KBZMS General Insurance Co., Ltd AML/CFT Policy

1. Introduction

KBZMS General Insurance Co., Ltd is committed to prevention of Money Laundering and the Financing of Terrorism. Money Laundering is regarded as a major concern and crime to the governments and regulatory authorities all over the world.

Money Laundering is the generic term used to describe the process by which criminals disguise the original ownership and control of the proceeds of criminal conduct by making such proceeds appear to have derived from a legitimate source. In other word, it is a process by which ‘’illegally obtained money’’ is convert into ‘’legitimate money’’. The illegally obtained money is derived from drug trafficking, illegal arms trading, tax evasion, extortion, smuggling etc.

The Financing of Terrorism is described as providing financial support to the individual terrorist or terrorist groups. Terrorists abuse financial institutions as the medium for money laundering and acts of terrorism. One of the most effective ways to fight terrorism is disrupting and preventing their financial flows and transactions. Not only it can prevent future attacks, the footprints of their purchases and other financial transactions can provide valuable information for ongoing investigations.

1.1 Definitions

Money Laundering

Money- Laundering means the commission of any of the following:

- conversion or transfer of money and property, knowing or having reason to know that such money and property are the proceeds of crime, for the purpose of disguising or concealing the illicit origin of the money or property or of helping any person involved in the commission of the predicate offence to evade legal consequences.
- Concealment or disguise of the true nature, source, location, disposition, movement, ownership, or rights with respect to money and property, knowing or having reason to know that such money and property are the proceeds of crime.
- Acquisition, possession, or use of money and property, knowing or having reason to know, at the time of receipt, that such money and property are the proceeds of crime.
- Participation in, association with, aiding, abetting, facilitating, managing, counseling, and being a member of an organized group, and committing an offence by any other means, by action or omission, to commit, attempt to commit, or conspire to commit any of the offences mentioned above.

- For Instance: it is a process by which ‘’illegally obtained money’’ is convert into ‘’legitimate money’’. The illegally obtained money is derived from drug trafficking, illegal arms trading, tax evasion, extortion, smuggling etc.

Terrorism and Terrorism Group

Terrorism means any person who commits or attempts to commit unlawfully any act of terrorism by any means directly or indirectly, or participates as an accomplice in an act of terrorism or directs or organizes others to commit an act of terrorism or intentionally contributes to commit an act of terrorism.

Terrorism group means a group of two or more persons formed taking a period of time to commit an act of terrorism. In this expression, a group of terrorists declared under the resolution of United Nations Security Council or by the Central Body with the approval of the Union Government is also included.

Financing of Terrorism

Any individual who, in committing or intending to commit an act of terrorism, unlawfully collects, receives, supports, sends, transfers, uses, possesses, conceals, or moves funds, assets, or services with the intention or knowledge that they will be used, fully or partially, by terrorists or terrorist groups, or facilitates such actions, including attempts, abetment, instigation, organizing, or directing others, is guilty of financing terrorism. This includes transactions, financial services, asset possession, and non-disclosure of information related to terrorist assets.

Beneficial owner

A person who principally owns or controls an intermediary or delegates other person on his behalf. This expression also includes a person who controls effectively the company or the planned activity. And also includes the natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement.

Beneficial Owner would be any individual who-

(i) hold, directly or indirectly, more than 5% of the shares and/or voting rights;
(ii) have the right, directly or indirectly, to appoint and remove the majority of the board or
(iii) have the right to exercise, or actually exercises, significant influence or control over the public or private company or corporate entity.[1]

[1] (Directive on Disclosure of Beneficial Ownership Information (NO.17/2019)

Politically Exposed Person

Domestic and foreign politically exposed person means a person who is prominent or has been entrusted with public functions within the country or in any foreign country and family members or close associates of such persons. International politically exposed persons mean a director, a deputy director, a member of the board of directors and a senior member of an international organization, a member who has the similar position or a person who has been entrusted with such function and family members or close associates of such persons.

Compliance Officer

Compliance officer shall be assigned by Board of Director or higher management persons. A compliance officer must implement and review the Anti-money Laundering program of organization. Reporting to senior management, the compliance officer should be well-trained and qualified individual with access to necessary resources. Senior management level shall be designated a compliance officer that specified in the Anti-money Laundering Law of Myanmar clause 28(b). Compliance officer shall ensure the power to access any documents, records, registers, and other necessaries for the performance of tasks.

2. Purpose

The purpose of the Anti-Money Laundering (AML)/Combating the Financing of Terrorism (CFT) policy is to help prevent, detect and report suspicious activity including the predicate offenses to money laundering and terrorist financing. The policy aims to deter illegal activities, establish AML/CFT compliance norms for employees, guide them in the effective and efficient discharge of their duties, ensure adherence to applicable rules and regulations, protect the Company's reputation, and prevent the misuse of its distribution channels, products, and services for money laundering and terrorist financing.

The purpose of this policy is to comply with all the laws, rules, regulations, directives and instructions effected and enforced by the Government of the Republic of the Union of Myanmar and its regulatory bodies. The current laws, regulations and directives the is required to be complied with are as follows -

- The Anti-Money Laundering Law (The Pyidaungsu Hluttaw Law No.11/ 2014)
- The Anti-Money Laundering Rules (Notification No.1201/2015)
- Directive on Customer Due Diligence for Anti-Money Laundering and Combating the Financing of Terrorism to be complied by The Insurer, Agent and Broker (Directive No.4/2019)
- Directive on Disclosure of Beneficial Ownership Information (Directive No.17/2019)
- Anti-Money Laundering Order (Order No.45/2019The Counter Financing of Terrorism

Rules (Notification No. 1202/2015)

- The Counter Terrorism Law (The Pyidaungsu Hluttaw Law No.23/2014)
- 2026 Anti-Money Laundering Law (Myanmar's National Defense and Security Council No.16/ 2026)
- Orders and Directives distributed by Regulatory from time to time

3. Statement of Policy

3.1 Know Your Customer (KYC)

Know Your Customer (KYC) is the method of performing to identify customers and to acquire the necessary information for doing business. It involves attempting to determine true identity, address, beneficial ownership, source of funds and the nature of customer's business etc.

The objective of the KYC is to prevent financial institutions being used, intentionally or unintentionally by criminal for money laundering, terrorism financing.

3.1.1 Customer Due Diligence (CDD)

Customer due diligence means a system of process including continual focus on obtaining complete information about the customer and the transaction records since the time of business relationship in order to investigate whether the transaction of the customer is related to money laundering and financing of terrorism and reporting to the relevant competent authorities.

Customer Due Diligence (CDD) is the sub-sequence method of Know Your Customer (KYC) to due diligence on customers. KBZMS will conduct due diligence at appropriate times on insurance transactions of policyholders that existed and of the new ones, based on the products, service Distribution Channels, Geographical risk and customer risk. According to directive for insurance business (Directive No.4/2019), measures will be applied on framework of anti-money laundering and combating the financing of terrorism.

Customer due diligence measures shall be undertaken as follows:

(i) Identifying and verifying the policyholder's identity using independent and reliable independent sources, documents, data or information;

(ii) Collecting information on and understanding the purpose and intended nature of the business relationship;

(iii) Identifying and verifying the beneficial owner, and understanding the ownership and

control structure of the company formation or legal person or legal arrangement, and take all proper reasonable actions to examine the identification details of the said beneficial owner, through the following information;

3.1.2 Simplified Customer Due Diligence (SCDD)

Simplified Customer Due Diligence is the process of Customer Due Diligence that due diligence on the low risk customers which means there is low likelihood of being involved in money laundering or terrorist financing. Although considered as low risk customers, enhanced customer due diligence will be conducted if customers may expose a higher risk than original at any points of during relationship with customers.

3.1.3 Enhanced Due Diligence (EDD)

Enhanced Due Diligence (ECDD) is the following process of Customer Due Diligence (CDD) that making extra-checks on customers who rated as medium risk or high risk. It allows deciding whether a suspicious matter should be reported and important decision making in detecting, disrupting and preventing money laundering, terrorism financing, identity theft and financial fraud. The Insurer, agent and broker shall be undertaken Enhanced Due Diligence process on each of the following transactions:

(i) All complex, unusually large transactions, and transactions of irregular patterns that have no visible commercial or legal purposes;

(ii) All business relationships or transaction from a person or an organization from a country that does not sufficiently comply with anti-money laundering or countering of terrorist financing measures;

3.2 Risk-Based Approach

It is KBZMS policy to handle AML/CFT related procedures with Risk-Based Approaches, One of the key elements of the risk-based approach is the institutional risk assessment that assesses the key risk areas including customers, geography, products, services and delivery channels.

3.2.1 Customer Risk Categorization

"Customer Risk" refers to the money laundering and terrorist financing risk associated with a particular customer from an insurance's perspective. The categorization of a customer is based on risk perceptions associated with customer profile and level of risk associated with the products,

services, geography and channels used by customer. The categorization of customers under risk perception is only illustrative and not exhaustive.
The risk of a customer will be assigned as below:

- **Low Risk Customers**

Individuals (other than high net worth) and entities whose identities and sources of income can be easily identified and transactions in policies by and large conform to the known profile will be categorized as low risk customers, such as:

- Salaried employees
- Individuals belonging to lower economic strata of the society
- Government Departments and Government Owned Companies

  (Reinsurance Perspective, they may be High Risk)
- Regulatory and Statutory Bodies (Reinsurance Perspective, they may be High Risk)

- **Medium Risk Customers**

Customers are likely to expose a higher than average low risk to the insurance will be categorized as Medium Risk Customers depending on customer's profile, country of origin, sources of funds, product, services, geography and channels used by customer etc. such as:

- Individuals in business industry of trading activity where the area of their residence or place of business has a history of unlawful trading activity
- According to the judgment and discretion of the underwriters and operation staffs

- **High Risk Customers**

For this category, Enhanced Due Diligence and Enhanced Monitoring will be conduct on customer's background, nature and location of activity, country of origin, source of funds and profile, etc. Categorized as High Risk Customers can be seen as following sentence, such as:

- Non-Resident Customers
- High net worth individuals (Parameters for defining high net worth individuals will be as instructed by regulatory bodies or as per related regulators' definition)
- Trusts, charities, NGOs and organizations receiving donations
- Customers or Companies who are close relatives of Politically Exposed Persons (PEPs) or beneficial ownership or shareholders
- Politically Exposed Persons (PEPs) of foreign origin or domestic, etc.

3.3 Sanctions

It is KBZMS's policy to comply with the UN Sanctions, EU Sanctions, UK Sanctions, Swiss Sanctions and OFAC Sanctions along with local sanctions. For this, KBZMS will comply with all economic and trade sanctions applicable to our business activities.

MFIU and FRD, IBRB instructed to comply with UNSCR Resolution No.1718, 1267 sanctions lists.

This policy is intended to assist employees, contractors, and other third parties acting on the company's behalf to understand where breaches of Sanctions might arise and to support them in raising awareness and in making decisions in their work by drawing up procedures and processes. These includes the screening obligations under trade sanctions as well as description of the internal organization and processes in relation to trade sanctions, and the consequences of non-compliance with this policy.

3.4 Threshold Transaction Report (TTR)

It is the policy of KBZMS to monitor all transactions to adhere with the regulatory requirements. As such, KBZMS will pay extra attention to the threshold transactions. KBZMS will make record of any premium payment over the threshold amounts and will report these transactions to the Myanmar Financial Investigation Unit (MFIU) by utilizing MFIU client software version 5.

Operation and underwriting staffs, Finance Team will collect all policies, transactions of customers who have to pay premium and other payment in the threshold amount which is set up by the government of the Republic of the Union of Myanmar. The collated list will be handed to Compliance Team and Compliance Team will report to the MFIU and FRD as per regulatory requirements.

3.5 Suspicious Transaction Report (STR)

KBZMS realizes that the recognition of suspicious transactions lies within the discretion of every employee and representative. It is expected of every person to have knowledge of the policy as well as the company's definition of what constitutes a suspicious transaction. The general requirement is that every transaction that is structured in an extraordinary or unusual manner should be regarded as a possible suspicious transaction.

It is the duty of each and every employee and representative of the company, in the event of encountering any suspicious transactions, to immediately report the nature of the transaction as well as the basis for the suspicion to the designated Head of Legal and Compliance.

KBZMS will report any and all transaction which the Head of Legal and Compliance deem suspicious to the Myanmar Financial Investigation Unit and to the FRD or any other necessary

regulatory bodies as required by law.

3.6Monitoring and Reporting

KBZMS Compliance monitoring involves identifying activities of various departments and business units that are in breach of the legislation, rules and standards that are currently in place. The internal audit team shall conduct independent compliance audits to ensure that there is adherence to legal and regulatory norms across. The compliance function shall monitor and test compliance by performing sufficient and representative compliance testing and the results of such compliance testing shall be reported to the senior management.

Reporting requirements shall include reporting of monitoring activities, compliance risk assessment and change in the compliance risk profile by compliance function to the senior management. Apart from regular reporting, instances of all material compliance failures which may attract significant risk of legal or regulatory sanctions, financial loss or loss of reputation shall be reported to the Board/Senior Management Committee promptly.

Compliance function of KBZMS is also responsible for reporting all AML/CFT related reports to the necessary regulatory and investigation bodies as set out by the government of the Republic of the Union of Myanmar.

3.7 Customer Acceptance

Customer Acceptance is the process of assessment that decided whether it is sensible or not to do business with a customer or prospect. It will be in line with any Laws, Rules, Regulations, Directives and Orders issued by Republic of the Union of Myanmar from time to time and Measurement of Customer Acceptance will be implemented in framework of Anti-Money Laundering and Combating the Financing of Terrorism.

3.8 Politically Exposed Person Customer Acceptance

It is a policy of KBZMS to endorse acceptance, management and monitoring of clients which are considered to be Politically Exposed Persons. This is done to mitigate reputational risk, operational risk and legal/compliance risks. This will be done in accordance with internationally accepted best practice, standards and guidelines of Politically Exposed Persons, hereinafter will be referred to as 'PEP'. This stance aims to simultaneously meet regulatory compliance standards as imposed by the government of The Republic of Union of Myanmar.

This policy applies to all PEPs who may have an interest in obtaining any form of financing or purchasing insurance covers from KBZMS.

3.9 Record keeping

According to the Section 10 of Directive on Customer Due Diligence for Anti-Money Laundering and Combating the Financing of Terrorism to be complied by The Insurer, Agent and Broker (Directive No. 4/2019) and Section 31 of the 2026 Anti-Money Laundering Law (Myanmar's National Defense and Security Council No.16, 2026), KBZMS is committed to keep the records of stated information in directive at least 5 years and be readily available for the Myanmar Financial Intelligence Unit.

In addition, KBZMS will be complied the changes of record years if there are changes by Myanmar Financial Intelligence Unit.

4 Scope

The scope of this policy is the entire Company, offices, branches and employees in Myanmar.

The scope of the AML/CFT policy includes business functions, automated technology, and support areas of KBZMS which deals with financial, reputations and relationship matters.

5 Training and Awareness

All staffs, permanent and under probation, doing work under the company's control shall be aware of this policy, their role within the AML/CFT frame works and their own roles and responsibilities regarding compliance related issues.

Appropriate levels of training and awareness sessions are developed and put in place for all KBZMS staff to ensure compliance with the legal requirements and its knowledge becomes part of KBZMS's culture and daily business routines, improving the organization's compliance to any and all necessary regulatory requirements.

Staffs will be made aware of any communication arrangements made within the company, where they should report to for any KYC, ML, CDD, PEP, TTR, STR, Sanction list related matters. Sharing KYC, CDD Procedure and AML/CFT Awareness Training to KBZMS all employees. The communications arrangements applied to not only reporting but also dealing with external individual.

6 Continuous Improvements

KBZMS's AML/CFT Policy and the subsequent Frameworks, Plans and Analysis etc are reviewed and updated annually or earlier in line with any changes to business, market and regulatory requirements. Particular and special attention will be given to regulatory changes and its

requirements.

As part of the review and monitoring of the framework, in addition to the reviews undertaken by the company's appointed Head of Legal and Compliance has an important role in ensuring that the AML/CFT frameworks achieves its objectives as agreed and set up.