



**Registry of Companies and Business Names Division
Ministry of Finance
BRUNEI DARUSSALAM**

CODE OF CORPORATE GOVERNANCE

PRINCIPLES:

For all companies:

1. SHAREHOLDERS SHOULD ESTABLISH AN APPROPRIATE CONSTITUTIONAL FRAMEWORK FOR THE COMPANY.

- This can be established through the articles of association of a company, which bind the way in which directors exercise power over the company.
- The articles can establish company rules for matters such as shares, dividends, powers, role, conduct of board and shareholders meetings.

2. THE COMPANY SHOULD ESTABLISH AN EFFECTIVE BOARD TO LEAD AND CONTROL THE COMPANY. THE BOARD IS COLLECTIVELY RESPONSIBLE FOR THE LONG TERM SUCCESS OF THE COMPANY. THE BOARD WORKS WITH MANAGEMENT TO ACHIEVE THIS OBJECTIVE AND MANAGEMENT REMAINS ACCOUNTABLE TO THE BOARD.

- The board's role is to provide leadership of the company.
- The board's role is to set strategic objectives, ensuring that it has the necessary financial and human resources for the company to meet its' objectives.
- All directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the interest of the company.

3. THE SIZE AND COMPOSITION OF THE BOARD SHOULD REFLECT THE SCALE AND COMPLEXITY OF THE COMPANY'S ACTIVITIES.

- The board should not be too large. The balance of skills and experience should be appropriate for the requirement of the business.
- The board should aim to maintain an appropriate balance of skills and experience within the company and on the board.
- The board should comprise people with different perspectives, backgrounds and experience to secure new ideas.

4. THE BOARD SHOULD MEET REGULARLY TO DISCHARGE ITS DUTIES, AND BE SUPPLIED APPROPRIATE INFORMATION IN A TIMELY MANNER.

- The board should receive accurate, timely and clear information.
- Written minutes of board meetings should be taken.
- All decisions should be recorded.
- Board meetings should monitor progress against approved plans and budgets, and ensure full coverage of matters reserved for the board.

5. THE BOARD IS RESPONSIBLE FOR RISK OVERSIGHT AND SHOULD MAINTAIN A SOUND SYSTEM OF INTERNAL CONTROL TO SAFEGUARD SHAREHOLDER'S INVESTMENT AND THE COMPANY'S ASSET.

- The board should try to identify the main risks facing the company.
- The board must attempt to ensure that all material risks are being appropriately managed.
- As the company grows in size and complexity, it will be necessary to move towards a more professional system of internal control. Strong financial control will become a significant requirement if the company wishes to obtain external sources of finance.

6. COMPANIES SHOULD ACTIVELY ENGAGE THEIR SHAREHOLDERS AND PUT IN PLACE AN INVESTOR RELATIONS POLICY TO PROMOTE REGULAR, EFFECTIVE AND FAIR COMMUNICATION WITH SHAREHOLDERS.

- The key duty of the board is to ensure that the activities of the company remain fully aligned with the interests of shareholders.
- The relationship with the shareholders should be viewed as the continuous process and not limited to an annual formal meeting.

7. FAMILY-CONTROLLED COMPANIES SHOULD ESTABLISH FAMILY GOVERNANCE MECHANISMS THAT PROMOTE COORDINATION AND MUTUAL UNDERSTANDING AMONGST FAMILY MEMBERS, AS WELL AS ORGANISE THE RELATIONSHIPS BETWEEN FAMILY GOVERNANCE AND CORPORATE GOVERNANCE.

- A clear distinction must be made for family institution and the formal governance structures of the company.
- Family businesses can improve their odds of survival by setting the right governance structures in place and by starting the educational process of the subsequent generations as soon as possible.

For public companies:

8. THE BOARD SHOULD ESTABLISH APPROPRIATE BOARD COMMITTEES IN ORDER TO ALLOW A MORE EFFECTIVE DISCHARGE OF ITS DUTIES.

- The board should define in writing the terms of reference of the various committees, explaining their role and the advisory authority delegated to them by the board. These terms of reference should be reviewed by the board on the periodic basis.
- For larger companies, the board should consider the creation of an audit committee. The audit committee plays an important role in monitoring and oversight of the company.

9. THE BOARD SHOULD UNDERTAKE A PERIODIC APPRAISAL OF ITS OWN PERFORMANCE AND THAT OF EACH INDIVIDUAL DIRECTOR.

- Group appraisal should examine how the board operates as a collective decision-making body.
- Individual appraisal should aim to show whether each director continues to contribute effectively and to demonstrate commitment to the role (including commitment of time).

10. THE BOARD SHOULD PRESENT A BALANCED AND UNDERSTANDABLE ASSESSMENT OF THE COMPANY'S POSITION AND PROSPECTS FOR EXTERNAL SHAREHOLDERS, AND ESTABLISH A SUITABLE PROGRAMME OF STAKEHOLDERS ENGAGEMENT.

- The board should publish an annual report that is tailored to the needs of its shareholders and its other stakeholders.
- The board should introduce a strong disclosure regime that promotes transparency to the shareholders.
- Direct communication between directors and employees ensure that everyone is on the 'same page'.