



# Annual Report Appendix 2021

For PRASAC Microfinance Institution Plc.

## Annual Corporate Governance Report

# PART 1 - SHAREHOLDERS

## A. SHAREHOLDERS STRUCTURE (AS OF 31 DECEMBER 2021)

### 1. Shareholder Information

Description	Nationality	Types of Shareholders	Number of Shareholders	Number of Shares	Percentage
Less than 1%	Cambodian	Individual	None	None	None
		Legal Person	None	None	None
	Non Cambodian	Individual	None	None	None
		Legal Person	1	1	0.00000033%
From 99%	Cambodian	Individual	None	None	None
		Legal Person	None	None	None
	Non Cambodian	Individual	None	None	None
		Legal Person	1	299,999,999	99.99999967%

### 2. Shareholders Who Are Directors, Senior Officials and Employees of Listed Company

Shareholders	Number of Shareholders	Number of Shares	Percentage
Directors	2	300,000,000	100%
Senior Officials	N/A	N/A	N/A
Employees	N/A	N/A	N/A
<b>Total</b>		<b>300,000,000</b>	<b>100%</b>

## B. SHAREHOLDERS' AND PROTECTION OF SHAREHOLDERS' RIGHTS

### 1. Rights of Shareholders

Each shareholder has rights as following:

- Appoint and remove director and also to nominate for removal any such Director nominated by it for appointment and to nominate any person to fill any vacancy caused by the removal, resignation, death or disability of any such Director nominated for appointment by it from time to time;

- Access of the accurate and relevant information, ultimately promoting innovation and transparency;
- Exercise its voting rights and other rights as a member of PRASAC in order (insofar as it is able to do so through the exercise of such rights); and
- Procure that any Director appointed by it from time to time shall (subject to their fiduciary duties to PRASAC) exercise their voting rights and other powers and authorities in order (so far as he or she is able).

## 2. Protection of Shareholders' Rights and the Company's Practice of the Protection of Shareholders' Rights

By end of year 2021, the KOOKMIN BANK is holding 100% shares, there are no minority shareholders.

## 3. Protection of Minority Shareholders' Rights and the Company's Practice of the Protection of Shareholders' Rights

By end of year 2021, the KOOKMIN BANK is holding 100% shares, there are no minority shareholders.

### C. GENERAL SHAREHOLDER MEETING

#### 1. Procedures of General Shareholder Meeting and Voting

The general meeting of Shareholders shall be held at least once a year and held at such place and at such times as the Board of Directors shall determine.

An extraordinary meeting of Shareholders can be convened at any time by the decision of the Board of Directors or upon request by any Shareholder(s) holding at least fifty-one (51) per cent of the total shares with voting right.

No general meeting shall proceed at any meeting of Shareholders unless a quorum of the meeting is met when the meeting proceeds to business. The quorum at any Shareholders' general meeting shall be the number of Shareholders who together hold more than fifty (50) per cent of the total shareholding entitled to vote.

#### 2. Information of General Shareholder Meeting

No.	Date	Type of Meeting	Quorums	Agendas	Resolutions
1	None				

### D. DIVIDEND DISTRIBUTION

#### 1. Dividend Policy

There are no dividend payment in year 2021.

## 2. Historical Information of Dividend Distribution for the Last 3 Years

No.	Detail of Dividend Distribution	2021	2020	2019
1	Announcement Date of Dividend Distribution	None	None	None
2	Record Date	None	None	None
3	Dividend Payment Date	None	None	None

# PART 2 – BOARD OF DIRECTOR

## A. BOARD OF DIRECTOR

### 1. Board Composition

No.	Name	Position	Appointing Date	Ending Date*
1	Mr. Kwi Sang JUN	Chairman	10 April 2020	09 April 2023
2	Mr. Ji Kyu JANG	Director	10 April 2020	09 April 2023
3	Dr. Dong Hyun CHOI	Director	27 October 2021	26 October 2024
4	Mr. Jaehong PAK	Independent Director	27 October 2021	26 October 2024
5	Mr. Kyung Cheon LEE	Independent Director	27 October 2021	26 October 2024
6	Mr. CHAN Sophal	Independent Director	27 October 2021	26 October 2024

(\*) Each Director shall be limited to three (3) years from the date of appointment until such Director resigns or is removed. But each Director can be re-appointed and shall be limited to nine (9) years only.

### 2. Director Biography

#### Mr. Kwi Sang JUN, Chairman

Mr. Kwi Sang JUN is the Chairman of the Board of Directors of PRASAC Microfinance Institution Plc. As a financial services industry veteran in banking and capital markets, Mr. Jun served and held various senior leadership positions during his 33 years of experience at KB Kookmin Bank prior to his retirement in early 2019. After serving as a Head of various key departments, including Sales Planning and Large Corporate Business, Mr. Jun served as a Division Head of Large Corporate Business Division and Regional Sales Group, and then was appointed as a Senior Executive Vice President & Head of the Corporate and Investment Banking Group and Shared Service Group (including Human Resources Division). He was also being a Deputy President of KB Financial Group Inc. as well as a Deputy President of KB Securities in charge of the Corporate and Investment Banking division. As shown in his previous experiences and leadership roles at KB, Mr. Jun has a wide range of expertise in the corporate and investment banking with the practical experience and theoretical knowledge in banking, as well as the areas of procurement, general affairs and human resources. He received a B.A. in Economics from Busan National University, an M.B.A. from Helsinki School of Economics.

#### Mr. Ji Kyu JANG, Director

Mr. Ji Kyu JANG is currently serving as a General Manager of Global Planning Department at KB Kookmin Bank in Seoul, Korea. Since he joined KB in 1999, Mr. Jang held various senior positions

in the departments, such as Global Business and Treasury. Over 20 years of his experience at KB, Mr. Jang gained a collective and extensive experience in the corporate and investment banking, foreign currency funding as well as the global business. He graduated with a B.A in Economics from the State University of New York and has an M.B.A from the University of Wisconsin.

#### **Dr. Dong Hyun CHOI, Director**

Dr. Dong Hyun CHOI is currently serving as a Visiting Professor teaching finance and investment theory to students at Dongguk University in Seoul, Korea. He also served as a Visiting Professor at Inha University and Aju University in Korea from 2017 to 2021 and the National University of Management in Phnom Penh, Cambodia from 2015 to 2017. Dr. Choi served from 2015 to 2017 as an Advisor and TA at the National Bank of Cambodia in Phnom Penh. He served in the Bank of Korea, which is Korea's central bank, for more than 30 years. While working at Bank of Korea, his career was centered on FX reserves management, including planning, risk management, trading, portfolio management, settlement and even IT projects. Between 2009 and 2012, he was the Chief Investment Officer at Bank of Korea in New York and managed USD 45 billion, part of Korea's national FX reserves, investing in fixed-income securities such as Treasuries, Agencies, Supra-nationals, Sovereigns, Corporates and MBS denominated in USD and CAD. Dr. Choi holds an M.B.A. focusing on international finance from Pennsylvania State University in University Park, PA, USA and Ph.D. in finance from Dongguk University in Seoul, Korea.

#### **Mr. Jaehong PAK, Independent Director**

Mr. Jaehong PAK is an Independent Director of the Board of Directors of PRASAC Microfinance Institution Plc. He is working as an auditor and senior consultant at a Korean accounting firm in Cambodia. He will be sharing his expertise in auditing and consulting with his knowledge and experiences gained from working with variety of industries. He studied in the USA from the early years getting secondary education in Western New York State region and tertiary education there in Rensselaer Polytechnic Institute in New York State capital region. He has M.Bus degree from Charles Sturt University, New South Wales, Australia. He has been living in Cambodia for more than 13 years, with his experience and understanding of Cambodia will work for the better of PRASAC Microfinance Institution.

#### **Mr. Kyung Cheon LEE, Independent Director**

Mr. Kyung Cheon LEE is an Independent Director of the Board of Directors of PRASAC Microfinance Institution Plc. As a foreign legal consultant, Mr. Lee has provided legal and strategic consulting services for the several Banks and Financial institutions in Cambodia and overseas. Mr. Lee also served as a Deputy President of the Korean Chamber of Commercial in Cambodia and a legal advisor for the Korean Embassy in Cambodia and Korea Trade-Investment Promotion Agency in Cambodia. Mr. Lee received a B.A. and Master degree in Law from Seoul National University in Korea, and LL.M. from Law School of the University of Minnesota and M.B.A. from the Business School of College of William Marry in U.S.A. Mr. Lee also has a license of attorney-at-law in New York State Bar in U.S.A. As shown in his previous experiences and knowledge about the law in Banking Sector, Mr. Lee will contribute practical advising and consulting as a member of Board of Directors.

#### **Mr. CHAN Sophal, Independent Director**

Mr. CHAN Sophal is currently Executive Director of the Centre for Policy Studies (CPS), a Cambodian think tank providing research and consulting services in the areas of economic development, mainly in agriculture, land and labour issues. For a progressive career over the past

28 years, he has been researcher and manager in various institutions including World Bank, Leopard Capital, USAID funded project called HARVEST, World Food Programme, Cambodia Development Resource Institute (CDRI), and Ministry of Agriculture, Forestry and Fisheries. Mr. Chan received an MSc in Agricultural Economics from the University of London, Imperial College at Wye, UK, after he completed Bachelor courses in Agribusiness from University Queensland, Gatton College, Australia and Diploma in Hydrology from National Institute of Agriculture Prek Leap.

### 3. If Any Director is Director, Shareholders or Co-owner of Other Company

No.	Name	Company	Director, Shareholders or Co-owner
1	Mr. Ji Kyu JANG	KB Kookmin Bank Ltd (“KB”)	Director and Shareholder

### 4. Board Roles, Duties and Responsibilities and Performance

The Board of Directors shall have the authority and roles which includes inter alia the following:

- Appoint, dismiss, determine the rights and authority of all executive officers and other officers;
- Set the salaries, benefits and other compensations of such officers;
- Fix the salaries, benefits and other compensations for Directors and submit them to Shareholders for approval;
- Propose to Shareholders the amendments or annulments to the Articles;
- Propose to the Shareholders an agreement of merger or consolidation between the company and any other person;
- Propose to the Shareholders the sale of all or major part of the Company's assets;
- Propose to the Shareholders a dissolution or liquidation of the Company;
- Declare dividends in accordance with accounting principles and the dividend policy of the Company;
- Close account books of each financial year and propose the annual profits for submission to the Shareholders and Shareholders' general meeting;
- Determine the management structure of the Company;
- Delegate authorities to the management, and monitor and evaluate the implementation of policies, strategies and business plans;
- Determine the monitoring criteria to be used by the Board of Directors;
- Ensure that internal controls are effective;
- Communicate with senior management;
- Any other common duties of a board of similar company as prescribed by laws.

The Board of Directors may delegate the day-to-day running of the business to the board committees or the management of the Company appointed as per the Shareholders Agreement.

### 5. Board Meetings

No.	Date	Type of Meetings	Name of Directors Attending the Meeting
1	23 April 2021	Ordinary	1. Mr. Kwi Sang JUN 2. Mr. Ji Kyu JANG 3. Mr. Ishara C. Nanayakkara 4. Mr. Minki Brian HONG 5. Mr. SIM Senacheert
2	30 July 2021	Ordinary	1. Mr. Kwi Sang JUN 2. Mr. Ji Kyu JANG 3. Mr. Ishara C. Nanayakkara 4. Mr. Minki Brian HONG 5. Mr. SIM Senacheert

3	27 October 2021	Ordinary	1. Mr. Kwi Sang JUN 2. Mr. Ji Kyu JANG 3. Dr. Dong Hyun CHOI 4. Mr. Kyung Cheon LEE 5. Mr. Jaehong PAK 6. Mr. CHAN Sophal
4	20 December 2021	Ordinary	1. Mr. Kwi Sang JUN 2. Mr. Ji Kyu JANG 3. Dr. Dong Hyun CHOI 4. Mr. Kyung Cheon LEE 5. Mr. Jaehong PAK 6. Mr. CHAN Sophal

## B. BOARD COMMITTEES

### 1. Board Committee Structure

#### 1.1. Audit Committee

No.	Name	Position	Appointing Date	Number of Attending the Meeting	Total Number of Meetings
1	Mr. Jaehong PAK	Chairman	27 October 2021	2	4
2	Dr. Dong Hyun CHOI	Member	27 October 2021	2	4
3	Mr. Kyung Cheon LEE	Member	27 October 2021	2	4
4	Mr. CHAN Sophal	Member	27 October 2021	2	4

**Note:** PRASAC was changed board of directors and got approved from NBC and MOC on October 12, 2021 and October 19, 2021 respectively, the audit committee appointed on October 27, 2021.

#### Roles and Responsibilities of Audit Committee

The roles and responsibilities of the audit committee are as following:

- To be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal, remuneration and terms of engagement of the External auditor;
- To monitor the independence of the external auditor;
- To approve non-audit-services provided by the external auditor;
- To have an active dialogue with the external auditor and to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and quarterly reports, and to review significant financial reporting judgments contained in them before submission to the Board, focusing particularly on:
  - Any changes in accounting policies and practices;
  - Major judgmental areas;
  - Significant adjustments resulting from the audit;
  - The going concern assumptions and any qualifications;
  - Compliance with accounting standards; and

- Compliance with laws, regulation and other legal requirements in relation to financial reporting.
- To review the external auditor's management letter, any material queries raised by the external auditor to management in respect of the accounting records, financial accounts or systems of control and management's response;
- To ensure that the Board will provide a timely response to the issues rose in the external auditor's management letter;
- To review the Company's financial controls, internal control and risk management systems;
- To discuss with management on the system of internal control and ensure that management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget;
- To review the internal audit program, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;
- To consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response;
- Monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
- Review and assess the annual internal audit plan;
- Review promptly all reports on the Company from the internal auditors;
- Review and monitor management's responsiveness to the findings and recommendations of the internal auditor;
- Advise on the selection and removal of the Internal Auditor;
- Review of the internal audit charter;
- Authorize budget for the internal audit function incl. staffing;
- Review annually the audit committee charter.

### **Results of Audit Committee Performance**

In 2021, the Audit Committee held four meetings during April, July, October and December 2021 to review and discuss on matters relating to PRASAC. The summary of the activities undertaken by the Audit Committee during 2021 is as following:

- Reviewed quarterly result of credit audit and branch operational audit and head office audit.
- Reviewed audit report on special case investigation.
- Reviewed external audit report for the year ended 31 December 2021.
- Reviewed PRASAC Annual Report 2019.
- Reviewed challenges and achievements of internal audit department.
- Reviewed and approved audit plan and budget for 2022.

## 1.2. Nomination and Remuneration Committee

No.	Name	Position	Appointing Date	Number of Attending the Meeting	Total of Meetings
1	Mr. Kyung Cheon LEE	Chairman	27 October 2021	1	1
2	Mr. Jaehong PAK	Member	27 October 2021	1	1
3	Mr. Ji Kyu JANG	Member	10 April 2020	1	1
4	Mr. CHAN Sophal	Member	27 October 2021	1	1

**Note:** PRASAC was changed board of directors and got approved from NBC and MOC on October 12, 2021 and October 19, 2021 respectively, the Remuneration and Nomination committee appointed on October 27, 2021.

### Roles and Responsibilities of Nomination and Remuneration Committee

The roles and responsibilities of the nomination and remuneration committee are as following:

- To review in detail of CEO's performance, organizational structure, management development and succession planning for all senior roles;
- To plan for Executives and Senior Managers succession, consider the views of Directors and senior management on any potential candidates and when and where appropriate, following approval by the Board, to arrange and approach;
- To make recommendations to the Board on PRASAC's policy and remuneration structure for all Executive members, Senior Management, Management, Key Personnel and staff as appropriate and on the establishment of a formal and transparent procedure for developing remuneration policy;
- To review and approve the annual incentive proposals of all staff including Executive members; and recommendations to the Board for approval;
- To consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in PRASAC;
- To review and approve the remuneration policy applicable to employees' remuneration packages to ensure that it is consistent with any applicable legal and regulatory requirements;
- To work closely with other relevant committees of PRASAC's Board, including but not limited to Risk and Audit Committees;
- To review and approve compensation arrangements relating to dismissal or removal of Executive members for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- To seek independent professional advice on matters of remuneration for Executive members, Senior Management and Key Personnel if and when necessary;
- Ensuring that the remuneration policy is consistent with the long-term objectives and corporate values of PRASAC;
- Recommending procedures to select and replace board members;
- Recommending independent persons who will become committee members as referred to Prakas on Governance Banking and Financial Institution;
- Approving the nomination of senior management.

## Results of Nomination and Remuneration Committee Performance

In 2021, the committee conducted a meeting and advise management to implement the following activities:

- Improved internal policies and guidelines on human resources management including recruitment procedures and staff performance management.
- Implemented the new information technology tool for human resources management.
- Executed an extensive training program.
- Increased salary and offered pool bonuses for the company's staff.
- Reviewed the compliance of human resource management to law and rules of labor law.
- Reviewed and Selected three independent directors and one director.
- Reviewed, selected and re-appointed one Board of Director and three Independent Directors (subject to approve from the Board of Directors and regulators).

### 1.3. Risk Committee

No.	Name	Position	Appointing Date	Number of Attending the Meeting	Total of Meetings
1	Mr. CHAN Sophal	Chairman	27 October 2021	2	4
2	Dr. Dong Hyun CHOI	Member	27 October 2021	2	4
3	Mr. Kyung Cheon LEE	Member	27 October 2021	2	4
4	Mr. Jaehong PAK	Member	27 October 2021	2	4

**Note:** PRASAC was changed board of directors and got approved from NBC and MOC on October 12, 2021 and October 19, 2021 respectively, the Risk Management committee appointed on October 27, 2021.

### Roles and Responsibilities of Risk Management Committee

The roles and responsibilities of the Risk Management committee are as following:

- Assist the full Board of Directors in translating the mission and strategy of PRASAC into appropriate tolerance levels and exposure limits for any and all risk dimension facing PRASAC. The scope of intervention includes but is not limited to credit and counterparty risk, operational risks, market risks, (i.e. interest rate risk and foreign exchange rate risk), as well as liquidity, capital adequacy and covenant exposures;
- Serve as the primary counterpart at Board level for the Chief Risk Officer and the Assets & Liabilities Committee in all matters relating to current or prospective exposures as well as the policies and procedures to identify, measure and manage them;
- Guide the executive management in implementing the organizational framework for risk management and assign the necessary roles and responsibilities;
- Ensure effective oversight on the proper functioning of the risk management framework and provide a measure of independent control over PRASAC's risk taking activities;
- To review and recommend for the Board's approval PRASAC's risk appetite which shall take into account PRASAC's strategic objectives, all the relevant risks faced by PRASAC and the prevailing and prospective market and economic conditions;
- To review and recommend for the Board's approval PRASAC's risk management strategies taking into consideration the risk appetite and other risk related matters;
- To review and recommend for the Board's approval PRASAC's risk management framework and risk governance framework including their appropriateness, effectiveness and independence of risk management functions;

- To review and recommend for the Board's approval on PRASAC Risk Management Policy which governs the identification, assessment, monitoring and reporting of the major risks faced by PRASAC;
- To review the terms of reference of management committee levels, for instance, Risk Management Committee, Credit Committee and Asset and Liability Management Committee and recommend any necessary changes for the Board's approval;
- To review and monitor PRASAC's risk profiles taking into consideration PRASAC's risk appetite and the prevailing and forward-looking aspects of risk exposures;
- To review the regulatory updates on risk management related issues and consider their material implications to PRASAC's risk appetite and risk profiles;
- To review and discuss, and to bring to the Board's attention, the critical comments of the regulators on PRASAC's risk management related issues;
- To oversee the implementation of risk management policies and the compliance with the respective statutory rules and regulations;
- To review the results of the stress-testing for the major risks and the assessment on PRASAC's capability to withstand the stressed conditions particularly in terms of profitability, capital adequacy and liquidity. If considered necessary, appropriate actions shall be taken to mitigate the potential impacts;
- To review Risk Committee Report as required by PRASAC Risk Management Policy.

### Results of Risk Management Committee Performance

In 2021, the Risk Management Committee held four meetings during April, July, October and December 2021 to review and discuss on matters relating to PRASAC. The summary of the activities undertaken by the Risk Management Committee during 2021 is as following:

- Reviewed Loan Portfolio.
- Reviewed Credit Risk.
- Reviewed Capital Risk.
- Reviewed Liquidity and Funding Risk.
- Reviewed Operational Risk.
- Reviewed Compliance Risk including AML/CFT.
- Reviewed Economic Risk.
- Reviewed on annual Risk Management Plan.

## 2. Changes of Committee Member

No.	Committees	Name	Reasons
1	Audit	Appointed committee: 1. Mr. Jaehong PAK 2. Dr. Dong Hyun CHOI 3. Mr. Kyung Cheon LEE 4. Mr. CHAN Sophal	KB owns 100% and changed of members of board of directors
2	Nomination and Remuneration	Appointed 3 members: 1. Mr. Kyung Cheon LEE 2. Mr. Jaehong PAK 3. Mr. CHAN Sophal	KB owns 100% and changed of members of board of directors
3	Risk Management	Appointed committee: 1. Mr. CHAN Sophal 2. Dr. Dong Hyun CHOI 3. Mr. Kyung Cheon LEE 4. Mr. Jaehong PAK	KB owns 100% and changed of members of board of directors

## C. REMUNERATION OR COMPENSATION

### 1. Brief Policies of Remuneration or Compensation for Directors and Senior Officers

#### a. Compensation and Benefits for Board of Directors

Efforts are made to ensure that the Nomination and remuneration of the Board of Directors matches the level in comparable companies, whilst also taking into consideration board members' required competencies, effort and the scope of the board work, the compensations and benefits of BODs member are listed below:

- Chairman of BODs USD 5,000 per month
- Directors included independent director (s) USD 3,000 per month
- Air tickets (business class) Actual invoice
- Accommodations Actual invoice
- General expenses for the directors abroad USD 200 per day (for the meeting)
- All costs are not included tax
- All costs will be charged to PRASAC MFI PLC.

#### b. Compensation and benefits for Senior Officers Reference to Human Resource Policy.

### 2. Remuneration and Compensation Receivers

No.	Remuneration and Compensation Receivers	Remuneration and Compensation Amount	Other
1	Director	USD 1,658,112	
2	Executive Directors	USD 1,022,327	
3	Senior Officers	USD 2,764,244	
4	Top 5 Employees receiving Remuneration and Compensation Receivers (DM)	USD 984,933	

## D. ANNUAL PERFORMANCE EVALUATION OF BOARD OF DIRECTORS, DIRECTORS, COMMITTEES AND CEO

No.	Description	Evaluation Processes	Marking Criteria
1	Board of Directors	N/A	
2	Directors	N/A	
3	Committees	N/A	
4	CEO	By Remuneration and Nomination Committee and Board of Directors	<ul style="list-style-type: none"> <li>- Loan Grow</li> <li>- NPL Ratio</li> <li>- Deposit Grow</li> <li>- ROE Ratio</li> <li>- ROA Ratio</li> <li>- Cost to Income Ratio</li> <li>- Net Profit</li> </ul>

**E. TRAINING FOR DIRECTORS AND SENIOR OFFICERS**

No	Name	Position	Training Program
1	Kim Haksoo	Executive Vice President and CFO	Certification in Regulatory Compliance
2	Kim Joongwan	Executive Vice President and CRO	Certification in Regulatory Compliance
3	Kong Sean	Executive Vice President and Chief Operation Officer	Financial Services and Business Skills E-Learning
4	Pen Sovannsoksitha	Executive Vice President and Chief Marketing Officer	1. Embedded Finance- Seeding a Digital Community of SMEs and Bringing Banking to where the SMEs are 2. ESMS Awareness Training
5	Ry Vanna	Executive Vice President and Chief Business Officer	Oikocredit SEA partners forum
<b>Total 5 participant, 6 courses</b>			

## PART 3 - CODE OF BUSINESS CONDUCTS PRACTICES

### A. CODE OF BUSINESS CONDUCTS PRACTICES FOR DIRECTOR AND SENIOR OFFICERS POLICIES

#### ➤ **Conflict of Interest**

To protect PRASAC's interest when it is contemplating or actually entering into a transaction by ensuring that such transactions will not be adversely affected by any conflicting interest of a PRASAC employee.

PRASAC employees must:

- Carry out their responsibilities to the PRASAC with loyalty and in the best interest of the PRASAC;
- Conduct their personal and business matters so as to avoid actual, potential or apparent conflict between self-interest and the PRASAC's interests;
- Disclose to the PRASAC any actual, potential or apparent conflicting interests;
- Timely disclose to her or his supervisor the nature and extent of any actual, potential or apparent conflicts of interest as they arise.

Employees of PRASAC should not engage in any activity that jeopardizes the interests or reputation of PRASAC or compromises the employee's integrity or ability to fulfill the obligations of their employment at PRASAC. Employment by PRASAC shall be considered an employee's primary occupation and take precedence over all other occupations, as it pertains to the employee's scheduled time. Full-time employees shall not have other employment that presents a "time conflict." Part-time employees are expected to work the agreed upon schedule. No employee, regardless of employment status, shall have other employment that presents conflict of interest with the employee's position or PRASAC.

#### ➤ **Conduct of Business and Fair Dealing**

PRASAC's employee shall always avoid any form of dubious business practice in contradiction to the law and regulations of the country in which business is conducted. They shall also observe and comply with published codes of relevant financial practices in relation to the nature of business transacted.

#### ➤ **Illegal Business**

PRASAC avoids engaging in business which is at variance with legal or regulatory requirements. In this case, PRASAC's employee shall ensure that all business transactions are in compliance with the accepted traditions and requirements so as to avoid any actions which might be translated to be associated with or regarded as supportive of illegal or criminal activities such as money laundering.

All business transactions that develops strong suspicion about a customer's operations and therefore raising doubts that funds being transacted stem from money laundering shall secretly and promptly reported to the competent authorities.

- **Books of Accounts**

Shall maintain books and records of accounts with scrupulous integrity conforming to the highest acceptance accounting standards reflecting in an accurate and timely manner all transactions of business in adherence to legal requirements.

- **Frauds and Forgeries**

PRASAC's employees shall not engage in any acts of frauds, forgeries and thefts. Above all, acts of false or artificial entries or any peculiar attempts leading to obscuring, omission or misrepresentation of material facts shall be condemned. Any instance of behavior which is at variance with the acceptable procedures, legal and regulatory requirements shall immediately be reported to the appropriate authorities in any circumstances.

- **Free Competition**

PRASAC's employees should respect and uphold the concept of free and fair competition in banking business among its corporate members and business partners. All employees must refrain from collusive, defamatory anticompetitive discussions, policies, practices and agreements such as on interest rates, service charges and other services offered which would injure the reputation of a fellow corporate member and ultimately distort business transactions and confidence of a member.

➤ **Respect Trade Secret**

Among the basic tenets which the banking system is founded confidentiality. This requires PRASAC's employee utmost professional conduct in respecting and protecting the privacy and secrecy of PRASAC, PRASAC's customers, fellow employees and any other groups on the understanding that information acquired has been obtained in confidence and merits the same care as protection of funds.

- **Duty on Keeping Confidential Information**

Restrained from divulging information to third parties except with the consent of PRASAC or customer, or where it is required by law or in conformity with public duty arising in the proper course of business.

- **Inside Dealing/Trading**

Obligated to maintain utmost secrecy regarding members of PRASAC and PRASAC's business, financial and personal affairs. Any inside information of any kind must be safeguarded and not made available for any subsequent unauthorized purpose. Information referred to include trading in shares, securities, take-over or merger, potential insolvency, profits or losses, discovery of new product or services, change of management, PRASAC's plans and methods, policies and procedures and other information prohibits by laws.

- **Declaration of Secrecy**

Required to prevent leakage of information to outsiders by exercising care in the course of communication whether oral, written or otherwise and also ensure that documents such as circulars, manuals, records and internal communication materials especially those classified secret and confidential are not shown to outsiders without proper authority.

- **Access to Documents**

Required to restrict access to any confidential or sensitive documents to only those authorized to handle such information.

## ➤ Use of Law and Related Policies

- There are No personnel decisions concerning any term or condition of employment shall be unlawfully based upon race, color, religion, politics, sex, national origin, age, marital status, veteran status, disability and any other characteristic protected by law.
- Obey safety and security rules and guidelines at all times. Whenever travelling by car or motor bike, wear seatbelts and helmet accordingly.
- Shall comply with all Cambodian laws, rules and regulations including internal policies, procedures/guidelines and instructions.
- Shall not consume prohibited drugs or substance either during or outside office hours.
- Shall not bring weapons or any item that is considered illegal under the law like prohibited drugs or substances into the premises of PRASAC.
- Don not access, reproduce, display, distribute, or store any materials that are sexually explicit, obscene, defamatory, harassing, illegal or otherwise inappropriate when using PRASAC's assets, or when performing the job, especially over the internet and by electronic materials.
- PRASAC evaluates and minimize the potential negative effects of its activities, including impact on the environment (e.g., air, water, and land), health and safety, and labor (e.g., child labor).
- Credit Officer and relevant staff shall assess the compliance of every loan with Cambodian environmental laws, exclusion lists, and child labor, health, safety, and other regulations.

## ➤ Working Policy and Internal Rules

To be comply with labour law, PRASAC developed internal rules and regulations for implementation in PRASAC. The internal rules and regulations registered with Ministry of labour and vocational training dated on March 29, 2018. The contents of internal rules and regulations covered as following:

### **Article 1: General Provision**

This Internal Rule is made to ensure the normal operation of PRASAC MFI in order to strengthen working quality of employees, organize and order of work practicing and to support the growth, development of PRASAC MFI.

### **Article 2: Employees Recruitment Criteria**

- 2.1. Employees' recruitment or appointment of PRASAC MFI must follow the procedure or policy of PRASAC MFI.
- 2.2. Criteria to select the candidate are:
  - At least 18 years old
  - Meet the skills requirement of PRASAC MFI.
  - Be with civil right, citizen right and political right
  - Have the temporary address
  - Candidate agrees to do the probation period
  - Candidate agrees to accept the agreement with PRASAC.
- 2.3. Application Submission
  - Motivation letter/Cover Letter, or Curriculum Vitae 1 copy
  - Copy of identification (ID) card 1 copy
  - Copy of family record or residential book 1 copy
  - Color Photographs (4 x 6) 1 photo
  - Copies of diplomas, degrees, or other certificates (if any).

- 2.4. Applicants who are newly hired are considered to be in a probation period. Board of Directors is in charge of approving on the recruitment of the President& CEO, Executive Vice President, and Department Manager. The President& CEO is in charge of approving all employees at PRASAC. Branch Manager can approve to recruit guard, and cleaner for their own branch.
- 2.5. After employee has been hired, they must inform to PRASAC if they have changed their current address or married statue by writing the formal later.

**Article 3: Standardize of Work Implementation and code of ethics at PRASAC**

- 3.1. All employees must have the employment contract which is the specific duration contract and it will be ended due to the date on the contract. The contract will be automatically become an unfix duration contract if its duration is more than 2 years.
- 3.2. Employment contract is made in the formal written letter between PRASAC and employee without forcing from other party.
- 3.3. Probation period contract has the duration of one to three months based on the position of employee.
- 3.4. Employees must obey the working hours that have been set by PRASAC.
- 3.5. All employees are requested to wear PRASAC’s uniform during working hours.
- 3.6. All employees are not allowed to play gambling both in working hours and non-working hours, and they are also not allowed to drink alcoholic substance during working hours as well.
- 3.7. All employees are banded to promote any activities which are not beneficial to PRASAC. Those also include the activity related to politic as well.
- 3.8. All employees must provide the best quality of services to all customers and communities in the area of their operation.
- 3.9. All employees are requested to have a good morality and communication with customers, and people nearby as well as other competitors.
- 3.10. All employees must be loyalty to PRASAC, manager, and colleagues by NOT fraud or bribery or forgery which will lead to loss any beneficial of PRASAC.
- 3.11. All employees are not allowed to use their position or power in order to gain any benefits such as threatening other people or colleague for money or customers whether directly or indirectly.
- 3.12. All employees must not be breach of trust by doing fraud, greedy for property of PRASAC whether for their own benefit or not.
- 3.13. All employees are not allowed to share any confidential information to outside PRASAC.
- 3.14. All employees and their family should not provide any loan or work as the credit provider in the operation area of PRASAC.

**Article 4: First Medical Check and Continuously Medical Check**

All employees are requested to submit the medical check certificate that issue by the Department of Occupational Health and Safety. After being employed, all employees must go to do the medical checkup regularly according to the request of Department of Occupational Health and Safety.

**Article 5: Date and Working hour of PRASAC MFI**

- 5.1. Working hour of PRASAC’s staffs is forty-eight (48) hours per week, eight (8) hours per day from Monday to Saturday except guard. In the exceptional case, PRASAC can request employees to work on the holiday which must be agreed from the employees follow by the labor law of Cambodia.
- 5.2. Working Hour has been set as follow:
  - Morning            7:30am            12:00pm
  - Afternoon        13:00pm           16:30pm

- 5.3. Holiday of the week: Saturday and Sunday are for all the employees except guard who can take a holiday two other days of weekday rotated.

#### **Article 6: Public Holidays**

- 6.1. Public holidays with paid are taken according to the annually Public Holiday's calendar of the Government of Cambodia.
- 6.2. Annual leave is provided for all employees according to the HR. Policy and Cambodia's Labor Law." It is enough, no need to write more long because we already have it in HR. Policy.
- 6.3. Female employees are allowed to take the maternity leave for ninety (90) days before or after the delivery.

#### **Article 7: Compassionate Leave**

- 7.1. Compassionate leave with paid in the working day will be provided to all employees in the special occasion which was effected by their family as follow:
  - Staff's wedding 5 days
  - Wedding of staff's children 3 days
  - Funeral of family members 5 days
  - Paternity Leave 3 days
  - If the employee is the primary career 5days
  - Female employee is entitled to take 1h (one hour) per day during working hours to breast-feed their children.
- 7.2. Urgent leave and privately will be provided to all employees in the occasion of any privacy which are urgent, but the number of the date is not over five (5) working days. In case that the employee has not used their entire annual leave, PRASAC will deduct the urgent leave from the annual leave of employees.

#### **Article 8: Sick Leave**

- 8.1. All employees are allowed to have sick leave for 10 days per year. This kind of sick leave must be entitled from management or representative of PRASAC. For sick leave less than 3 days, it does not require any description from the doctor.
- 8.2. If the sick leave is happened continuously for 3 working days or more, employees must ask permission from management or representative of PRASAC and it requires the description from the doctor.
- 8.3. Long sick leave with description letter from the doctor PRASAC will provide full basic salary for the first month. The second and third month with 60%. From fourth to sixth month, PRASAC no longer provide salary, but keep their name in staff list.
- 8.4. If their sick leave is over six (6) months, PRASAC will consider ending the contract in accordance to the labor law.

#### **Article 9: Wage and Compensation**

- 9.1. Wage will be decided by PRASAC with the agreement of employee since the first day of working.
- 9.2. The increasing in wage will be imply according to the wage policy that issue by PRASAC concerning on the experience, capacity, performance of employees and also the financial ability of PRASAC.
- 9.3. Wages will be transfer into their account at PRASAC except that employees agree to pay by alternative form.
- 9.4. PRASAC uses passbook that is allowed from the Ministry of Labor. This passbook is form in the list of wage which process by computer.
- 9.5. Any employees who destroyed the property belong to PRASAC with an intention will responsible in payment according to the current price of that property on the market. If they

cannot effort in the payment, PRASAC will deduct their wage step by step as it was stated in the labor law.

#### **Article 10: Leave Entitlement**

- 10.1. All employees are requested to ask permission from PRASAC if they want to have leave. Any leaves without permission will be punished as it was state in **Article 15** of this Internal Rule. There would be an exceptional in case cause by force major with clear reasons.
- 10.2. All employees are allowed to ask leave permission straightly to their representative or directly by phone in case of an urgent sickness or accident, but they need to submit the leave form after they come back on work.
- 10.3. Leave without permission: All employees whose leave the work place without permission will be punish as follow:
  - If any employees leave without permission will be consider as not working (leave without permission) and will be treated as the offence which will be punish as the following:
    - Any employees who leave without permission less than two (2) days per month consider as the light offence.
    - Any employees who leave without permission from two (2) to less than five (5) days per month consider as the medium offence.
    - Any employees who leave without permission from six (6) days or in six (6) days continuously per month consider as quit job, and the contract of those employees will be ended.
    - Any employees who leave without permission will not be given the wage according to the leave that has been taken.

#### **Article 11: The usage of material and hand tool of PRASAC in working hours**

All employees are not allowed to use the property of PRASAC such as vehicles and other materials for their own usage without permission from their managers, and they must take a good responsible, saving, and taking care of that property when they are working.

#### **Article 12: PRASAC's Building usage**

All employees must take a good care, use, and protect the PRASAC's building or office for PRASAC benefit only. Any illegal or privacy activity usages in PRASAC's building are prevented.

#### **Article 13: In and Out Entitlement**

- 13.1. All employees must entry or leave the PRASAC's office according to the set door and must wear the ID card of PRASAC in working hour.
- 13.2. All employees are not allowed to use any weapons or explosion substance except guards who are in the mission from National Police Department and have the mission order to work.
- 13.3. All employees are not allowed to take the working hour to work on other job or use it to fulfill own benefit. If employees are busy and they want to leave in working hour, they must ask permission from their manager even in study case.

#### **Article 14: Encouragement and Punishment**

- 14.1. Based on the performance and result, employees can be awarded or punished.
- 14.2. Encouragement can be conducted to admiration directly, admiration certificate, wage increment, and promotion.
- 14.3. Punishment can be conducted to the education directly or verbal warning, warning letter, not increasing salary in exactly limited time, changing position, reduced the increment, and terminate the contract before date for serious misconduct.

- 14.4. All the documents related to encouragement, warning, or other instruction are kept in their file for documentation.
- 14.5. Offences which employee made in previous year are not taken to evaluate in current year.

#### **Article 15: Punishment to the Offence classification**

- 15.1. Any employees who committed offence with enough evidence shown, the institution will penalty them.
- 15.2. Any employees who do not obey to any articles in this Internal Rule and the Disciplinary Committees consider as the slightly and firstly mistake will get the verbal warning at least two times, and reported in their personal file.
- 15.3. In case employees are still committed the same offence for second time, they will get the formal warning letter.
- 15.4. In case employees are still committed the same offence for third time, they will get the formal warning letter again. Any employees who get the final warning and still keep on their offence will be terminated.
- 15.5. Any employees who committed the following stated serious offence will be terminated without informing them in advance.
  - Not obey the contract and condition which are agreed
  - Reveal confidential information
  - Serious offense for disciplinary, internal rule, security, and sanitation
  - Threats, harassment, insults, and beaten other employee
  - Persuading other employee to commit the serious mistake
  - Activities propaganda or political demonstration in the institution

If it is necessary, the institution will send all case to the authority that able to solve by the rule of law.

#### **Article 16: Employment Contract Dismissal**

- 16.1. Employment contract will dismiss before date in case serious mistake or force major.
- 16.2. Dismissal employment contract by employer party willing before date if employee do not have the mistake; the employee can get the settlements that is small amount of paid salary for employees till end the contract.
- 16.3. Dismissal employment contract by employee party willing before date; the employer can get the settlements which are equal the given by employee except agreement particularly.
- 16.4. Any parties of the contract has the right to terminate the contract at the maturity of the contract only in accordance with the terms and conditions of notification in accordance with the Labor Law of Cambodia.

#### **Article 17: Disciplinary Committee**

- 17.1 Council Level 1: is a group that is established by PRASAC institution to make the decision for all punishments. The members are included Board of Director and Chief Executive Officer.
- 17.2 Council Level 2: is a group that is established by PRASAC institution to make decision for all punishments, instruction, verbal warning, and warning letter after second. The members included: Chief Executive Officer, and concerned Department Manager.

#### **Article 18: Employee's Protection Rights**

The employee, by themselves or by their representative, accompanied by one or by employee representative can directly make a complaint to the employer, if the punishment is injustice. In case no solution is satisfied, the employee can take the complaint threw the Ministry of Labor and Vocational Training or threw the Court.

**Article 19:** All employees need to take care of institution's building perfectly and have sanitation. Not allow to have prohibition of mapping or type on the wall or a part of the building. All employees do not cause no sanitation such as smoking in the office, throw the garbage, and other which are different the place set.

**Article 20:** The employees of PRASAC institution do not allow using drug for internal and external working time absolutely.

**Article 21:** If the employee observes that does not have normalcy on the technical as well as security that can take accident to other employees, they need to report to institution immediately in order to take action on time.

## ➤ **Whistle Blower**

Management shall devise a whistle blowing procedures where all complaints/red flags/alerts raised shall be fully investigated by the Internal Audit and/or Compliance and/or Risk Management Departments, any other related department as otherwise directed by the Ex.com. PRASAC shall put in place various channels of communication to comply with whistle blowing policy and to ensure anonymity and guarantee non victimization of the whistle blower. The Internal Audit and/or Compliance and/or Risk Management Departments in charge of investigations shall accept all complaints irrespective of their source, including from anonymous or confidential sources.

When a complaint is raised regarding corruption, an investigation by the Internal Audit and/or Compliance and/or Risk Management Departments in charge of investigations shall be commenced to determine whether fraud, corruption, or abuse under PRASAC's Policy has occurred. The Internal Audit and/or Compliance and/or Risk Management Departments in charge of investigations shall gather sufficient evidence, design investigation procedures or program, determine if controls need to be implemented or strengthened to reduce vulnerability and design mechanisms to help disclose the existence of similar fraud, corruption or abuse.

Where practicable, the Internal Audit and/or Compliance and/or Risk Management Departments in charge of investigations will acknowledge receipt of all complaints. All complaints shall be registered and reviewed to determine whether they fall within their jurisdiction.

## ➤ **Conflict Resolution**

### ❖ **Customer Compliant**

PRASAC sets up many tools and channels to receive customer complaints. PRASAC provides various and up-to-date channels of complaint for all clients and public. All tools and channels for collecting the complaints are fully disclosed and encourage clients to provide their feedback, suggestion and complaint if any.

- **Direct Complaint to PRASAC**

1. **Call Center or Hotline Number**

The hotline numbers have been written on a wide range of marketing collaterals such as flyer, brochure, TV commercial, promotional artworks, banking hall, and social media. Three lines are equipped for the call via 023 999 911 or 086 999 911 or 0969 999 911.

## **2. Facebook**

The PRASAC's official Facebook page is installed to allow clients and public to interact or inquiry or complaint through comments or sending text or voice through the messenger. The formal name of PRASAC's Facebook page is "PRASAC MFI".

## **3. Website**

The official PRASAC's website is "[www.prasac.com.kh](http://www.prasac.com.kh)" where clients are able to access the information and updated news. Meanwhile, clients can provide express their opinion or complaint via page of "<https://www.prasac.com.kh/contact-us/feedback>"

## **4. Email**

Clients are able to make a complaint or feedback via the formal email address of PRASAC: [info@prasac.com.kh](mailto:info@prasac.com.kh) or [feedback@prasac.com.kh](mailto:feedback@prasac.com.kh).

## **5. Suggestion Box**

Suggestion box is installed at branch offices with encouraging all clients to make suggestions and feedback about the service quality of the branches.

## **6. Direct Complaint or Walk-in**

Clients can visit or walk in for making a complaint at branch office. All such kind of the complaints will be recorded by assigned staff at the branches for reporting to branch managers and head office.

## **7. Indirect Complaint to PRASAC (via NBC or CMA Hotline)**

Complaint of clients via hotline number of the National Bank of Cambodia (NBC) and Cambodia Microfinance Association (CMA) are communicated to assigned staff of PRASAC through phone call and email. The complaints are logged, actioned, circulated and reported immediately.

### **• Duration for Action on Customer Complaint**

PRASAC takes seriously activities for giving the proper and win-win solutions to clients by following the internal policies, best practices and norms within the industry. Customer complaint will be resolved within 48 hours.

### **• Responsibility and Customer Complaint Resolution**

Assigned and responsible department and staff of receiving and solving customer complaint are stated as below.

#### **1. Branch Level**

Branch Manager and Chief Teller are key persons to assist the front-line staff to keep record client complaint and solve client complaint. Customer Service Officer is the champion of customer complaint at branch level with receiving training and coaching from head office. If there is no customer service officer at the branch, Teller is the responsible person at that branch. Here are the responsibilities:

- Communicate and encourage clients to make a suggestion or feedback or complaint if any
- Facilitate clients to express their opinions or complaint
- Deal with customer complaints or issues
- Record all complaints in client feedback logbook
- Circulate or report the complaint to Branch Manager, Regional Manager, and Management at Head Office via Marketing and Communications Department

- Follow up and close the complaint if possible.

## 2. Credit Department

Vice President and Manager of Credit Department is assigned by Board of Director to be a Chief Complaint Officer. Here are the responsibilities:

- Receive client complaints from hotline center of the National Bank of Cambodia (NBC) or Cambodia Microfinance Association (CMA)
- Solve client complaint
- Report the result of complaint solving to the National Bank of Cambodia (NBC)

## 3. Marketing and Communications Department

Marketing and Communications Department shall be responsible for coordinating or solving complaints through the Call Center, Facebook, website, email and complaint via branches; and report to management daily and monthly. Marketing and Communications Department is also responsible for collecting the service rating via QMS; then report to management on a monthly basis.

### ❖ Staff Compliant

A staff member wishing to seek redress for a grievance related to his/her employment shall, in the first instance, report the grievance to the respective line manager (BM/Unit/Department manager) and/or the head of division concerned, who shall undertake the necessary steps to resolve the issue, if necessary with the help and assistance from colleague.

If the staff member feels, for whatever reason, that the grievance cannot be dealt with or easily resolved through either of these channels, he/she shall have the option to bring the grievance to the attention of officer in charge as state in policy on whistle blowing.

Personal grievances resolution consists of two staff members located at Headquarters, appointed by the President and CEO, Personal grievances resolution team will contact directly to them. The role and responsibility is to define Terms of Reference that is approved by the President and CEO.

## B. PUBLISHING OF CODE OF BUSINESS CONDUCTS PRACTICES

All Directors, Senior Staffs and all employees shall read, understand, and comply with PRASAC's Code of Conduct as summary below:

### ❖ Principle Code of Conduct for PRASAC's Employees

To preserving reputation, keeping good working environment, relationship, productivity growth and job efficiency, and becoming a good citizen, all PRASAC staffs are strongly encouraged to obey 5 articles of Code of Conduct. For new employees, the Code of Conduct has been provided to read and sign, as well as present in the training, while the staff who are working also has a daily broadcast in the morning and evening for Head Office staff and daily reading for branch staff. The code of conduct is also hung on the walls of the building, which reads as follows:

- **Article 1: Professional Confidentiality:** Keep all PRASAC's and Client's information in confidentiality.
- **Article 2: Discipline:** Shall obey all laws, regulations, policies, procedures and other instructions of PRASAC, accepts any ideas and suggestions from management and colleagues.

- **Article 3: Integrity and Loyalty:** Be integrity and loyalty, say no to fraud, corruption, thieving, cliques and lie. Be honesty with PRASAC and all staff, no nepotism and maintain PRASAC's property as your own.
- **Article 4: Morality:** Shall be gentle, polite and friendly, respect each other, do not use abusive or perverted word and good relationship with other.
- **Article 5: Abstention from Vices:** Say no to alcohols during working hours, drug, weapon, gambling, violence, defame as well as harm others physical and/or sexual harassment.

#### ❖ **Principle Code of Conduct for Board of Directors**

This Code of Conduct shall apply to all Directors including Alternate Directors or Temporary Alternate Directors and the Independent Directors. The Board of Directors has adopted and expected to adhere to the standard of loyalty, good faith, avoidance of conflict of interest, and commits to the high ethical, businesslike, and lawful conduct, including proper use of authority and professional decorum when acting as board members. The Board member will:

- Act in the best interests of, and fulfill their fiduciary obligations to the institution and its shareholders.
- Act honestly, fairly, ethically and with integrity and propriety.
- Act in a manner to enhance and maintain the reputation of the institution and in a manner that preserves and enhances public confidence.
- Conduct in a professional, courteous and respectful manner when deal with staff and colleagues regardless of their race, culture, belief, and backgrounds.
- Act in good faith, responsibly, with due care, competence and diligence, without allowing their independent judgment to be subordinated.
- Avoid and disclose any potential conflicts of interest and refrain from participating in discussion and voting on any matter in which it has or may have an actual or apparent conflict of interest.
- Keep the confidentiality of the information relating to the customers, staff, and the affairs of the institution and not use confidential information for personal advantage and will not provide confidential information inadvertently or deliberately to the third parties without prior consent from the institution.
- Observe and comply with all applicable laws, rules and regulations.
- Be provided reasonable liability insurance (for Directors and officers) and shall indemnify the Directors to the fullest extent permitted by law and the MAA.

### **C. MECHANISMS AND PROCEDURES TO ASSESS CODE OF BUSINESS CONDUCTS PRACTICES**

This code of conduct forms part of the terms and conditions of employment and governs staff activities at PRASAC. PRASAC's employee are required to read, understand and abide by the code of conduct. PRASAC's employee are not abide the code of conduct, it will take disciplinary including terminations. The disciplinary committee is described in HR policy.

## D. RELATED PARTIES TRANSACTIONS

### 1. Related Parties Transactions Policies

No.	Related Parties	Policies
1	Holding Company	None
2	Joint Venture	None
3	Subsidiary	None
4	Majority Shareholders and Controlling Shareholders	Refer to M&AA
5	Directors and Their Family	None
6	Employees and Their Family	None
7	Others	None

### 2. Important Transactions with Related Parties

No.	Name	Type of Transactions	Transaction Size	Transaction Summary
1	Kookmin Bank, Hong Kong Branch	Credit Line Facility	USD 100,000,000	Refer to T&C Trn 1.
2	Kookmin Bank, Hong Kong Branch	Subordinated Debt	USD 50,000,000	Refer to T&C Trn 2.
3	Kookmin Bank, Hong Kong Branch	Syndicated Loan	Up to USD 150,000,000	Refer to T&C Trn 3.
4	Kookmin Bank, Cambodia	Senior Loan	KHR Equi. USD 5,000,000	Refer to T&C Trn 4.
5	Kookmin Bank, Cambodia	Senior Loan	USD 3,000,000	Refer to T&C Trn 5.
6	KB Daehan Specialized Bank Plc	Senior Loan	KHR Equi. USD 3,000,000	Refer to T&C Trn 6.

Terms & Conditions Transaction 1	
Status:	New
Type:	Committed Credit Facility
Amount (Equi. in USD):	100,000,000
Currency:	USD
Purpose:	For general corporate purposes of the Borrower and liquidity backup.
Disbursement:	Upon Drawdown Request from time to time
Final Maturity:	36 months from the Loan Agreement Date
Term:	36 Months
Availability Period	The Facility will be made available for Drawdowns to the date falling one (1) month before the Final Maturity Date from the Agreement Date.
Average Term:	3.00 Years
Interest Payment:	Quarterly
Interest Rate Type:	Floating
Principal Repayment:	Upon demand
Collateral:	None
All-in Fees (in % p.a.)	0.34%

Terms & Conditions Transaction 2	
Status:	New
Type:	Subordinated Debt
Amount (Equi. in USD):	50,000,000
Currency:	USD
Purpose:	Tier 2 Capital Improvement and to support Lending Activities
Disbursement Plan:	November 2020
Final Maturity:	84 Months from the Drawdown Date
Term:	84 Months
Grace Period:	24 Months
Availability Period:	(12) months from the Agreement Date
Average Term:	5.00 Years
Interest Payment:	Semi-Annually
Interest Rate (Net):	Fixed
Collateral:	None
All-in Fees (in % p.a.)	0.34%

Terms & Conditions Transaction 3	
Status:	New
Type:	Syndicated Loan
Amount (Equi. in USD):	- Initial Commitment: USD 75 million (KB Fund) - Incremental Commitment: Up to 75 million (Participant's Fund), allowed in one-year from the Initial Drawdown. - Total Commitment: Up to USD 150 million.
Currency:	USD
Purpose:	To support the borrower's lending activities
Disbursement:	Within 6 months from the Signing Date
Final Maturity:	36 months after initial Utilization Date
Term:	36 Months
Grace Period:	6 Months
Availability Period:	6 months from the Agreement Date and the Incremental Commitments shall be allowed until 1 year from the Initial Drawdown Date.
Average Term:	2.25 Years
Interest Payment:	Quarterly
Interest Rate Type:	Floating
Principal Repayment:	Semi-Annually
Collateral:	None
All-in Fees (in % p.a.)	0.57%

Terms & Conditions Transaction 4	
Status:	New
Type:	Senior-Debt
Amount (Equi. in USD):	5,000,000
Currency:	KHR
Purpose:	To support the borrower's lending activities
Disbursement:	Aug 2021
Final Maturity:	Aug 2024
Term:	36 Months
Grace Period:	NA
Availability Period:	(1) month from the Agreement Date
Average Term:	3 Years
Interest Payment:	Quarterly
Interest Rate Type:	Fixed
Principal Repayment:	Amortization-Semi-Annually
Collateral:	None
All-in Fees (in % p.a.)	0.00%

Terms & Conditions Transaction 5	
Status:	New
Type:	Senior-Debt
Amount (Equi. in USD):	3,000,000.00
Currency:	USD
Purpose:	To support the borrower's lending activities
Disbursement:	Nov 2021
Final Maturity:	Nov 2024
Term:	36 Months
Grace Period:	NA
Availability Period:	(1) Months from the Agreement Date
Average Term:	3 Years
Interest Payment:	Quarterly
Interest Rate Type:	Floating
Principal Repayment:	Bullet
Collateral:	None
All-in Fees (in % p.a.)	0.00%

Terms & Conditions Transaction 6	
Status:	New
Type:	Senior-Debt
Amount (Equi. in USD):	3,000,000
Currency:	KHR
Purpose:	To support the borrower's lending activities
Disbursement:	Feb 2021
Final Maturity:	Feb 2024
Term:	36 Months
Grace Period:	NA
Availability Period:	(1) month from the Agreement Date
Average Term:	3 Years
Interest Payment:	Monthly
Interest Rate Type:	Fixed
Principal Repayment:	Bullet
Collateral:	None
All-in Fees (in % p.a.)	0.00%

# PART 4 - RISK MANAGEMENT, INTERNAL CONTROL AND AUDITING

## A. BRIEF RISK MANAGEMENT SYSTEM OR RISK MANAGEMENT POLICIES

To maximize a return or achieved the target, the risk management system of PRASAC were established as the following:

### ➤ Risk Management Function

- Risk Officer: Play roles as the independent to check at the branch level. Risk Officers at branch level play roles as the Head of Risk Management department to participate in the credit committee meeting and verify branch's transaction to ensure branches complies to approval policies.
- Risk Management Department is an independent department that clearly defined with structure/functions/Roles and Responsibilities/reporting line. Risk Management. Risk Management department will report directly to the BoD risk management committee in quarterly basis with the clear agendas setting up in the ToR. Risk Management Department presents the keys risk to all directors in the BoD Risk Committee.

### ➤ Management Committee Level

- Executive Committee: Support by clear ToR/Roles and Responsibilities/Frequency of the meeting/Reporting template.
- Credit Committee: Support by clear ToR/Roles and Responsibilities/Frequency of the meeting/Reporting template.
- ALCO Committee: Support by clear ToR/Roles and Responsibilities/Frequency of the meeting/Reporting template.
- IT steering committee: Support by clear ToR/Roles and Responsibilities/Frequency of the meeting/Reporting template.
- Product Committee: Support by clear ToR/Roles and Responsibilities/Frequency of the meeting/Reporting template.

### ➤ Board Level

- BoD Committee: Support by clear ToR/Roles and Responsibilities/Frequency of the meeting/Reporting template.
- BoD Risk Management Committee: Support by clear ToR/Roles and Responsibilities/Frequency of the meeting/Reporting template.
- BoD Audit Committee: Support by clear ToR/Roles and Responsibilities/Frequency of the meeting/Reporting template.
- BoD Remuneration Committee: Support by clear ToR/Roles and Responsibilities/Frequency of the meeting/Reporting template.

### ➤ Policies and ToR

- ToR of BoDs and Committees
- Corporate Governance Policy
- Whistle Blowing Policy
- Credit Policy statement
- Assets and Liabilities Management Policy
- Anti-Money Laundering Policy

- ITC Security Policy
- HR Policy
- Internal Audit Policy and Manual
- Risk Management Policy
- Compliance Policy
- Anti-Corruption Policy
- Contingency Policy
- Disaster Recovery Policy

## B. BRIEF INTERNAL CONTROL SYSTEM

### 1. Control Environment:

- The Board of Directors (BoD) has responsibility for approving business strategies and critical policies of the institutions. BoD established three committees such as, Remuneration Committee, Risk Management Committee and Audit Committee. These committees conduct meeting regularly at least on quarterly basis.
- The organizational structure clearly assigns responsibility, authority and reporting lines which are key parts of internal control system.
- Human Resource Management Policy, Internal Rule and Code Ethic are put in place to promote integrity and ethics of all staff. Institution has zero tolerance for frauds.

### 2. Risk Assessment:

- The institution has established risk management department to facilitate and monitor the implementation of risk management practices by the 1st line and Compliance Department to monitor compliance to law and regulations.
- The institution conducts risk and control self-assessment for each business unit/process to effectively manage risks.
- KPIs are set for each position which is comprised of both qualitative and quantitative.

### 3. Control Activities:

- PRASAC's policies and procedures are embedded in the internal control system to prevent risks.
- Proper segregation of duty and dual control means that an employee cannot process the whole transaction.
- Every staff member takes responsibility to obey and apply the internal control policies.

### 4. Information and Communication:

- To support effective implementation of control, the institution has been equipped with strong information system such as Flex Cube (Core banking) system, HR system, Fixed Asset Management System, BI reports...etc.
- PRASAC has hotline 24/7 for internal and external stakeholders to make a complaint
- The institution has created whistleblowing channel for internal staff to report suspected fraud, corruption, and any misconduct.
- Staff must communicate upwards about any problems of non-compliance or policy violations.

### 5. Monitoring

- **Ongoing monitor** the effectiveness of internal controls in the ordinary course of operations. The controls are daily implemented by Regional/Branch Manager Chief Teller, Risk Management Department, Compliance department, Financial Control Unit, Credit Control Unit, IT security unit, CCTV team and related departments.

- **Separate Evaluations** of internal controls carried out by Internal Audit Department are reported directly to Board Audit Committee. As of December 2021, the department has 108 professional audit staff.

## C. AUDITING

### 1. Internal Audit

#### 1.1. Roles and Responsibilities of Internal Auditors

Roles and Responsibilities of Internal Audit Department are clearly stated in Internal Audit Charter:

##### **Audit Planning**

- Develop a long-term and annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management or the Board Audit Committee, and submit that plan to the Board Audit Committee for review and approval as well as for periodic updates.
- Assure the implementation of the annual audit plan, as approved by the Board Audit Committee, including any special tasks or projects requested by the Board Audit Committee and management if appropriate.

**Audit Scope:** The scope of internal auditing shall include but shall be not restricted to:

- Reviewing the reliability and integrity of financial reporting in close cooperation with the external auditors as well as of management information systems.
- Reviewing the system(s) established to manage PRASAC's compliance with relevant laws and regulation as well as internal regulation like policies and procedures.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Reviewing and appraising operational effectiveness and efficiency of all relevant processes and systems, including reasonable use / employment of resources.
- Reviewing the effectiveness and efficiency of the internal control system and ascertaining whether it is functioning as designed.
- Reviewing operations or specific functions and projects to ascertain whether results are consistent with established objectives and goals and whether the operations, functions and projects are being carried out as planned.
- Reviewing specific operations as requested by the Audit Committee or management, as appropriate.
- Reviewing and evaluating the effectiveness of PRASAC's risk management and fraud management system.
- Reviewing and evaluating the effectiveness of PRASAC's compliance management system.
- Conducting special investigations into particular areas, for example suspected fraud cases.

##### **Fraud and Corruption**

- Managing fraud risk and corruption is the sole responsibility of the senior management. Internal Audit cannot – even when performed with due professional care – assure the detection of fraud and corruption.
- Internal Audit can also carry out fraud investigations at the request of management.

##### **Audit Reporting and Follow Up**

- For each audit or group of audits, a written audit report will be prepared and issued on a timely basis to the management of the audited unit(s) and Board Audit Committee-based on type of audit reports which was clearly stated in the internal audit manual.

- The reports shall contain practical recommendations relating to the findings and remedial action agreed upon with the auditee.
- IAD shall make follow-up audits if considered necessary, depending on the risk level of the finding.
- IAD will report immediately to the Board Audit Committee and management on fraudulent activities.
- IAD will report quarterly to the Board Audit Committee on progress made against the annual audit plan and the summarized outcomes of audits.
- IAD will provide an annual internal audit report to the Board Audit Committee and senior management

### 1.2. New Appointment and Removal / Resignation of Head and/or Deputy of Internal Auditors

No.	Name	Appointment Date	Removal / Resignation Date	Reasons
1	None			

### 1.3. Appointment of Head and/or Deputy of Internal Auditors

No.	Name	Appointment Date	Removal / Resignation Date
1	Mr. Ouk Saroeung, Manager of Audit Department	01-Sept-2003	N/A
2	Mr. Hong Sengroth, Deputy Manager of Audit Department	12-Nov-2013	N/A

## 2. External Auditors

No.	Name of Audit Firms	Agreement Date	Auditing Fees	Non-Auditing Fees
1	KPMG Cambodia Ltd.	16 February 2021 20 July 2021 14 September 2021	USD 243,100	None

### Reasons for the Change, Suspension and Termination of Audit Firms in Securities Sector

N/A

## PART 5 - STAKEHOLDERS

### A. IDENTIFY POLICIES AND ACTIVITIES RELATED TO THE FOLLOWING:

No.	Contents	Policies	Actions
1	Customer Welfare	<ul style="list-style-type: none"> <li>Code of Conduct</li> <li>Customer Compliant management Policy.</li> </ul>	<ul style="list-style-type: none"> <li>PRASAC's employee shall strictly implement the code of conducts and serve customers with professional manner.</li> <li>Customer Compliant management Policy is being implemented and used by customers and it is mandatory required by regulator.</li> </ul>
2	Suppliers and Subcontractors Selection	Procurement Policy	By policy, any purchase of more than USD 200 requires at least three quotations and selection will be decided by committees and approval by CFO/FND.
3	Management and Protection of Employees	HR Policy	Management and protection of employees is implemented following laws and related Prakas.
4	Environment Protection	Social and Environmental Protection Policy	<ul style="list-style-type: none"> <li>The Social and Environmental Protection Policy developed with following purposes:</li> <li>Reduce negative effect (relevant to the business operations and family income) on the client's businesses</li> <li>Maintain the good environment, dignity and health for the community from using loan and other services of PRASAC</li> <li>Reduce or no child labor</li> <li>Educate clients to understand importance of social and environmental and social protection</li> <li>Reduce credit risk.</li> </ul>
5	Community Interaction	Social and Environmental Protection Policy	<p>PRASAC recognizes good health, business and community prosperity are mutually interdependent. PRASAC can support community in a sustainable manner by:</p> <ul style="list-style-type: none"> <li>Providing appropriate products and services carefully selected and developed for the particular needs of our society;</li> <li>Increasing outreach: Expand its outreach or operation to new communities in new locations through branch network in the provinces and extend online banking services facilitate the access to finance;</li> <li>Participate in various programs to educate the public about financial literacy and financial solutions, so that they can manage</li> </ul>

			<p>their resources more effectively, improve the status of their businesses, and then they can understand the requirements and preparations for accessing to financial services;</p> <ul style="list-style-type: none"> <li>• Provide internships and other forms of trainings to students to build capacity building and promote microfinance to a broader audiences;</li> <li>• Consciously seek to set higher standards in good governance to improve the financial environment;</li> <li>• Work with group of community to develop new products and services specially tailored to their needs;</li> <li>• Selectively participate in charitable programs to help people and support community, and;</li> <li>• Share profit in social activities or development: The approval of profit distribution in the work of social activities and development is conducted annually by the Board of Directors and management to reflect the real situation of the institution and demand of the communities.</li> </ul>
6	Creditors' Rights Protection	Bondholders Representative Agreement and Guarantee agreement	<ul style="list-style-type: none"> <li>• Stipulates the rights and obligations of bondholders on bonds that comply with SERC regulations on the settlement date, including any other modifications that are in accordance with this Agreement. If there is a discrepancy between the terms of the bond and the Bondholders Representative Agreement, the Bondholders Representative Agreement will be implemented.</li> <li>• The creditors were protected by Guarantee Agreement between PRASAC and CGIF.</li> </ul>
7	Anti-Corruption Program	Anti-bribery and corruption Policy	<p>PRASAC recognizes that bribery and corruption have an adverse effect on society wherever they occur and is committed to enforcing its ethical standards in all its business activities. PRASAC's Anti-Bribery and Corruption policy serves to reinforce this commitment in line with its PRASAC core value and culture.</p>

**B. DESCRIBE THE CORPORATE SOCIAL RESPONSIBILITIES OF LISTED COMPANIES**

No.	Beneficiaries	Amount	Purposes of CSR
1	Clients and Communities	PRASAC shall allocate for each financial year a budget around 1-2% of its average net profits made during the last financial year.	<p>PRASAC may undertake CSR program with the following activities:</p> <ul style="list-style-type: none"> <li>• Library Project: Contribute in the development of educational sector in Cambodia through instilling reading habit and promoting reading culture plus financial literacy.</li> <li>• Emergency Relief is designed to assist borrowers suffering from calamities, disease outbreak, and other unpleasant accidents and the natural disasters and social problem such as flood, storm, traffic accident, fire etc.,</li> <li>• Sponsorship Program contributes to stakeholders such as authorities, communities, and partners to respond to social challenges in society.</li> </ul>

## PART 6 – DISCLOSURE AND TRANSPARENCY

### A. IDENTIFY THE FOLLOWING INFORMATION IN THE ANNUAL REPORT:

No.	Information	Yes/No
1	Visions / Missions / Objectives	Yes
2	Financial Indicator	Yes
3	Non-financial Indicator	Yes
4	Main Risk Factors	Yes
5	Dividend Policy	Yes
6	Biography of Directors	Yes
7	Training for Directors	Yes
8	Number of Board Meeting	Yes
9	Attendance of Directors in Board Meetings	Yes
10	Remuneration or Compensation for Directors and Senior Officers	Yes

*\* Listed Entity Shall Declaim the Reason if there is any above information missing.*

### B. DESCRIBE THE MECHANISM OF DISCLOSURE INCLUDING MEANS, PROCEDURES AND RESPONSIBLE PERSON IN CHARGE OF DISCLOSURE

According to SERC's Prakas No. 007/18 K.M.K./BB.K. dated 30 October 2018 on Corporate Disclosure, PRASAC has appointed the following Disclosure Officers and Disclosure Assistant Officers:

#### Disclosure Officers

No.	Name	Position
1	Mr. Kheang Sambath	VP & Manager of Compliance Department

## Disclosure Assistant Officers

No.	Name	Position
1	Mr. Neak Ponleu	AVP & Deputy Manager of Finance Department
2	Mr. Yun SamAng	VP & Manager of Treasury Department
3	Mr. Hing Chanhim	Manager of Investor Relations Unit

### C. INVESTOR RELATIONS

#### 1. Demonstrate Mechanisms and Procedures for Investor Relations

PRASAC welcomes investors and provides the necessary information on its activities and financial performance on its corporate website: <https://www.prasac.com.kh/en/contact-us/investor-relations>

#### 2. Briefly Describe Investor Relations for the Last Year

PRASAC has disclosed information to investors as the following:

- 45 days after the end of quarter 4 of 2020, press release on disclosure of financial report as of quarter 4 of 2020 in compliance with Cambodian International Financial Accounting Standards (CIFRS).
- 90 days after the end of financial years 2020, press release on disclosure of annual financial report as of 31 December 2020 in compliance with Cambodian International Financial Accounting Standards (CIFRS).
- On 23<sup>rd</sup> April 2021, announcement to investors on corporate bond interest payment of PRASAC bond.
- 45 days after the end of quarter 1 of 2021, press release on disclosure of financial report as of quarter 1 of 2021 in compliance with Cambodian International Financial Accounting Standards (CIFRS).
- 45 days after the end of quarter 2 of 2021, press release on disclosure of financial report as of quarter 2 of 2021 in compliance with Cambodian International Financial Accounting Standards (CIFRS).
- On 22<sup>nd</sup> October 2021, announcement to investors on corporate bond interest payment of PRASAC bond.
- 45 days after the end of quarter 3 of 2021, press release on disclosure of financial report as of quarter 3 of 2021 in compliance with Cambodian International Financial Accounting Standards (CIFRS).



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Private Company