



COMPLIANCE

POLICY

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Security Classification: **PÚBLICO**

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1 GENERAL PROVISIONS

1.1 PURPOSE AND SCOPE

The Corporate Governance Model (CGM) of Banco de Fomento Angola, S.A (also referred to as BFA or the Bank) is guided by structural principles of conduct and in accordance with the soundest national and international standards and best corporate practices, with a view to maintaining a solid, effective and prudent Internal Control System, in order to ensure compliance with the legal duties and responsibilities to which the Bank is subject to and to safeguard and uphold the best interests of its shareholders, governing bodies, staff members, regulators/supervisors, customers and the general public.

The adoption of this policy aims to ensure that the following business targets and strategic objectives are achieved:

- (i) To regulate BFA's organisational and compliance risk management models;
- (ii) To implement a solid, well-defined and efficient compliance culture underpinned by the knowledge and understanding of all BFA's staff members, or any natural person or legal entity acting for or on behalf of the Bank, with respect to compliance risks and the legal requirements governing the Bank's business activity;
- (iii) To promote on an ongoing basis, the awareness, training and commitment of all its staff members or any natural or legal person acting for or on behalf of the Bank, both for Compliance risks and for the legal and regulatory requirements that the Bank is required to comply;
- (iv) To ensure that the actions of BFA's staff members or any natural and legal persons acting for or on behalf of the financial institution are cautious, and clearly and continuously takes into account and accurately depicts their knowledge and understanding of the relevant risks associated with their functions and of the legal regulations governing the Bank's business as well as its guiding principles of conduct and compliance risk management.

Within the scope of their corporate roles and day-to-day activities, all staff members or any natural or legal person acting for or on behalf of the financial institution must undertake measures to ensure that the Bank complies with the applicable legislation that governs its business activities and to guarantee the alignment of their business actions with the core principles of risk management.

The provisions laid down in the current document shall apply to all staff members of the Bank.

1.2 LEGAL, REGULATORY AND NORMATIVE FRAMEWORK

The current document addresses the following Legislation, Regulations and Standards:

Table 1— Legislation, Regulations and Standards addressed

NAME	# DECREE-LAW N.º
Legal Framework of Financial Institutions	Law n.º 14/21 of 19th May
Corporate Governance and Internal Control Regulations	Notice n.º 10/21 of 14th July
Prevention and combating of money laundering, terrorist financing and the proliferation of weapons of mass destruction	Law n.º 5/20 of 27th January
Regulations on Prevention and Combating of Money Laundering and Terrorist Financing	Notice n.º 14/20 of 22nd June

NAME	# DECREE-LAW N.º
Intermediary Agents	Regulation n.º 1/15 de 15 de Maio

On table 2 - References - are summarised the documents referred to in the current policy document:

Table 2— References

NAME	VERSION
Corporate Governance Principles – Guideline: Basel Committee on Banking Supervision	2014 version

On Table 3 – Relevant Internal Regulations - are listed the internal regulations applicable to the subject matter regulated in the current document.

1.3 DEFINITIONS

The key terminology used in this Policy is detailed below:

1.3.1 DEFINITIONS

- **Negative coverage (institutional image):** The outcome of in-house practices or other external risks and factors that have the potential to generate a negative perception of the financial institution by customers, shareholders, investors, business partners, among others, and inherently damage the Bank's reputation, credibility and brand.
- **Indicators:** Statistical elements identified to measure or identify something that allow to monitor quantitatively the probability and impact of an institutional risk or the effectiveness of a control mechanism.
- **Threshold value:** Critical value of each movement range of the indicators, including (i) green zone (acceptable zone), (ii) yellow zone (warning zone) and (iii) red zone (unacceptable zone) to differentiate the identified risk levels.
- **Risk Impact:** The repercussions for the Bank resulting from the materialisation of a certain risk scenario.
- **Regulatory Framework:** Identification and self-assessment, involving the identification of (i) all legislation with a direct and indirect impact on the Bank's activity, (ii) risk scenarios and (iii) the areas responsible for implementing controls and consequent mitigation of risk.
- **Compliance Monitoring:** Process by which the financial institution ensures that the compliance with Laws and Policies as well as the implemented internal and external controls are effective and adequate for risk mitigation.
- **Monitoring Plan:** Planning of activities aimed at monitoring in a certain period of time, presenting the description of projects and activities to be carried out and respective responsible departments (areas), under the premises of regulatory sustainability and controls.
- **Risk Probability:** Probability of a certain risk scenario materialising. For its calculation, it is taken into consideration the scale, history and susceptibility.
- **Inherent Risk:** Degree of risk which is associated to the Bank's operations/business/activities.
- **Regulatory Risk:** Risk associated with regulatory changes/laws, their materialisation and their impact on the Bank's business/areas.

- **Compliance Risk:** Risk of regulatory penalty, legal sanction, significant financial losses and damage to the Bank's institutional reputation arising from non-compliance with laws, regulations and rules (non-compliance with laws and standards applicable to the Bank's business/activity, as well as the absence and/or inadequate internal regulations and controls).
- **Subcontracting/Outsourcing:** Agreement to subcontract the provision of services of a third-party entity to carry out activities that would normally be carried out by the Bank.
- **Action Plan:** Planning of initiatives that aim to create, correct or improve the functioning of the Bank's processes, systems and/or strategies, as well as mitigate the risks' causes. They must always state the person responsible for the plan and a date for its completion.

1.4 REGULATORY REPEAL

Not applicable.

1.5 ACCOUNTABILITY

The current Policy shall be applied in accordance with the following obligations of the relevant stakeholders:

1.5.1 SUPERVISORY BOARD

- To assess the effectiveness of the Internal Control System;
- To assess the Compliance Function's Overall Report.
- Other responsibilities laid down in the Compliance Special Risk Management Policies.

1.5.2 BOARD OF DIRECTORS (BOD)

The Bank's Board of Directors is ultimately the highest authority body in the Bank's risk management, carrying out its assigned duties in accordance with its internal regulations, and under this scope, the Board of Directors is particularly entrusted for monitoring the Bank's Compliance risk management, namely the following specific accountabilities:

- To promote a culture of compliance and risk management that is fully disseminated, known and properly assessed through the setting and disclosure of business goals, appropriate strategies and action guidelines that ensure appropriate standards of integrity, conduct, ethics and morals in alignment with the Bank's culture, which are indicative of the BoD management commitment;
- To establish, formalise, implement and periodically review the current Policy;
- To establish and ensure the existence of a Compliance Function within the Bank's organisational structure with an effective, permanent and independent nature from the operational functions, providing it with appropriate material, human and financial resources to enable it to fully carry out the mission entrusted to it and to strengthen the Compliance Function's authority within the financial institution organisational structure;
- To approve the appointment, removal, mobility and sanctioning of the Chief Compliance Officer;
- To approve the Annual Compliance Plan;
- To lay down the guidelines for the Bank's Compliance activity and ensure the effective implementation and management of the current policy;

- To ensure that the distribution of portfolios among the members of the Board of Directors does not result in the accumulation or overlapping of duties that might jeopardise the independence of the Compliance Function;
- To ensure the existence of an efficient and up-to-date Compliance risk management framework, being able to assign this duty to another body of the Bank;
- To guarantee that the Executive Committee (EC), with support from the Compliance Function, implements corrective measures for identified cases of non-compliance;
- To guarantee that human resources are properly qualified for the duties and functions of compliance risk management and, to this end, to provide appropriate training or incorporate resources with proven experience.

1.5.3 CORPORATE GOVERNANCE, NOMINATIONS, EVALUATION AND REMUNERATION COMMITTEE

- To assist the Board of Directors in the process of appointment, removal and mobility of the Chief Compliance Officer ;
- To lay down guidelines concerning the assessment and remuneration of the Compliance Function staff members and the Chief Compliance Officer;
- To approve the variable remuneration proposal for the Chief Compliance Officer.

1.5.4 AUDIT AND INTERNAL CONTROL COMMITTEE

- To assist and advise the Board of Directors in the implementation of the current Policy and to make proposals and recommendations aimed at improving the management of internal controls processes related to compliance risk;
- To oversee and ensure that the Compliance Function performs its assigned duties effectively, independently and efficiently .
- To analyze the reports issued by the Compliance Function and assess the Compliance risk management effectiveness, ensuring that Compliance risks are controlled.

1.5.5 RISK COMMITTEE

- To assist the Board of Directors with compliance risk management;
- To review and issue improvement proposals and recommendations on the annual Compliance Plan ;
- To ensure proper separation of duties and cooperation between the different Departments and/or Divisions responsible for compliance risk management, risk management, internal audit and other relevant business units.

1.5.6 EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS

- To execute and disclose the Compliance Policy as well as to ensure its effective enforcement;
- To ensure the definition, approval, implementation and disclosure of internal regulations in the Compliance risk management process;
- To guarantee compliance with the implemented regulations, taking appropriate corrective or disciplinary action in the event of non-compliance/violations being identified;
- To implement a Corporate Compliance Culture;
- To ensure that the appropriate structures and means are available and implemented for the identification, prevention, management, control and reporting of compliance risk related issues;
- To ensure that there is an appropriate understanding and knowledge of the compliance risk;

- To report to the Board of Directors in a timely manner on compliance risk management and relevant compliance failures that may cause legal risks, regulatory sanctions, financial or reputational losses.
- To carry out an annual Assessment at minimum, with the support of the Compliance Function, identifying the main Compliance risks and the associated action plans, as well as reporting to the Board of Directors on their effectiveness.

1.5.7 PORTFOLIO DIRECTOR

- Monitor and evaluate the performance of the Compliance Function and report systematically to the CECA and CACI.

The current Policy also entails the following accountabilities of the stakeholders identified below, in accordance with the Bank's Governance Model implemented and described in this document, in paragraph 2.1 Organisational Model/ Corporate Governance:

1.5.8 FIRST LINE OF DEFENCE

The following Bank Offices fall within the First Line of Defence, namely:

- The Front, Middle and Back Office, who should be the first point of control responsible for identifying, assessing, controlling and reporting the compliance risks associated with their operational areas in alignment with applicable regulations;
- Considering that Compliance Risk management is an integral part of the Bank's business, in general terms they are responsible for the following:
 - To take cognisance of the current Policy;
 - To ensure compliance with legal and regulatory standards (internal standards and legislation issued by supervisory/regulatory institutions) in order to mitigate risk and consequently maintain a more robust internal control system;
 - To implement an appropriate methodology of communication and reporting to the Compliance Function on identified cases of non-compliance;
 - To identify, measure, assess and manage compliance risk events that may impact the attainment of the Bank's strategic and operational business targets;
 - To maintain an effective control environment and ensure effective management of compliance risks, keeping risk exposure at acceptable levels, as laid down in the compliance risk indicators and in accordance with the Bank's acceptable levels of risk appetite;
 - To draw up and implement action plans associated with the non-compliance cases identified or improvements to be guaranteed.

1.5.9 SECOND LINE OF DEFENCE

The second line of defence is made up of departments/business units that carry out their functions independently, have authority and autonomy and report directly to the Board of Directors (BoD). Within the scope of their business activity, their duties and obligations include the following: monitoring the implementation of effective risk management practices and methodologies of Compliance Internal Controls, as well as providing support and consultancy services to the Bank's structures in the First Line of Defence.

Furthermore, they are responsible for testing and assessing compliance with regulations, policies and procedures, maintaining integrity standards in alignment with the principles, guidelines and risk appetite adopted, systematically and timely reporting to the Board of Directors the results of their analyses in relation to the level of compliance.

The Second Line of Defence is supported by the following Functions (Departments/ Business Units):

1.5.10 RISK MANAGEMENT

Notwithstanding the duties assigned in the Organisational Structure Handbook (OSH) and under the terms of the regulations issued by the Regulatory/Supervisory Authorities, the Risk Management Function is particularly responsible for:

- To ensure that operational losses are properly identified, classified according to the different types of operational risk events reported, including Compliance;
- In cooperation with the Compliance Department, to lay down the Key Risk Indicators that ensure an improved control and reporting of the main compliance risks identified, as well as their preservation within the risk appetite stipulated by the Bank;
- To assess the risk situations arising from actual or potential events that have an impact on the limits of operational risk and established Key Risk Indicators (KRIs);
- Carry out a self-assessment of the process risks and controls, including the control processes, namely Compliance and, if necessary, monitor the implementation of action plans to reduce the processes' residual risk.

1.5.11 COMPLIANCE

Notwithstanding the duties and obligations assigned under the terms of the Organisational Structure Handbook (OSH) and in accordance with the legal standards issued by the Regulatory/Supervisory Authorities, the Compliance Function is particularly responsible for the following:

- To coordinate the compliance risk management and to ensure that the appropriate mechanisms are in place to guarantee efficiency and effective operationalisation;
- To oversee and control the risks to which the Bank is or may become exposed, subject or vulnerable to;
- To liaise with the 1st Line of Defence for the adequate identification, assessment, monitoring, control and reporting of compliance risk;
- To submit reports to the Compliance Function and regularly inform about compliance risk events:
 - To the Portfolio Director, all information concerning the performance of his duties;
 - To the Executive Committee of the Board of Directors, relevant information that requires its assessment;
 - To the Audit and Internal Controls Committee, Risk Committee, situations that could affect, among others, the financial stability of the Bank, the risk of money laundering and conflict of interests, as well as other issues identified and considered material.
- To promote the implementation, monitoring and adherence of the current Policy, as well as to coordinate the development of internal standards;
- To suggest to the Executive Committee of the Board of Directors the adoption of more demanding procedures in terms of Compliance risk management, whenever circumstances so require;
- To closely monitor any plans to adapt to changes introduced in the regulatory environment, centralising the process of treatment and control of laws and regulations originating from Supervisory/Regulatory Bodies;
- To closely monitor the internal and external landscape and changes in the regulatory environment, to provide information and advice to the various Bank's business departments, divisions and/or units on compliance risks;
- To collect and closely monitor compliance risk information, draw up indicators and assess risk events or occurrences;

- To develop and implement actions aimed at treating and mitigating regulatory, institutional image and reputational risks in operations, products and services, as well as in contracting suppliers and partners;
- To permanently promote a corporate culture underpinned by the themes of ethics, conduct, integrity and other Compliance-related issues, and to provide training and guidance to staff members;
- To draw up the compliance plan and the compliance risk management programme and organise its implementation in-house.

1.5.12 THIRD LINE OF DEFENCE

The third line of defence is provided by the Internal Audit Function, which is independent, has authority, autonomy and reports directly to the Board of Directors. Its responsibility is to assess the efficiency and effectiveness of the Bank's risk management system and identify weaknesses and opportunities for improvement, systematically reporting the results of these assessments to the Executive Committee of the Board of Directors and to the Audit and Internal Control Committee.

1.6 CONTACTS

Any queries concerning this document should be addressed to the Compliance Department .

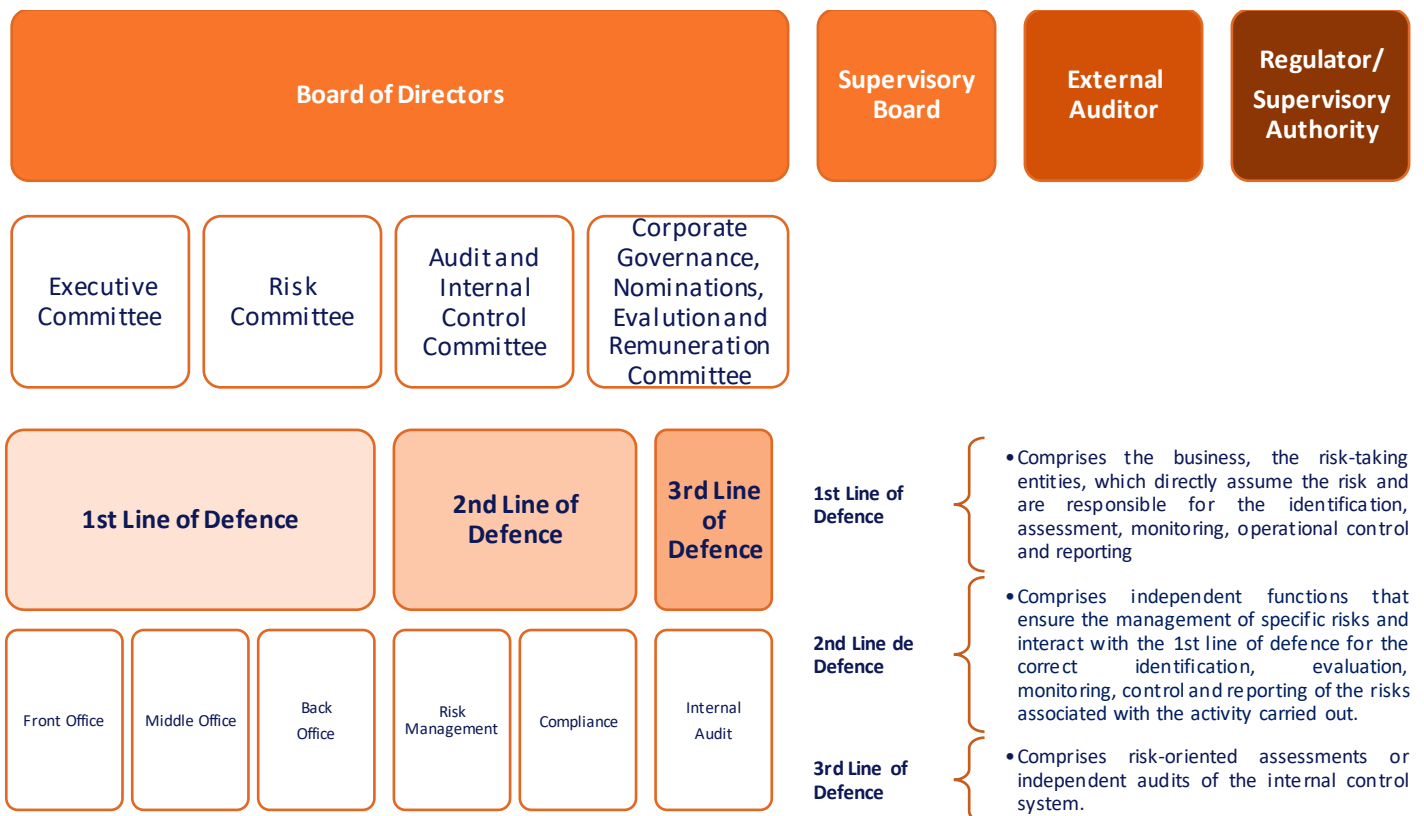
2 CONTENT REGULATORY COMPLIANCE

2.1 ORGANISATIONAL MODEL / CORPORATE GOVERNANCE

BFA adopts an organisational model based on the three lines of defence to ensure the suitable and effective management of compliance risk, underpinned by the principle of separation of functions, ensuring the attribution of clear duties among the structural bodies from a functional perspective between risk takers, management and control, as well as independent auditing and review.

Notwithstanding the appropriate separation of the three lines of defence in terms of Compliance risk management within the Bank's internal control system, one can also identify the structures with powers delegated by the Board of Directors to monitor risk management, also recognising the bias of the Supervisory Board with the Bank's financial statements legal certification and opinions on the degree of adequacy of the internal control system and also, the involvement with the oversight of internal controls from an external perspective, through an External Audit and through the Supervisory/Regulatory Authorities.

Table 3— Organisational Model / Corporate Governance



As an integral part of its duties, the Compliance Function shall, at all times, have access to the documents it deems relevant, including those on file, and may ask questions to the departments/areas and staff members in order to obtain the information necessary for the full compliance of its powers and responsibilities.

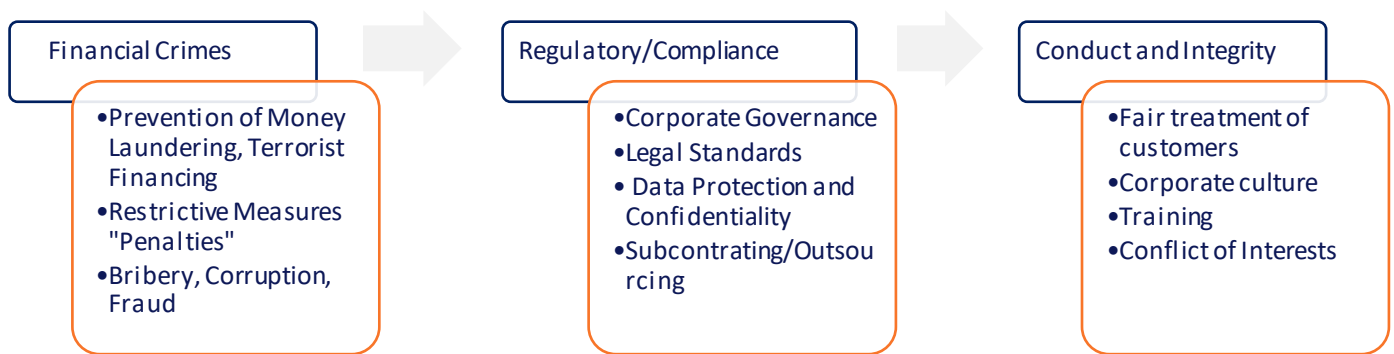
2.2 COMPLIANCE RISK MANAGEMENT

The risk is a dynamic subject matter and its classification must appropriately and effectively capture the potential and real risks according to an assessment through preventive measures, reactive measures or through mitigation actions.

2.3 COMPLIANCE RISK FRAMEWORK

The current policy is applicable to compliance risk management within the various responsibilities associated with the Compliance function, which is responsible for managing and establishing an appropriate operational risk framework, namely:

Diagram 1— Compliance Risk Framework



2.4 COMPLIANCE RISK MANAGEMENT MECHANISMS AND STAGES

2.4.1 COMPLIANCE RISK MANAGEMENT MECHANISMS

- Compliance risk assessment indicators should be established to assess the Bank's performance and the outcome of the assessment should be related to the occurrence of compliance risk events as well as their effective control procedures.
- The Compliance Function should assess the Bank's risk management capacity underpinned on actual conditions of the financial institution and as a result of assessments. Furthermore, the 1st Line of Defence should identify changes in regulatory requirements related to its activity and consequently assess the potential impact of sanctions/penalties, financial losses, loss due to reputational impacts, which could result therefrom. The Compliance Function may also assess compliance risk events.

The compliance risk management involves the following distinct stages:

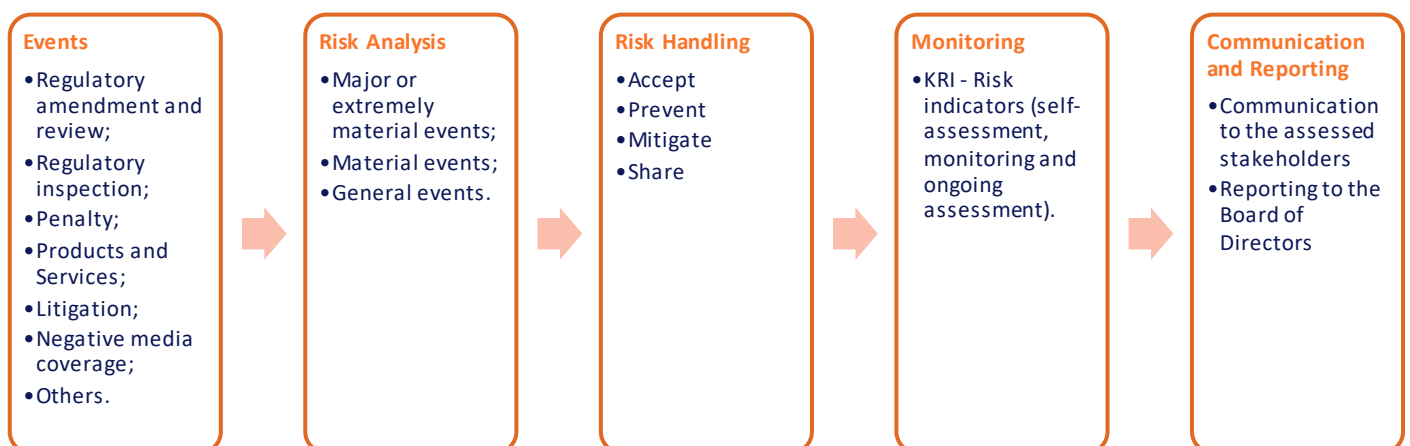
Diagram 2— Compliance Risk Management Stages



2.4.2 COMPLIANCE RISK MANAGEMENT MODEL

It consists in the identification of a set of external or internal events that may have an impact on the various Departments/Units goals and consequently on the Bank's strategic business targets.

Diagram 3— Compliance Risk Management Model



2.5 COMPLIANCE PROGRAMME AND PLAN

2.5.1 COMPLIANCE PROGRAMME

The Compliance Function must draw up a medium-term compliance programme, which must include at least the following elements:

- Organisation and Corporate Governance;
- Policies and procedures;
- Identification, risk assessment, testing and assessment of regulatory and legal compliance as well as management of regulatory amendments.
- Periodic reporting on compliance risk indicators;
- Training and awareness-raising;

The aforementioned elements may be duly adapted according to the Bank's level of maturity in terms of Corporate Compliance Culture, in order to ensure effective and adequate management of Compliance risk.

The Compliance Function is responsible for ensuring that all employees are involved and participate in the programme.

2.5.2 COMPLIANCE PLAN

The Compliance Function shall prepare an annual compliance plan. In preparing the plan, the Compliance Function shall assess and take due account of the Bank's non-compliance risk profile. The plans shall be aligned with the general guidelines provided at the Compliance Strategy and Business Area levels, and their degree of compliance shall be assessed on a periodic basis.

2.5.3 REGULATORY AMENDMENTS AND IMPLEMENTATION PLAN

The amendments to the Compliance requirements within the legal framework must be identified and briefly assessed, as well as the analysis of the possible impacts associated with the development and performance of the banking activity and the affected areas, namely:

- Summary of key compliance requirements, analysis and impacts;
- Potential adjustments to the Bank's internal policies and standards and systems in response to regulatory amendments;
- Implementation schedule.

2.5.4 COMPLIANCE TRAINING PLAN

With respect to staff training, the plan must include training for the key role of Compliance Risk management, new employees, key business positions and others deemed to be critical.

With respect to training content, the plan should be effective and emphasise minimum subject matters such as:

- Compliance Risk Management;
- Key issues and legally binding topics (special compliance risk management);
- Financial products and services;
- Other essential subjects, duly identified and considered as compulsory from a particular or specific point of view.

2.6 GUIDELINES AND DIRECTIVES OF THE COMPLIANCE FUNCTION



2.7 ADDITIONAL INFORMATION

2.7.1 COMMUNICATION MEASURES

Whereas the Bank has adopted an organisational structure in order to safeguard the separation of functions and must ensure that the management of potential or real compliance risk events is carried out by entities other than those that originated/originated such scenario, the Compliance Function must establish a communication, control and reporting system for matters deemed significant.

The communication measures must be efficient and must include appropriate and robust procedures to ensure :

- Suspicious transactions associated with money laundering, terrorist financing, foreign exchange control, other financial crimes punishable by law;
- Breach of confidentiality, banking secrecy, and issues associated with the prevention and management of conflicts of interest;
- Efficient communication and reporting to the Board of Directors, supervisory bodies and also to the Oversight/Regulatory Authorities.

The Compliance Function shall develop and maintain the record of all reported events and their classification, as well as manage the periodicity of reporting.

2.7.2 REPORTING OF IRREGULARITIES AND COMPLAINTS

The reporting of irregularities or any suspicion of behaviour in violation of this Policy may be made through the Complaints Channel (Ethics Line).

2.7.3 DOCUMENT ARCHIVE MANAGEMENT

The records containing the response actions and controls of Compliance risks and indicators (not excluding those established in independent policies), must be kept and archived for a minimum period of 10 (ten) years, or for a shorter period, provided that the conditions are guaranteed in the Bank for the implementation of a digital archive to replace the physical archive of documents.

2.7.4 EXCEPTIONS

Not applicable.

DOCUMENTARY CONTROL

DOCUMENT PROPERTIES

Table 11— Document Properties

DOCUMENT PROPERTIES			
Name	Compliance Policy		
Type	Policy	Classification	PUBLIC
Version	1	Reference	POL/DC/003/V01
		Reference SG	2021-56-BFA CA
Author	DC	Approved By	Board Of Directors
Approval Date	05/11/2021	Effective Date	08/11/2021
Publication Date	08/11/2021	Review Date	08/11/2024
Document Holder	Compliance Department (CD)		
Target Audience	Bank Employees, Members of Governing Bodies, External Auditor, Supervisory/Regulatory Authorities		
Availability	The current document is available and updated on the Bank's Intranet: <ul style="list-style-type: none"> Regulation Compliance <u>POL – Compliance Policy</u> 		
Main amendments	First Publication of the Compliance Policy		

VERSIONS RECORD CONTROL

Tabela 12— Versions Record

VERSION	APPROVAL DATE	APPROVED BY	EFFECTIVE DATE	MAIN AMENDMENTS
1	08/11/2021	Board Of Directors	08/11/2021	First Publication of the Compliance Policy