

## Table of Content

No.	Pages
1.Introduction	3
2.Purpose and Scope	3
3.Definitions	3
3.1 Institutional Compliance	3
3.2 Operational Compliance	4
3.3 Conduct Compliance	4
4.General Principles	4
5.Organization and Reporting	4
6.Compliance Tasks	4
7.Independence and Authority	5
8.Legal Services, Risk Management and Monitoring	5

## **1. Introduction**

The development and establishment of a legal & compliance system is one of the most important tasks for a large conglomerate of companies in order to secure the soundness and appropriateness of its business. Therefore, the Group's management is charged with and responsible for taking the initiative in developing and establishing the legal & compliance system that covers the Group's entire network by deciding a basic policy on legal & compliance and developing an organizational framework.

Compliance starts at the top. It will be most effective in a corporate culture that emphasizes standards of honesty and integrity and in which the board of directors and senior management lead by example. It concerns everyone within the Group of companies and should be viewed as an integral part of the Group's business activities. An organization should hold itself to high standards when carrying on business at all times. Failure to consider the impact of its actions on its shareholders, customers, employees, the environment, locally impacted communities and all its other stakeholders may result in significant adverse publicity and reputational damage, even if no law has been broken.

## **2. Purpose and scope**

The KBZ Group of companies is committed to following best practices and market standards in areas of accountability, transparency and business ethics in order to promote sustainability. Good governance and corporate social responsibility (CSR) form an integral part of market standards. At the core of these efforts are integrity issues and the reputational risk the Group faces across its diverse activities. To manage these issues the Group has established an independent Legal & Compliance Department. This policy is intended to present how KBZ defines compliance and the Legal & Compliance Department's role and responsibilities regarding the management of compliance risks.

## **3. Definitions**

Compliance is the process or procedure to ensure that an organization follows relevant laws, regulations and business rules. It also refers to the complex set of processes, rules, tools and systems used by corporate legal & compliance departments to adopt, implement and monitor an integrated approach to business problems. They typically include specific areas such as the prevention of money laundering and terrorist financing. A Group of companies that knowingly participates in any activities in conjunction with other parties that may result in avoidance of financial reporting requirements, evasion of tax liabilities or facilitation of illegal conduct will be exposing itself to significant compliance risk, especially in, but not limited to, the banking sector. Similarly all engagements with the government, other regulatory bodies or any other outside agencies will be in full accordance with all elements of this policy.

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss of reputation, that an organization may suffer as a result of its failure to comply with all relevant laws, rules and standards. Compliance risk is assessed in relation to three different areas namely;

3.1 Institutional Compliance includes the assessment of the compliance risk related to:

- Principles of KBZ governance;
- KBZ's internal structure, procedures and decision-making process;
- Principles of public procurement; and
- Principles of Corporate Social Responsibility ("CSR").

### 3.2 Operational Compliance includes:

- The assessment of reputational risk in all operational activities, in particular, the assessment of issues related to anti-money laundering and other relevant norms, rules and principles as outlined in our anti-bribery and corruption policy;
- Transactional and investment policies and guidelines; and
- Compliance issues in relation to the development of new products or business lines.

3.3 Conduct Compliance includes the identification, assessment and monitoring of risks such as risks related to conflicts of interest or any other issues related to professional conduct.

## 4. General Principles

Compliance responsibilities managed by Legal & Compliance Department are shared with:

- The KBZ Board of Directors, being responsible for the establishment and control of compliance in KBZ;
- The KBZ senior management is responsible for providing adequate resources to the Legal & Compliance Department, for the implementation and the on-going management of compliance in KBZ and, in particular, for creating and maintaining an internal structure aiming at ensuring that relevant laws, rules and standards are complied with and is promptly informed of any compliance incidents and appropriate action is taken where compliance incidents occur.

## 5. Organization and Reporting

The head of Legal & Compliance Department may or may not be a member of senior management. If the head is a member of senior management, he or she should not have direct involvement in line management or reporting responsibilities. Staff members employed directly within the Legal & Compliance Department may not assume any tasks which are part of the operational tasks in KBZ. The Legal & Compliance Department is audited by Internal Audit.

The Department issues regular reports to Senior Management and/or the KBZ Board of Directors. In addition, it regularly informs Senior Management of any serious compliance incident of which it becomes aware. The head of the Legal & Compliance Department should hold at least one private session per year with the KBZ Board of Directors and, in addition, with the KBZ Audit Board.

## 6. Compliance Tasks

The Compliance Tasks include:

- Co-ordinating the identification, assessment and monitoring of compliance risks;
- Ensuring that appropriate compliance guidelines and procedures are in place for identifying:
  - (i) the main compliance risks which KBZ might be facing; and
  - (ii) how KBZ intends to manage and/or protect itself against these risks
- Identifying the legal, regulatory and market standard compliance frameworks applicable to KBZ and providing guidance and advice to KBZ management and other KBZ staff regarding the implementation of such frameworks;
- Monitoring compliance with applicable compliance policies and procedures by:
  - (i) Performing compliance testing, including on-spot checks; and
  - (ii) Making enquiries on compliance incidents
- Advising KBZ management and KBZ staff on potential compliance risks;
- Providing appropriate training to KBZ staff on all potential compliance risks

## **7. Independence and Authority**

Independence is a core compliance principle. The Legal & Compliance Department and its members are independent from any operational or administrative function within or outside of KBZ. It is not subject to instructions from KBZ bodies or management when performing its assessment of compliance-related issues. It acts, furthermore, in full independence from any KBZ stakeholder or promoter of any mandate under which KBZ is operating.

The Legal & Compliance Department has access to any documents and records considered necessary for the performance of its tasks. It has the right to ask questions and otherwise to require all members of KBZ bodies and KBZ staff to promptly supply such information and explanations as deemed necessary or useful for the performance of its tasks.

More specifically, it may inquire on conduct compliance matters, in particular, in connection with behavioral obligations under the applicable Code of Conduct, it being understood that any such inquiry will follow strict procedural parameters.

## **8. Legal Services, Risk Management and Monitoring**

Legal & Compliance Department reviews and advises on contracts, drafting legal documents and respond to Anti-Money Laundering, Know Your Customer and Due Diligence Questionnaires. It also plays a role in contract negotiations and monitors contracts signed with outside entities. Furthermore, it co-operates with and seeks advice from the Legal Services Department with a view to identifying applicable laws, rules and regulations.

Within the overall assessment of the risk positions of the organization, Legal & Compliance Department also co-operates with Risk Department with a view to contributing to a comprehensive assessment and monitoring of the risks for KBZ Group of companies.



# LEGAL AND COMPLIANCE POLICY



**KBZ GROUP**