



				<p>Equities &amp; Derivatives Asia Compliance Manual dd. Dec 2012; Policy on Setting Trading Limits for Institutional Clients dd.28 Jan 2013;</p> <p>Cash Equity Monitoring Procedure for BNP Paribas Securities Asia dd. March 2014;</p> <p>BNP Paribas GECD Panasia Procedures: Management, Reporting, and Monitoring of Dealing Errors for GECD Panasia Securities</p>	<p>RATING, CATEGORY OF CLIENT, COUNTERPARTY RATING;</p> <p>B. METHODOLOGY TO SET THE LIMIT</p> <p>VII. TRADING MONITORING</p> <p>1.EXCESS MONITORING - EXPOSURES VS. LIMITS</p> <p>2. SETTLEMENT FAILURE</p> <p>3. WAREHOUSE TRADE</p> <p>4. FREE OF PAYMENT (FOP) TRADES</p> <p>5. DEALING ERROR AND FACILITATION</p> <p>VIII. COMMISSION RATES</p>
2.	2	VIII. COMMISSION RATES  APPENDIX 1, 2 AND 3	13 JAN 2016	<p>ANNA MAMA HIT</p> <p><u>REFERENCES</u> Bapepam V.D.3 dd.24 Dec 2010 on Internal Control of Securities Companies Involved in Business Activities as Broker-Dealer;</p> <p>Policy on Setting Trading Limits for Institutional Clients dd.28 Jan 2013.</p>	<p>VIII. COMMISSION RATES -AS PART OF THE CONTROL, REVIEW ON COMMISSION RATES SHALL BE PERFORMED BY HEAD OF INDONESIAN EQUITY ON ANNUAL BASIS;</p> <p>APPENDIX 1. COUNTERPARTY RATING</p> <p>APPENDIX 2. LONG-TERM ISSUER CREDIT RATINGS</p> <p>APPENDIX 3. BNP RATING</p>
3.	3		DEC 2019	<p>RANI VERAWATI ANNA MAMA HIT</p> <p><u>REFERENCES:</u> OJK RULE NO. 57/POJK.04/2017 ON GOOD CORPORATE GOVERNANCE FOR SECURITIES COMPANY</p> <p>IB APAC GOVERNANCE, UPDATED ON 9 MAY 2019</p> <p>IB APAC COMPLIANCE MANUAL, MAY 2019</p>	<p>TAKE OUT CHAPTER IV – VIII AND APPENDIX 1, 2, 3 FROM THE FIRST VERSION OF THE POLICY AS IT IS RELATING TO BROKERAGE ACTIVITIES.</p> <p>ADDING THE FOLLOWINGS:</p> <p>-INTERNAL CONTROL</p> <p>-COMPREHENSIVE RISK MANAGEMENT STRATEGY AND FRAMEWORK</p> <p>-COMPLIANCE WITH LICENSING REQUIREMENTS</p> <p>-MANDATE LETTERS</p> <p>-MANDATE COMMITTEE GOVERNANCE</p> <p>-CONFLICT OF INTEREST</p> <p>-CONDUCT AND COMPLIANCE</p>

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# **RISK MANAGEMENT POLICY**

## **Chapter 1. General Provisions**

### **1.1 Purpose**

Purpose of this internal procedure is to prescribe the matters necessary for overall management of risks, which may arise in overall business activity, and to manage the risk control system, set the parameter in PT BNP Paribas Sekuritas Indonesia (hereinafter shall be referred to as “BNPPSI”).

This procedure is produced in accordance with Otoritas Jasa Keuangan/OJK (formerly Bapepam) regulation no. V.D.3 in particular, concerning Internal Control of Securities Companies, OJK rule no. 57/POJK.04/2017 concerning Good Corporate Governance for Securities Company and Corporate Finance Manual.

This risk procedure will provide an overview of the main operational control and the reporting processes applicable at BNPPSI and is intended to be read in conjunction with the abovementioned references.

### **1.2 Definitions of Terms**

- (1) The term “Risk” means the possibility of sustaining a loss as a result of unexpected change in business environment or default of customers or mismanagement of internal control system that may negatively impact the revenue and capital of BNPPSI.
- (2) The term “Risk Management” means decision-making to hedge, bear or mitigate risk by identifying the cause of risk occurrence, measuring its size and evaluating appropriateness of the size and implementing it.

### **1.3 Principles of Risk Management**

- (1) The risk management principles shall be consistent with the vision, mission and strategic plan and focused more on the risks relevant to the business lines.
- (2) The risk management principles shall ensure that risk exposure shall be consistent with internal bylaws, laws and regulations, and other applicable legal provisions.
- (3) Risks shall be managed by human resources possessing knowledge, experience, and expertise in risk management, as appropriate to the complexity and business capabilities.

### **1.4 Organization**

- The organizational structures shall be composed of as follows:
  - 1) Risk Management Unit, as well as supporting the Integrated Risk Management working unit under BNPP Financial Conglomeration;
  - 2) Board of Directors;
  - 3) Board of Commissioners;

## **The Powers and Responsibilities by Organizational Structure**

Board of Commissioners and Board of Directors are responsible to ensure that the application of Risk Management has been sufficiently in line with the Company's characteristics, complexity and risk profile.

Board of Commissioners and Board of Directors must understand well about the types and level of risks that are embedded to the Company's business activity.

### **(1) Board of Commissioners**

- 1) To approve risk management policy including strategy and Risk Management framework established in accordance with level of risk appetite and risk tolerance.
- 2) To evaluate risk management policy at least once a year or at a higher frequency in the event of any change in factors significantly affecting the business activities.
- 3) Evaluate the accountability provided by the Board of Directors for implementation of the above-mentioned risk management policy on regular basis. Evaluation is done to ensure that Board of Directors manages activity and risks of the Company effectively.
- 4) Ensure adequate quantity and quality of human resources to support the implementation of effective risk management

### **(2) Board of Directors**

- 1) To prepare the comprehensive, written risk management policy and strategy,
- 2) To prepare, to establish and to update procedures and tools of identifying, measuring, monitoring and managing Risk.
- 3) To evaluate and or to update policy, strategy and Risk Management framework at least once a year or at higher frequency in the event of any change in factors that can significantly affect the business activities.
- 4) To be responsible for implementation of the risk management policy and overall risk exposures taken on by the Company, including evaluation and provision of guidance for the risk management strategy.
- 5) To develop a risk management culture at all levels of the organization, with scope including adequate communications to all levels of the organization on the importance of effective internal control;
- 6) To ensure the development of the competency of human resources concerned with application of risk management, including but not limited to ways of conducting ongoing education and training programs, especially those concerned with risk management processes and systems;
- 7) To ensure that the risk management function is applied on an independent basis, reflected among others by segregation of functions between the Risk Management Unit, which conducts the identification, measurement, monitoring, and control of risks, and units that conduct and settle transactions;
- 8) To report if there is condition that potentially issues significant loss to the Company;
- 9) To ensure the implementation of Internal Audit recommendation.

### **(3) Risk Management Unit**

- 1) Monitoring of implementation of the risk management strategy approved by the Board of Directors.
- 2) Monitoring of positions/risk exposures on an overall basis, by type of risk, and by business line.
- 3) Evaluation of the accuracy and validity of data used by the relevant units to measure risk,

- for a Bank using model for internal purposes.
- 4) Preparation and submission of the risk profile report to the President Director and Integrated Risk Management Committee under Financial Conglomeration on a regular basis.
  - 5) Support for the Integrated Risk Management Committee under Financial Conglomeration.

## **Chapter 2. Internal Control**

The scope of the internal control system in the application of risk management shall cover at least the followings:

- (1) Appropriateness of the internal control system to the type and level of inherent risk in the business operations.
- (2) Establishment of powers and responsibilities for monitoring of compliance with internal bylaws and limits.
- (3) Establishment of reporting lines and clear segregation of functions between operating units and units performing control functions.
- (4) Organizational structure that clearly depicts the business activities.
- (5) Financial and operational reporting on an accurate and timely basis.
- (6) Adequacy of procedures to ensure the compliance with prevailing laws and regulations.
- (7) Effective, independent, and objective review of the procedures for assessment of operations.
- (8) Adequate testing and review of management information system.
- (9) Complete and adequate documentation of the scope, operating procedures, audit findings, and response of management on the basis of audit results.
- (10) Regular and ongoing verification and review of the handling of material weaknesses and actions of the management in correcting any irregularities that may occur.

## Chapter 3. Comprehensive Risk Management Strategy and Framework

### 3.1. RISK PROFILES

As a securities company that focuses its business activity as underwriter, the relevant risk to our business activity are as follows:

#### 3.1.1. Liquidity Risk.

Company applies liquidity management by maintaining the adequacy of current assets and the availability of Net Adjusted Working Capital (NAWC) as per regulatory requirement.

The NAWC reports reflects the working capital position of the company, to be submitted to OJK on annual basis or if any request.

The definition falls under this requirement is the comparison of working capital against the Total Liabilities net after adjustment of market risk, counter party risk and operational risk. The working capital refers to the net amount of Liquid Assets after the deduction of Total Liabilities and Ranking Liabilities which shall not fall below 6.25% of the Total Liabilities subject to minimum of IDR 25 Billion.

The entity monitors regular cash inflows and outflows and reports to the Board of Directors.

Financial reports is produced to provide useful information to either internal or external parties. Financial reporting is designed to enable users of financial statements to assess the financial operations and performance of the Company.

#### 3.1.2. Operational Risk.

The term "Operational Risk" means the risk caused among others by inadequacy and/or dysfunction of internal processes, human error, system failure, or external problems affecting the operations of the Company.

##### (1) General

- 1) Policies and Procedures
  - A. The operational risk management policy shall be appropriate to its mission, business strategy, capital adequacy, and adequacy of human resources.
  - B. Internal bylaws for operational risk management shall be evaluated and updated in accordance with the operational risk exposure, risk profile, and risk culture of the Company.
  - C. Business Continuity Management (BCM) shall be established to ensure the operational continuity on the business processes and services to customer.

##### (2) Accounting

The use of accounting methods shall be complied with prevailing accounting standards with attention to the following:

- 1) to conduct a regular review to ensure the suitability of the method used to assess transactions;

- 2) to conduct a regular review of the suitability of the accounting method used in regard to applicable financial accounting standards;
- 3) to conduct regular reconciliation of transaction data;
- 4) to identify and analyze any anomaly in transactions;
- 5) to maintain all documents and files pertaining to accounts, sub-ledgers, general ledgers, administration of asset classification in order to facilitate the audit trail.

**(3) Customer Profile and Know Your Customer (KYC)**

- 1) Know Your Customer Principles (KYC) shall be applied on a consistent basis appropriate to its exposure to operational risk.
- 2) KYC shall be supported by an effective internal control system, and particularly by the preventive measures against internal fraud.
- 3) The application of KYC shall be complied with all requirements and guidelines stipulated in the applicable legal provisions concerning Know Your Customer Principles (KYC).

**(4) Business Continuity Plan (BCP)**

It is the commitment of BNP Paribas Indonesia to have the capability to recover its operations on a timely basis after a disaster or an emergency event. The Business Continuity Plan (BC Plan) of the BNP Paribas Indonesia is established within such objective.

The Business Continuity Plan is built in compliance with OJK (was Bapepam) rule no. V.D.3 and the CIB Addendum to BNP Paribas Group Norms and Standards for Business Continuity Planning issued on 28th February 2011, effective from 15th March 2011.

The information in the BC Plan represents BNP Paribas Indonesia commitment to plan, response, and business resumption in terms of staffing and financial resources, based on following priorities:

- Insure the safety and well-being of its employees;
- Meet its business obligations by restoring critical functions;
- Managing its risk;
- Managing the incident;
- Restore to normal operation as quickly as possible.

**3.1.2.1. Management Information System**

- (1) The Company maintains an adequate information system and technology appropriate to the nature and volume of activities.
- (2) The management information system shall be capable of generating complete and accurate reports that are used in risk monitoring for the purpose of timely detection and correction of irregularities in order to minimize potential for loss events.
- (3) The management information system must be capable of providing complete, accurate reports on operational risk exposures on a timely basis to support the decision-making processes of the Board of Directors.

**3.1.2.2. Control of the Management Information System**

- (1) Control of the information system shall ensure:
  - 1) The regular assessment of information system security, accompanied by corrective measures if necessary;
  - 2) The availability of a back up procedure to ensure the continuity of Company operations and prevent any significant disruption;
  - 3) The availability of a back up procedure and contingency plan tested on a regular basis;
  - 4) The regular provision of information to the Board of Directors on the issues above;
- (2) Supporting systems shall be maintained for covering at least the following:
  - 1) Early identification of errors;



- 2) Confidentiality, integrity, and security of transactions.
- (3) Follow Up on Internal and External Audit Findings:
  - 1) All employees shall follow up internal and external audit findings and thereafter proceed with a series of corrective measures;
  - 2) The Internal Audit Unit (Compliance & Internal Audit) must inform the Board of Directors of any audit findings not followed up or only partially corrected. If these findings are significant, the Board of Directors shall set a deadline for corrective measures and assign the Internal Audit Unit to monitor the effectiveness of the corrective measures taken.
- (4) The followings shall be regularly reviewed for minimizing the possibility of human error leading to operational risk:
  - 1) Procedures and other operational practices;
  - 2) Documentation and data processing system;
  - 3) Contingency plan.

### **3.1.3. Regulatory / Compliance Risk.**

Compliance Risk is the risk arising from failure of the Company to comply with or implement laws, regulations, and other applicable legal provisions. In practice, compliance risk is inherent in Bank risks pertaining to applicable laws, regulations and other legal provisions.

#### **3.1.3.1. Active Oversight by the Board of Commissioners (BOC) and Board of Directors (BOD)**

- 1) The BOC and BOD are responsible to ensure that the implementation of Compliance risk management has been integrated with the other risk management that has the impact to Company's compliance risk.
- 2) The BOC and BOD must ensure that all compliance issues arise can be solved effectively by related department, and Compliance department has a responsibility to monitor the corrective action.
- 3) The responsibility of Compliance department among others:
  - a. To formulate the strategy in encouraging and promoting compliance culture;
  - b. To propose compliance policies and principles that will be adopted by the BOD;
  - c. To ensure that all policies, rules, system, and procedures, as well as the business activity of the Company complies with applicable laws and regulations;
  - d. To minimize Company's compliance risk;
  - e. To mitigate that the policy or decision taken by BOD are not violating OJK regulation and applicable laws.
  - f. To perform other duties relevant to compliance function.
- 4) Compliance department must be independent and reports the implementation of compliance duties to OJK as required by OJK regulation on Implementation of Compliance Function for Securities Company and other relevant provision.

### **3.1.4. Legal Risk.**

Legal risk is the risk arising from legal weaknesses, among others resulting from legal actions, absence of supporting provisions in laws and regulations, or weakness of legally binding provisions, such as failure to comply with legal requirements for contracts and loopholes in binding of collateral.

The Company performs a regular review of contracts and agreements between the Company and other parties, including but not limited to a review of the effectiveness of enforceability processes, in order to check the validity of rights in such contracts and agreements.

The Company must improve its control of legal risk to ensure:

- a) Compliance of operations, organizations and internal control with applicable legal provisions, code of ethics and business strategy
- b) Compliance with internal procedures
- c) Effective application of communications pertaining to the impact of legal risk on all employees at every level of the organization.

### **3.1.5. Reputation Risk.**

Reputation risk is risk brought about among others by negative publicity concerning the operations or negative perceptions of the Company.

#### **Control of Reputation Risk**

- 1) The Company must improve compliance with applicable legal provisions as part of the control of reputation risk.
- 2) The Company must take immediate action to resolve any customer complaints and legal actions that may increase its exposure to reputation risk, including but not limited to continuous communication with the customer or counterparty and holding bilateral negotiations with the customer to avoid litigation and legal claims.

### **3.1.6. Strategic Risk.**

The Company maintains the current activity scope, and continues to develop the advisory services to Indonesian corporates, under Underwriter License.

The Company opens for opportunities for listed companies, companies that are going to be listed, as well as companies that are not yet listed in the stock exchange.

### **3.1.7. Intra-Group Risk**

The transactions comply with the "arm's length" principle, are carried out professionally and do not harm either party.

Intra-Group transactions are moderate, booking and monitoring is very well performed.

## **3.2. PRUDENTIAL PRINCIPLE**

When the Company does the activity as Underwriter, we ensure that the prudential principle is adhered to.

Each transaction that we are going to execute will go through a committee meeting which will assess the proposed transaction rationale/terms as well as potential risk arising out of the client and transaction.

The committee meeting is attended by various function like business, legal, compliance, and risk.

### **3.3. SUFFICIENT CAPITAL RESOURCE**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and expand its business in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company's strategy to manage the capital by improving the business base in financial advisory and underwriting activities, as well as targeting quality human resources hires with relevant capabilities to achieve the company's strategy. The capital is expected to grow organically with the generation of revenues by focusing the efforts on strong pipeline of deals and the exemption of dividends distribution to shareholders.

### **3.4. COMPLIANCE WITH LAWS AND REGULATIONS**

All staff must conduct themselves according to the highest ethical standards and in compliance with all applicable laws and regulations, including relevant registration requirements.

Each staff has a personal responsibility to know the rules that apply to his or her particular activities. It is the responsibility of each staff to avoid violations of any relevant rule or regulation and it is a personal obligation to know when to seek guidance about the requirements of a rule or regulation. Ignorance of the rules is not an acceptable excuse.

If there are ever any doubts as to the meaning, interpretation or application of any particular rule or regulation, Compliance and/or Legal must be consulted.

### **3.5. EARLY WARNING SYSTEM**

In terms of compliance risk, early warning system for Anti Money Laundering and Combatting Terrorist Financing is automated.

As to report submission, we do this on manual basis whereby we use a spreadsheet that indicate types of report and the corresponding deadlines for regulatory submission. Early alert can also be indicated by the trend of the compliance assessment result which is conducted on regular basis.

In terms of legal and reputational risk, we do this on manual basis whereby we submit report on quarterly basis to management (negative news report) and obtain confirmation from stakeholders.

### **3.6. RISK DIVERSIFICATION AND IDENTIFICATION**

The Company is focusing on Financial Advisory for Equity Capital Market (ECM) and Merger & Acquisition (M&A).

The risk profiles as per mentioned in the above point 3.1.1 to 3.1.7 above.

### **3.7. RISK CONTROL, MONITORING AND MEASUREMENT**

This will be performed through a comprehensive Risk Management and Internal Control framework covering compliance mechanism and early warning system as stated in the previous sections above.

### **3.8. RISK APPETITE AND TOLERANCE TOWARDS CAPITAL RESOURCES**

The Company does not have any plan to conduct activity that presumably would affect its capital resources.

In the event a business activity would affect the capital resources, it should be performed in accordance with the Article of Association of the Company and Good Corporate Governance framework.

### **3.9. RISK MITIGATION**

Risk mitigation is carried out in various mechanisms that is performed by Compliance and Risk Management function.

### **3.10. RISK CONSCIOUS AND TRANSPARENCY CULTURE**

We have mechanisms i.e. online training (e-learning) whereby employees are provided with a list of online training that must be completed, including face-to-face training, to ensure that employees are aware of risk potential / exposure that the company may encounter from time to time.

In addition, Compliance department sends reminder email to all employees on a regular basis so that they are aware of company's policy and procedure from time to time. These are to be performed on an annual basis.

## **Chapter 4. Compliance with Licensing Requirements**

### **4.1. Requirements for Licence**

4.1.1. Compliance must immediately be informed of any changes in the business of BNPPSI which affect its operation, shareholding and/or management structure, in particular appointment and/or resignation of directors as well as information which may affect the on-going licenses as licensed corporations with OJK.

4.1.2. All staff members who advise on corporate finance or conducting ECM activities on behalf of BNPPSI have to be licensed with OJK. The director supervising the transaction team on sponsor activities for Indonesia IPOs is also required to be licensed as Sponsor Principal with the SFC.

4.1.3. Staff shall not carry out any corporate finance advisory or conducting ECM activities unless and until they have obtained the applicable licence. For staff transferring his accreditations from another

company, they shall not perform any relevant functions unless and until his transfer of accreditation is approved by OJK.

4.1.4. It is the obligation of all licensed staff to ensure that they have and retain the necessary licences with OJK. In this regard, they are obliged to cooperate with Compliance and promptly provide it with all relevant information for licensing and renewal.

## **4.2. Application Process**

4.2.1. Compliance will handle all applications for a licence or renewal of the licence, but it is the responsibility of staff to complete all appropriate documentation and to provide all information required for obtaining or renewing the licence. Any correspondence received by our staff from OJK in this respect must be promptly brought to the attention of Compliance.  
The professional licenses is valid for 3 (three) years.

4.2.2. Compliance will retain the copy of the certificates and records relating to staff's licences.

## **4.3. Ongoing Obligations**

4.3.1. Staff who are licensed by OJK are required at all times to:

- (a) remain fit and proper (see Fit and Proper Criteria in paragraph 4.4 below);
- (b) comply with the Continuous Professional Training Requirement, once every 3 (three) years.
- (c) observe all relevant laws, rules, guidelines and regulations;
- (d) can only work with 1 (one) Securities Company;
- (e) keep OJK informed of particulars of starting, resigning or moving from or to other Financial Institution within 14 business days;
- (f) become member of a Professional Association which licensed by OJK;
- (g) report to OJK of the events set out in paragraph 4.5 (Staff members are reminded that it is an offence to contravene the reporting requirements. Any notification to OJK should be channeled through Compliance, and it is the responsibilities of the staff to promptly inform Compliance of the changes).

4.3.2. OJK will consider taking disciplinary actions (including revoking or suspending a license) against a licensed person if it considers that the licensed person is no longer or never was a fit and proper person to be licensed. In this regard, OJK will take into account poor reputation, poor character, lack of financial integrity and whether a person has been dishonest in some way or has evidently contravened the relevant legislation.

4.3.3. It is clear that OJK will consider the following actions as casting doubts on a person continuing to be fit and proper to remain registered:

- (a) failure to observe all relevant laws;
- (b) failure to abide by the laws and regulations of any exchange of which a person is a member;
- (c) failure to abide by any other codes of conduct and guidelines promulgated by OJK or other regulators in Indonesia or any other relevant overseas exchange or regulator; and/or
- (d) knowingly or negligently aiding or abetting other persons in breaches of relevant laws, OJK rules.

## **4.4. Fit and Proper Criteria**

Article 4 of OJK rule no. 20/POJK.04/2018 sets down a number of matters that OJK shall take into account in considering whether a person is fit and proper to be licensed:

- (a) financial status or solvency;
- (b) educational or other qualifications or experience having regard to the nature of the functions to be performed;
- (c) ability to carry on the regulated activity competently, honestly, and fairly; and
- (d) reputation, character, financial integrity and reliability.

#### **4.5. Event to be reported to OJK**

Where a person becomes or ceases to be a director of BNPPSI, both the person and the corporation shall, within 2 business days thereafter, notify OJK in writing of the name and address of the person and the nature of the position which he occupies or has ceased to occupy.

## **Chapter 5. Mandate Letters**

### **Note:**

- All mandate letters, agreements and other legal documents creating valid and binding obligations or commitment on the part of the Company (including MoU, Letter of Intent, etc), must be vetted by Legal department prior to them being sent to clients for comments and cleared prior to execution (relevant Legal contacts provided below).
- It is the role of the deal captain to ensure the terms and the accuracy of the mandate letters. The deal captain is responsible for sending the letter to client and negotiating the terms of the mandate letter.
- Updated templates of Mandate Letters are available from Legal.
- Allow sufficient time and give sufficient information to Legal for any review. Generally not less than 2 working days must be given.
- Legal representative must attend the Mandate Committee and provide its views on the documents.
- Written mandate letters and any other documents indicating commitment by the bank should only be executed and signed by the client after KYC is fully completed
- Mandate Committee must be updated if the terms of the Mandate letter ultimately materially differ from approval given at the Committee.

## **Chapter 6. Mandate Committee Governance**

### **6.1. Mandate Committee for M&A Transactions**

#### **I. Objectives**

Mandate Committee should not be a “formality” but should enable the IBA Management to approve in principle or to turn down potential transactions based on client consideration, minimum fees, deal financials, business selection and identified risks as key criteria. The main objectives are:

- Agree on fees (any commercial discussion with a client on an advisory mandate with a fee level below USD 1 mn must be cleared with Co-Heads of IBA prior to any commercial commitment)
- Turn-down assumed loss-making transactions
- Ensure appropriate team composition and time allocation to achieve optimal cost-to-income ratios
- Ensure conflicts, legal and compliance clearance
- Best horse discussions if not resolved ahead of Mandate Committee

- Promote / discuss cross-selling opportunities or attached ancillary business if applicable (eg: financing)

## II. Participants

- Chairman
- Committee members :
  - Permanent members
  - Project Team (deal sponsor & deal captain)
  - Representative/s from Legal
  - Representative/s from Compliance
  - IBA COO
  - IBA Business Management

- Quorum
  - Chairman + 2 Permanent Members

- Invitees:
  - Head of Territory where the client originates from may also attend to confirm support and/or raise concerns.

## III. Timing for Mandate Execution

Case by case, but generally before agreeing on fees and scope of work with client for written mandates, subject to KYC completion.

## IV. Supporting documents

Mandate Approval Form (Capital Markets & Advisory template) prepared by the Project Team and reviewed by the Business Management. This form is to be distributed at least 2 business days before the meeting date to the Committee Members and Invitees.

## V. Deal Logging Form

Project Team, under the supervision of deal captain, is responsible of submitting the Deal Logging Form ('DLF') to Control Room when there is a high likelihood of receiving a mandate, signing an NDA or material nonpublic information is received. Deal team should duly update the Control Room when changes to the insider list are made, the deal is about to announced, terminated or completed or BNPP's roles is about to be disclosed in public. The DLF should be logged with Control Room at least 2 business days before the mandate committee meeting date (if it has not previously been logged).

## VI. Corporate Social Responsibility (CSR)

For clients carrying out a sensitive activity in terms of the group's CSR policy, the clearance procedure should be initiated before submission of the project to the Committee with reference to following sector specific policies in appendix.

It is the responsibility of the deal team and Coverage/Senior Banking Officer ("SBO") to form a view and coordinate with the CIB APAC CSR Coordinator.

## VII. Conduct

When taking its decision, the Committee will also review the Conduct aspect and will analyse the related risk factors (risks pertaining to decisions taken when executing our business that are not in line with financial security regulations, the values of the group or social responsibility) in order to ensure that projects are managed and executed in a way that leads to positive outcomes for clients, the market integrity and the group's reputation. During the Committee meeting, the following matters will be

specifically discussed: fee structure level and the appropriate adaptation of the service to the type of client.

### VIII. Minutes

All Mandate Committees are to be minuted by IBA Business Management and to be circulated to participants, APAC CEO and relevant Head of Territory. The minutes should be issued in a timely manner (i.e. within 2 weeks of mandate committee on a best-effort basis).

Deal teams are to circulate minutes for physical signatures by Chairman of the committee and the Project Lead / Management Committee representative of the project team; the signatures should be obtained in a timely manner and properly stored by the project team.

In the case of a cross-regional deal, refer to following specific governance:

#### - Scope and Objectives of the Mandate Committee

Mandate Committee should enable BNP Paribas Corporate Finance and Investment Banking Asia to approve in principle or to turn down all potential new advisory projects which could lead to the signature of a mandate for the Corporate Finance (sale-side, buy-side, financial advisory, balance sheet restructuring advisory, etc), or any IPO project likely to lead to a major role for BNP Paribas.

#### Key objectives of the Mandate Committee remain as follow:

- i. agree on Fees;
- ii. team composition and time allocation to ensure proper cost-to-income ratios;
- iii. turn-down assumed loss-making transactions;
- iv. conflicts, legal and compliance formal clearances;
- v. best horse discussions, if not resolved ahead of Mandate Committee; and
- vi. promotion of cross-selling opportunities (hedging, financing....)

#### Cross-border transactions (APAC)

##### o Chairmanship of the Mandate Committee

The committee should be held on an ad-hoc basis and should be organized and chaired by the region where the client is located, i.e. Committee in Paris for EMEA and US clients and in Hong Kong for Asian clients.

- i. When an APAC client is involved, the Committee meeting is organised by IB APAC.
- ii. When a European or American client is involved, the Committee meeting is organised by the Business Manager and chaired by the Deputy Head of Corporate Finance responsible for Mandate Committees.

##### o Committee members

All committee members may be represented by delegates (if someone is to attend as a committee member, he should not be a delegate of another member).

- i. For Integrated Sectors, the Mandate Committee should include Head of IBA sector concerned, Head of Corp. Fin sector concerned, or their respective delegates.
- ii. For Other Sectors, the Mandate Committee should include Head of General M&A APAC, Head of M&A EMEA or their respective delegates.

Other members of the Mandate Committee should include:

- a) Project Sponsor(s) and Project Lead in charge of the transaction IB APAC Governance
- b) Relevant Country Head of CF / relevant IBA Country Representative
- c) Relevant Business Managers
- d) Representatives from Legal
- e) Relevant regional/local Compliance

#### Fees rules to apply in cross-border Mandate Committees

On a net basis and as a general rule, fee split should be 50:50. Some exceptions could be envisaged to take into account very specific situations which shall remain very limited.



However, in order to promote cross border opportunities, fees recognition on a gross basis –where 100pct of the fees is allocated to each of the two geographies concerned - will also be implemented, together with the establishment of gross budgets for cross border business.

#### Conflicts clearances

In order to identify any situation of conflict of interest, conflict checks must be done prior to the Mandate Committee. The relevant Region organizing the Mandate Committee must initiate the checks by notifying and submitting to Compliance an updated DLF, no less than 5 business days prior to the relevant committee meeting.

#### Intra-regional

APAC will define its own procedures. However, to foster communication and promote business awareness and prevent conflict situations, it is proposed that each Region circulates to the other ones Mandate Committee and minutes on a fortnightly basis (for Asia: it should be sent to Richard Griffiths and IB APAC Business Management).

## **6.2. Mandate Committee for Other Advisory Activities**

### I. Objectives

Mandate Committee should not be a “formality” but should enable the IBA Management to approve in principle or to turn down potential transactions based on client consideration, minimum fees, deal financials, business selection and identified risks as key criteria. The main objectives are:

- Agree on fees: as a principle, minimum fees of USD 1 mio to be achieved. Any commercial discussion with a client on an advisory mandate with a fee level below USD 1 mn must be cleared with Co-Heads of IBA prior to any commercial commitment.
- Turn-down assumed loss-making transactions
- Ensure appropriate team composition and time allocation to achieve optimal cost-to-income ratios
- Ensure conflicts, legal and compliance clearance
- Best horse discussions if not resolved ahead of Mandate Committee
- Promote / discuss cross-selling opportunities or attached ancillary business if applicable (eg: financing).

### II. Scope

Applicable to all other fee driven business:

- ECM (in case of proposed underwriting, a separate UW Memo to be submitted)
- ECA Advisory (including when no involvement of IBA/PDAF)
- Financial Advisory

### III. Participants

- Chairman
- Committee members:
  - Project Team (deal sponsor & deal captain)
  - Senior representatives of relevant business lines
  - ECM Syndicate
  - Representative/s from Legal
  - Representative/s from Compliance
  - IBA COO
  - IBA Business Management
- Quorum: Chairman + 2 IBA Management Committee members outside of project team
- Invitees:
  - Relevant coverage involved shall be invited

– Head of Territory may attend in case of any specific concern at his/her discretion

#### IV. Timing for Mandate Execution

Case by case, but generally before agreeing on fees with client for written mandates, and subject to KYC completion.

#### V. Supporting documents

Mandate Approval Form (Cap. Markets & Advisory template) adjusted to the other business lines, prepared by the Project Team and reviewed by the Business Management. This form is to be at least 2 business days before the meeting date to the Committee Members and Invitees IBA Mandate

#### VI. Deal Logging Form

Project Team, under the supervision of deal captain, is responsible of submitting the Deal Logging Form ('DLF') to Control Room when there is a high likelihood of receiving a mandate, signing an NDA or material nonpublic information is received. Deal team should duly update the Control Room when changes to the insider list are made, the deal is about to announced, terminated or completed or BNPP's roles is about to be disclosed in public. The DLF should be logged with Control Room at least 2 business days before the mandate committee meeting date (if it has not previously been logged).

#### VII. Corporate Social Responsibility (CSR)

For clients carrying out a sensitive activity in terms of the group's CSR policy, the clearance procedure should be initiated before submission of the project to the Committee with reference to following sector-specific policies.

It is the responsibility of the deal team and Senior Banking Officer ("SBO") to form a view and coordinate with the CIB APAC CSR Coordinator.

#### VIII. Conduct

When taking its decision, the Committee will also review the Conduct aspect and will analyse the related risk factors (risks pertaining to decisions taken when executing our business that are not in line with financial security regulations, the values of the group or social responsibility) in order to ensure that projects are managed and executed in a way that leads to positive outcomes for clients, the market integrity and the group's reputation. During the Committee meeting, the following matters will be specifically discussed: fee structure and the appropriate adaptation of the service to the type of client.

#### IX. Minutes

All Mandate Committees to be minuted by IBA Business Management and to be circulated to participants, CEO APAC and relevant Head of Territory. As a best practice, the minutes should be issued in a timely manner (i.e. 2 weeks within best effort).

Deal teams are to circulate minutes for physical signatures by Chairman of the committee and the Project Lead / Management Committee representative of the project team; the signatures should be obtained in a timely manner and properly stored by the project team.

## **Chapter 7. Conflict of Interest**

### **(A) General Considerations**

As a financial institution, BNP Paribas covers a wide scope of businesses. As a consequence of the numerous deals it may be interested in or party to, as well as of the number of mandates it may obtain, the BNPP Group may potentially be in a situation of conflict of interest. Such situations should always be considered globally taking account of their whole complexity since the interests of the Bank and/or those of its clients may be in competition, directly or indirectly. These general principles do not cover the specific situation of conflicts which are related to BNPP's employees because of their roles or positions at the firm. This situation is covered by the Outside Business Interest "OBI" policy.

These general considerations and guidelines complement the BNPP Group, regional or metier specific existing policies and procedures pertaining to conflicts of interest management and information barrier crossing and information flow.

The purpose of these general considerations and guidelines is more to give an enhanced support to the different business lines involved in a potential or a material conflict to manage properly this situation. They emphasize the key role which must be played by the coverage as "first line of defence" in order to detect and manage a conflict of interest situation, the compliance processes and tools which constitute the "second line of defence", and the need to have a formal arbitrage framework with a documented conflict committee.

**Specific Situations to be Avoided:** Based on recently observed situations of conflict, certain patterns must be avoided such as having an M&A mandate and a Debt Advisory mandate on two different candidates competing for the same target.

A specific attention must also be paid at a very preliminary stage when a specific transaction directly involves two major clients of IB ( transaction on exchangeable bond for instance).

As a rule, pre-clearance must be sought from Compliance for any M&A mandate as well as for any Debt Advisory mandate/ specific Arranging mandate in the context of an external growth operation (asset or company acquisition). It must also be sought, before any proposal is made (i.e very early), to act on a stake of the stock of a client. However, the periodic renewal of current lines of credit for corporate clients are not subject to this rule.

Finally, in a general sense, it must be avoided to engage into specific discussions or have such precise proposal or discussion with a client which could lead him to understand we are free to act without having identified a potential conflict of interest and cleared it appropriately.

## **(B) Exclusivity Agreement**

As a general rule, the business lines should endeavour not to give Exclusivity Agreements to their clients and especially refrain from using this type of arrangement as a marketing tool.

If, on an exceptional basis, a business line is considering to give such exclusivity, it must obtain the pre-clearance of CIB Compliance. Coverage and Business lines must pay a particular attention to NDA terms which may contain limitation and exclusivity wording. The first check will be done by CIB Compliance through the Cosima tool. If nothing is detected, then Compliance officers will liaise between themselves at the relevant business line level and/or across territories to ensure that such an exclusivity arrangement can be made as it would restrict or prohibit the involvement of other units and business lines of the Bank in the same transaction.

The Head of the business line / Coverage requiring the exclusivity may also directly require the clearance to the relevant Heads of Business lines / Coverage who might be in a conflict situation for the same transaction. Such acceptance must be clearly minuted and CIB Compliance must be kept informed.

If no agreement can be found on the request for an exclusivity agreement between the Heads of Business Line, the situation must be escalated by CIB Compliance up to the Head of CIB and Group Compliance level if necessary.

### **(C) Managing conflicts of interest**

Whenever a situation of conflict arises with regards to clients with similar competing positions in a proposed transaction but involving different business lines, or with opposite positions involving different Business Lines, the situation must be systematically submitted to CIB Compliance. Based on their assessment of the importance of the matter, the compliance officers will decide on the level at which the decision process must take place to rule on the conflict :

In certain cases, a Conflict of Interest Committee will be called to resolve a potential conflict of interest. The full process must be documented in formalised minutes, in particular the way the conflict was addressed. Compliance will store these minutes in the conflict register (in the Control Room portal of CIB Compliance).

## **Chapter 8. Conduct and Compliance Framework**

### **I. Conduct**

As part of the BNP Paribas Group, IBA embedded Conduct as our core values in driving interactions with our clients. Concrete steps have been taken by IBA to reinforce governance and processes to embed Conduct in daily operations.

On a regular basis, reminders are sent to IBA professionals to remind on the importance of Conduct. All the IBA staff is required to attend Conduct dilemma sessions and also to complete a compulsory Conduct training assigned by Compliance to enrich and refresh the importance of Conduct to our business.

### **II. Deal Logging Form**

The deal logging form is used by Deal Team captains or their delegates acting on behalf of Deal Team captains, to notify sensitive transactions or projects, and insiders.

The deal logging form aims to encapsulate all required information within the field of insiders lists to comply with the new European Market Abuse Regulation (MAR) in force on July 3rd, 2016.

The form should list and include personal data, exact date and time in which insiders have access / cease to have access to inside information and written acknowledgement from insiders. The deal logging form should be exhaustive and include all Occasional insiders in the project and Permanent or Above-the-Barrier insiders if the individuals are acting as Deal Team Captains and/or are operationally involved in the deal.

### **III. Barrier-Crossing**

The principle of Information Barriers (formerly known as “Chinese Walls”) is a corner stone of BNP Paribas organisation. All employees have a professional obligation to protect confidential non-public information to which they have access in connection with their business activities.

Information barriers are:

- a. essential component of the market abuse prevention system, as well as of BNP Paribas internal control system
- b. a key tool for managing potential Conflict of Interest situations and/or
- c. for independently managing an activity.

Deal Team Captains should ensure that Material Non-Public Information can only be shared with public-side employee after barrier-crossing is completed. The Information Barrier Crossing request must be

justified and submitted to APAC Control Room for approval. The timing of such request should be as close to execution as possible to avoid keeping public-side employee offside for prolonged period of time.

It is the Deal Team Captain's responsibility to ensure all information flow should be conducted on a need-to-know principle and in accordance to the APAC Information Barrier Crossing and Information Flow Policy & Procedures (read in conjunction with the Global Information Barrier Crossing Policy).

#### **IV. Market Sounding Policy**

Pre-sounding relates to any name-specific discussion with potential investors on proposed transactions to assess investor interest prior to announcement of the transaction.

There are various ways to pre-sound potential investors:

- a. no-names approach, by referring generally to an industry sector or grouping or multiple names approach, by referring to a number of named companies, including the proposed issuer, at the same time ; or
- b. barrier-crossing approach, where material non-public information ("MNPI") about the proposed transaction is passed on to investors.

It is essential that all IBA employees strictly adhere to the procedure detailed in the APAC Market Sounding Policy for the barrier-crossing approach. In cases of no-names approach, IBA employees should take sufficient steps to disguise effectively the identity of the proposed transaction in order to safeguard against inadvertently tipping off a potential transaction.

#### **V. Countries where BNPP has no Physical Presence**

Besides the Major Sanctioned Countries ("MSCs"), the countries where the Group is not present are classified into 4 categories: P0, P1, P2, and P3 countries, by decreasing order of risk. It is considered that the knowledge and the visibility on countries where the Bank has no presence is limited compared to the countries where BNPP is established.

The Group has implemented a new Group Policy in 2016 to detail rules regarding business in countries where BNPP is not present. It is essential that all IBA employees are aware of the activities which are allowed – by country, category, client typology and product / business.

Any material difficulty in implementation must be brought to the attention of the Compliance Officers in the Operational Perimeters / Regions.

## **Chapter 9. Transaction with Affiliated Party**

Intra-group transactions should comply with the "arm's length" principle. The transactions should carry out professionally and do not harm either party and should be monitored and documented properly.

In the normal course of its operations, the Company undertakes certain advisory services transactions with its affiliates. The Company also receives and remits cash for the completion of the transactions. Related parties, from time to time, incur and settle expenses on behalf of the Company which are recharged accordingly. The nature of transactions and balances of accounts with related parties, whether or not transacted at normal terms and conditions similar to those with non-related parties, are disclosed in the financial statements.

