



Sabah Development Bank Berhad

Anti-Bribery and Anti-Corruption Policy



Sabah Development Bank Berhad

ANTI-BRIBERY AND ANTI-CORRUPTION POLICY

As approved at the 531st Board of Directors Meeting



1. INTRODUCTION

Sabah Development Bank Berhad (“SDB/the Bank”) commits to a high level of ethics and integrity in conducting its business. SDB advocates ethical conduct as part of its corporate culture with emphasis on professionalism, fairness and honesty. As such, SDB has adopted a zero tolerance approach against all forms of bribery and corruption and takes a strong stance against such acts. SDB will take reasonable and appropriate measures to ensure that its businesses do not participate in corrupt activities for its advantage or benefit.

This Anti-Bribery and Anti-Corruption Policy (“Policy”) sets out SDB’s position on bribery in all its forms and matters of corruption that might be encountered by SDB, its directors and staff in its operations. This Policy is supplemental to, and shall be read in conjunction with the Bank Negara Malaysia’s Guidelines on the Code of Conduct for Directors, Officers and Employees in the Banking Industry and SDB’s Whistleblowing Policy. This Policy is drafted in accordance with the principles in the Guidelines on Adequate Procedures (“MACC Guidelines”) pursuant to Subsection (5) of Section 17A under the Malaysian Anti-Corruption Commission Act 2009 (“MACC Act”).

2. OBJECTIVE

This Policy serves to ensure all SDB’s Directors, Staff, business associates, vendors, contractors, agents and other third parties who are associated with SDB are guided on standards of behavior in compliance with all applicable laws, rules and regulations in discharging their duties. It sets the boundaries on interactions with all parties.

3. SCOPE

This Policy applies to all SDB’s Directors and Staff (whether full-time, part-time, on secondment, contract, temporary, interns or trainees). Each Director and Staff has a duty to read and understand the Policy. Violation of any of the Policy’s provisions may result in punitive action(s).

In addition, the Policy shall extend to SDB’s business associates, vendors, contractors, agents and other third parties who are associated with SDB. The supervisor/personnel-in-charge of this group shall ensure that all their employees, subcontractors, and/or agents are aware of and comply with this Policy, where applicable.



4. ANTI-BRIBERY AND ANTI-CORRUPTION POLICY

- a) SDB prohibits all forms of bribery and corruption.
- b) Bribery is any action which would be considered as an offence of giving or receiving ‘gratification’ as defined under the MACC Act. It means offering, giving, receiving or soliciting something of value in an attempt to illicitly influence the decisions or actions of a party with a position of trust within an organisation, either for the intended benefit of SDB or the person(s) involved in the transaction. Bribery may take the form of exchange of money, goods, services, property, privilege, employment position or preferential treatment. The perception of bribery is also to be avoided.
- c) In addition to bribery, all parties must not participate in any corrupt activities, which may include extortion, collusion, breach of trust, abuse of power, trading under influence, embezzlement, fraud or money laundering.
- d) SDB’s anti-bribery and anti-corruption stand applies to all business dealings with private sector and public sector entities, and includes interactions with all parties in these entities. Parties include directors, staff at all levels, agents, vendors, contractors, and other third parties. This stand applies worldwide, without exception and without regard to regional customs, local practices or competitive conditions.
- e) SDB will not take action that may be detrimental (e.g dismissal, disciplinary action, threats or other unfavourable punishment) to the Staff or any person related to or associated with the Staff in retaliation for refusing to take part in bribery/corruption, even if such refusal may result in SDB losing business or experiencing delay in business operations.

5. DUE DILIGENCE

- a) In line with SDB’s zero tolerance on bribery and corruption, due diligence such as know-your-customer process(es) shall be carried out for transactions and relevant parties which include the following:-
 - on business associates to be conducted by the personnel-in-charge and verified by the supervisor.
 - on vendors, contractors, agents and other third parties who are associated with SDB shall be conducted by the relevant personnel-in-charge in the Division/Unit.



- recruitment of staff shall adhere to set recruitment procedures which include interview, background checks and verification of relevant documents prior to offering employment.
 - relevant parties seeking the Bank's support in their CSR programs shall be conducted by personnel-in-charge of CSR of SDB.
- b) If suspicions of bribery and/or corruption arises with these parties, SDB shall seek alternative provider of the services/goods.

6. GIFTS & BENEFITS POLICY

- a) The Bank does not prohibit normal business hospitality, so long as it is within reasonable, appropriate and bona fide corporate hospitality. Some examples of acceptable gifts and/or benefits are as follows:-
- Token gifts offered in business situations or to all participants and attendees during work-related seminars, conferences, trade and business events;
 - Gifts or souvenirs presented at work-related conferences, seminars and/or business events;
 - Gifts given in gratitude for hosting business events, conferences and/or seminars;
 - Refreshments or meals during meetings or work-related conferences and/or seminars and/or for business purposes;
 - Gifts offered during festivities as long as these gifts are not in cash-form and can be shared amongst the general staff.
- b) As a general principle, SDB's Directors and Staff should not accept or give gifts to a third party if it is made with the intention of influencing the third party to obtain or retain business or in exchange for favours or benefits. Further, lavish or unreasonable gifts or hospitality should not be accepted as such gifts or hospitality may be perceived or interpreted as attempts by the Directors or Staff to obtain or receive favourable business treatment for personal benefits.
- c) The Directors and Staff should be mindful in giving or receiving gifts or hospitality as it could be perceived as a way of improperly influencing the decision making of the recipient. Hence, the intention behind the gifts or hospitality should always be considered.



7. FACILITATION PAYMENTS

- a) Facilitation payment is a payment or other forms of consideration made to an individual that has control over a process or business decision. It is done to expedite or speed up a routine or administrative process that will be performed regardless of whether the payment is made or not.
- b) SDB takes a strong view against such facilitation payments and strictly forbids its Staff from giving or receiving any such payments and/or other forms of consideration.
- c) If any Staff encounters and is unsure whether certain payments (giving or receiving) fits the criteria for facilitation payments, he/she is required to seek clarification from Heads of Division or the Managing Director/CEO before proceeding with such payments.
- d) Under no circumstances should any staff of SDB engage in unlawful payment because they were instructed to do so by external parties, immediate supervisor or any personnel that is of higher authority in the Bank. However, in the unlikely and exceptional circumstances whereby a facilitation payment must be made in order to preserve personal safety, such payment must be declared and reported to the Managing Director/CEO or Head of Division soonest possible following the incident.

8. CORPORATE SOCIAL RESPONSIBILITY (CSR) PROGRAMS, SPONSORSHIP AND DONATIONS

- a) CSR programs, sponsorship and donations (collectively “Contributions”) are part of SDB’s contribution to the well-being of the community and the environment in which it operates.
- b) Such Contributions shall be aligned to SDB’s approved CSR Policy and can never be promised, offered or made to secure a business advantage or for any other improper purpose such as self-enrichment or bribery.
- c) SDB does not allow political donations.



9. RESPONSIBILITY OF STAFF

- a) SDB's Staff are responsible for understanding and complying with this Policy. Staff need to play the following roles:-
- Be familiar with applicable requirements and directive of the Policy. For Staff with subordinates under their purview, these staff need to communicate these requirements and directive to their subordinates;
 - Promptly and accurately record all transactions and payments with reasonable details. All records shall be properly safe kept.
 - To raise suspicious transactions (see Section 17) to immediate superiors for guidance on next course of action.
 - Promptly report violations or suspected violations through appropriate channels which include channels stated under SDB's Whistleblowing Policy.
 - Attend the trainings/courses on Anti-Bribery and Anti-Corruption and other relevant subjects organized or nominated by SDB.
- b) In addition to this Policy, Staff should also read and sign their agreement to SDB's Terms and Conditions of Employment and Bank Negara Malaysia's Guidelines on the Code of Conduct for Directors, Officers and Employees in the banking industry

10. RESPONSIBILITY OF BUSINESS ASSOCIATES

- a) SDB expects all its business associates, vendors, contractors, agents and other third parties associated with SDB ("Business Associates") to refrain from bribery and corruption.
- b) If SDB is not satisfied that bribery and corruption prevention has been upheld by these Business Associates, due diligence shall be undertaken by SDB. If suspicion of bribery and/or corruption arises in the dealings with any Business Associates, SDB shall seek an alternative provider of the services/goods or dealings.
- c) SDB shall endeavor to include clauses in all contracts enabling SDB to terminate any contract in which bribery and/or corruption has been suspected or confirmed.



11. CONFLICT OF INTEREST

- a) Conflict of interest arises when there is a clash between an individual or organization's personal interests and its professional duties of being objective on any business dealings/transactions.
- b) All individuals should avoid situations whereby personal (or self-serving) interests could put into question their impartiality/objectivity in exercising their actions, judgement and/or decision-making.
- c) Nevertheless, if a conflict of interest does occur, the individual involved must declare the matter to the Managing Director/CEO or Chairman of the Board of Directors. Unless otherwise exempted or approved by the Managing Director/CEO or Chairman of Board Directors, the individual to preserve the objectivity or partiality of the business dealing/transaction should abstain from participation/involvement.

12. MACC GUIDELINES

- a) The MACC Guidelines on adequate procedures in which a commercial organization may adopt as defense against corporate liability under the MACC Act is based on five (5) principles i.e. T.R.U.S.T
 - T – Top Level Commitment
 - R – Risk Assessment
 - U – Undertake Control Measures
 - S – Systematic Review, Monitoring and Enforcement
 - T – Training and Communication
- b) In addition to this Policy, SDB observes the MACC Guidelines in its business operations as follows:-

<i>T – Top Level Commitment</i>
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- i) **Corporate Culture**



SDB's Management is committed to a high level of ethics and integrity in conducting its business and this is inculcated in SDB's corporate culture which emphasizes on professionalism, fairness and honesty.

ii) Whistleblowing Policy

The Management of SDB supports Whistleblowing as part of its efforts to ensure transparency for SDB's business transactions and activities. SDB's Whistleblowing Policy encourages whistleblowing via an open and accessible reporting procedure.

iii) Approving Authority and Authorised Signatories

The Approving Authority for expenses and Authorised Signatories for SDB's accounts with commercial banks, endorsement of banking credit facilities and money market instruments etc. are duly approved and documented with essential details on limits of authority and conditions of signatories.

iv) Management Committee (MANCO)

The Management Committee (MANCO) comprises of the relevant Heads of Division/Units. Pertinent issues requiring attention are highlighted at the regular MANCO meetings for deliberation and action.

v) Audit Examination Committee (AEC)

The Audit Examination Committee (AEC) is an independent body comprising of qualified professionals. Final Audit Reports and Investigations on Whistleblowing Reports are presented to the AEC for their deliberation at the AEC meetings.

R – Risk Assessment

i) Risk Management

Risk Management Division has been established to evaluate the key risks within each Division/Unit as well as Enterprise-Wide risks. The results are documented in SDB's Risk System and deliberated at the regular Risk Management Committee (RMC) meetings. RMC comprises of relevant Heads of Division/Units.

U – Undertake Control Measures



i) Internal Policies and Procedures

Policies of business and support operations of SDB are tabled to the Board of Directors for approval. In addition, key processes for each Division/Unit are documented and reviewed in accordance to regulatory and operational requirements.

S – Systematic Review, Monitoring and Enforcement

i) Internal and External Audit

The Internal Audit Division (IAD) plays an independent role in ensuring that SDB's operations are conducted in accordance with established policies, procedures and regulatory requirements. The annual audit plans and final audit reports are tabled to Audit Examination Committee for deliberation. Further, SDB engages qualified external auditors for its annual audit exercise.

ii) Identification and Assessment of Risks

The Risk Management Division facilitates the identification and assessment of risks in the respective Division/Unit as well as for Company-Wide level. These risks are reviewed on a regular basis to ensure alignment with the current environment SDB operates in.

iii) Agreement to Terms and Conditions of Employment and Bank Negara Malaysia (BNM)'s Guidelines on the Code of Conduct for Directors, Officers and Employees in the Banking Industry

All staff of SDB are required to read and sign their agreement to SDB's Terms and Conditions of employment which covers the expected code of conduct for SDB's staff. Any breach of code of conduct shall be dealt with accordingly including enforcing punitive action(s). Further, SDB's staff are required to read and sign their agreement to the BNM's Guidelines on the Code of Conduct for Directors, Officers and Employees in the banking industry.

T – Training and Communication

i) Training to Staff

Training to create awareness and understanding on the importance of anti-bribery and preventing corruption in SDB is conducted to all levels of staff, including Management.



ii) Induction Course for New Staff

During the Induction Course for new staff, new staff will be briefed on the Bank Negara Malaysia's Guidelines on the Code of Conduct for Directors, Officers and Employees in the banking industry and SDB's Anti-Bribery and Anti-Corruption Policy. A copy of both will be given to new staff for their further reference.

iii) Accessible of Policy

A copy of SDB's Anti-Bribery and Anti-Corruption Policy is available on SDB's internal server accessible to all staff as well as SDB's website accessible to the general public.

13. CONFIDENTIALITY OF INFORMATION

All information received will be treated as confidential and shall be disclosed only on a need-to-know-basis. Any anonymous "tip-off" will be looked into and investigated, provided that sufficient facts and some form of evidence are furnished or can be produced to enable a follow-up on the information and to complete the investigation.

14. RECORD KEEPING

All relevant records shall be maintained at the appropriate level of security by the appropriate personnel/department. This is to ensure that transactions are executed in accordance with appropriate authorisation and supported by accurate and complete records and documents.

15. DEFINITIONS

The definitions of words in relation to corruption shall be as specified in MACC Act/Guidelines.

16. REPORTING AND INVESTIGATIONS

Any acts of bribery and/or corruption that is detected or suspected must be reported to any or all of the following:



1. Managing Director/Chief Executive Officer
2. Chairman of Audit Examination Committee
3. Members of Audit Examination Committee

The report should be securely sealed in an envelope marked “Strictly Confidential” and addressed to:-

Managing Director/Chief Executive Officer or Chairman of Audit Examination Committee
or Members of Audit Examination Committee
10th Floor, SDB Tower,
Wisma Tun Fuad Stephens,
KM2.4 Jalan Tuaran
P.O. Box 12172, 88824 Kota Kinabalu, Sabah

Any investigation shall be carried out by the Internal Audit Division or other designated independent department as directed by the Managing Director/Chief Executive Officer or the Audit Examination Committee. All investigations’ results/report shall be tabled to the Audit Examination Committee for their review. The reporting person who has furnished his/her identity shall be informed of the outcome of the investigation.

17. BRIBERY AND/OR CORRUPTION INDICATORS / RED FLAGS

The following list of indicators/red flags, if encountered, must be reported by staff as per Item 16 above. However, this list is non-exhaustive and all staff should be aware and alert to other indicators/red flags which may raise a suspicion of corrupt activities. The list is for illustration purpose only and is as follows:-

- Demand(s) for lavish gifts/hospitality before commencement or continuation of contractual negotiations or provision of services.
- Refusal to divulge adequate information for due diligence procedures
- No proper adherence to policies or procedures or abuse of the decision-making process
- Payment made in excess of contractual amounts
- Unreasonable fee for provision of services or consultancy
- Demand(s) for commission or fee payment before committing to sign a contract, carrying out a function or process,
- Refusal to commit in writing the terms agreed.



- Unexplained preference for certain contractors/suppliers/vendors
- Payment made through third party account
- Unexpected additional fee or commission to “facilitate” a service

18. SANCTIONS FOR NON-COMPLIANCE

- a) SDB regards bribery and corruption as a serious matter. Non-compliance may lead to disciplinary action(s), up to and including termination of employment. Further, legal action may also be taken in the event SDB’s interest have been damaged as a result of non-compliance.
- b) SDB shall notify relevant regulatory authority(ies) if any identified bribery or corruption incidents have been proven beyond reasonable doubt.
- c) Where notification to the relevant regulatory authority(ies) has been made, SDB shall provide full co-operation to the said regulatory authority(ies), including further action that such regulatory authority(ies) may decide to take against the suspected/accused Staff/Director.

19. EXCEPTIONS AND MODIFICATIONS

In the unlikely circumstance where an exception or modification to the principles set out in this Policy is required, the request for exception must be made in good faith and submitted in writing to the Managing Director/General Manager/Heads of Division.

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