti Dato Paduka Haji Abdul Razak
- Group Nomination Committee – Dato Paduka Timothy Ong Teck Mong
- Group Remuneration Committee – Dato Paduka Timothy Ong Teck Mong

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.
4. The summarised assessment report is presented to the Board for consideration and / or to decide on any necessary improvements and action plans.

Principle 6 – In a group structure, the Board of the parent Bank has the overall responsibility for the group and for ensuring the establishment and operation of a clear governance framework appropriate to the structure, business and risks of the group and its entities. The Board and Senior Management should know and understand the Bank group’s organisational structure and the risks that it poses.

The Bank's wholly owned subsidiaries include Baiduri Finance Berhad and Baiduri Capital Sdn Bhd.

The Board has adopted a Group-wide approach, with the parent board having representation across the subsidiary boards. This ensures adherence to a consistent governance framework and better alignment and execution of the Group's Strategic Plan.

The Group's Risk, Compliance, Legal, Finance, Human Resource and Internal Audit divisions oversee the subsidiaries in these areas, with consultation between the Group's divisions and the subsidiaries held periodically to address any arising matters.

Principle 7 – 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 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 100%.

Name	Role	Board and Board Committees													
		BOD		GROUP EXCO		GRMC		GAC		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	N	N	4	4	3	3	1	1
Dato Paduka Timothy Ong Teck Mong	Director	4	4	N	N	4	4	N	N	4	4	3	3	1	1

Pierre Imhof	Director	4	4	4	4	4	4	4	4	4	4	N A	N A	3	3	1	1
Hajah Rahayu binti Dato Paduka Haji Abdul Razak	Director	4	4	N A	N A	N A	N A	4	4	N A	N A	N A	N A	N A	N A	1	1
Prof David Grayson CBE	Director	4	4	N A	N A	4	4	N A	N A	4	4	N A	N A	N A	N A	1	1
Mohd Harris bin Brig. Jen (B) Dato Paduka Haji Ibrahim	Director	4	4	N A	N A	N A	N A	4	4	N A	N A	N A	N A	N A	N A	1	1
Haji Shazali bin Dato Haji Sulaiman	Director (BFB)	N A	N A	N A	N A	N A	N A	4	4	N A	N A	N A	N A	N A	N A	N A	N A

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 8 – 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 Bank’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 CEO. 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 performance is tabled at the GRC meeting for approval.

Board members shall be paid board and committee attendance fees as determined by the GRC. In consideration of their contribution and responsibility, non-executive board members of Baiduri Bank and the Chairperson Emeritus will receive a combined annual

director's fee amounting to 5% of audited Bank Net Profit After Tax in accordance to guidelines determined by the GRC.

Principle 9 – The Board should present a balanced and understandable assessment of the Bank’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 Audit Committee
 - Group Nomination Committee
 - Group Remuneration Committee

- 2) Management Level Committees

The following Senior Management Committees assist the CEO 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 & 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 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 organisation's goals and values.
Treasury & Investment Committee	This committee oversees strategies and recommendations involving Treasury and Investments activities and operations.

Principle 10 – 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 Bank’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 11 – Banks 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 12 – Risks should be identified, monitored and controlled on an ongoing bank-wide and individual entity basis. The sophistication of the Bank’s risk management and internal control infrastructure should keep pace with changes to the Bank’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 13 – 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 GAC. The terms of reference and the constitution of the GAC are as provided in Principle 1. The GAC consists of non-executive directors, all of whom are independent directors. The GAC Chairman is an Independent Director, who is appointed by the Board. The Bank also ensures that at least 1 member of the GAC 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 14 – The Bank 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 Bank.

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 GAC and provides independent and objective assurance/consulting/advisory services to the GAC 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 15 – The Bank’s board of directors is responsible for overseeing the management of the Bank’s compliance risk. The board should establish a compliance function and approve the Bank’s policies and processes for identifying, assessing, monitoring and reporting and advising on compliance risk.

In alignment with Principle 15, the Bank 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.

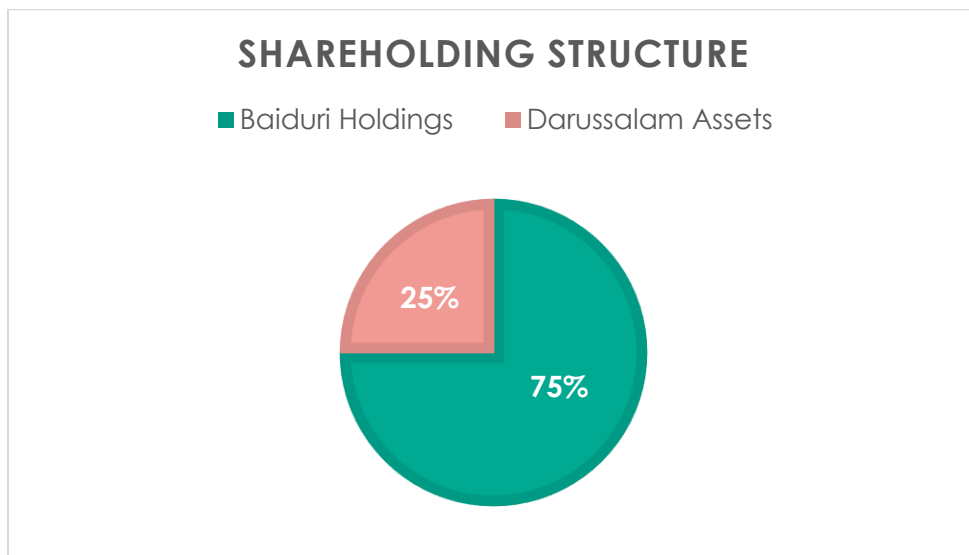
In addition, the GRMC is responsible for ensuring the establishment of a permanent and effective compliance function within the Baiduri Bank Group. This function is dedicated to supporting compliance efforts across all levels of the business, ensuring that the Baiduri Bank Group adheres to all relevant 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, the Bank 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 16 – Banks 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.

The status of the Bank's share ownership is set out below:



The Bank 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 the Bank's website or Annual Reports.

Principle 17 – Banks 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.

The Group Strategic Marketing and Communications Department maintains the Bank's communication channels, ensuring they are regularly updated to keep shareholders and stakeholders informed about material changes in the Bank's financial information, operations and business.

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

Principle 18 – Banks should encourage greater shareholder participation at general meetings of shareholders and allow shareholders the opportunity to communicate their views on various matters affecting the Bank.

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 19 – 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 the 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").