



**Sabah Development Bank Berhad**  
[Company No. 197701003571 (34638 - W)]

# **CORPORATE GOVERNANCE POLICY**

Approved at the 544<sup>th</sup> Board of Directors Meeting

## PART A OVERVIEW

### 1 Introduction

- 1.1 SDB 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 measure to ensure that its businesses do not participate in corrupt activities for its advantage or benefit.
- 1.2 The adoption of sound corporate governance standards and practices by SDB serves to protect its critical role in intermediating funds to support the real economy. It ensures that SDB can discharge its specific responsibilities for the development of identified socio-economy priority sectors and effective management of public funds, with due regard to the interests of its main Shareholder. This policy document sets out the Bank's requirements and expectations to have in place effective corporate governance arrangements consistent with its objectives.
- 1.3 SDB corporate governance arrangements represent a fundamental component of the Bank's supervisory assessments and are a key factor in determining the level of supervisory intensity applied across its establishment. The Board have the competence, confidence, and objectivity to challenge Senior Management and hold it to account.
- 1.4 This policy document sets out to strengthen the expectations on Directors' oversight responsibilities and the composition of the Board. This is expected to be demonstrated through evidence of effective challenge by the Board, particularly in relation to key strategic decisions, including material exposures of the Bank. In turn, Senior Management is responsible and accountable for the sound and prudent day-to-day management of the Bank in accordance with the direction of the Board.
- 1.5 This corporate governance policy was prepared based on the adoption and reference made to Bank Negara Malaysia (BNM) Corporate Governance Policy Document (BNM/RH/ED 035-5) issued on 13/12/2019, other DFI's corporate governance best practice and the Bank existing terms of reference and internal policy that is best suited to SDB's current business objective and purpose.

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## Corporate Governance

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- 1.6 Good corporate governance also needs to be rooted in a corporate culture that reinforces ethical, prudent, and professional behaviour. This begins with the right “tone from the top”, where the example set by the Board and Senior Management shapes the core values for SDB.
- 1.7 The Bank expects to implement the minimum standards set out in this policy document and to demonstrate that its governance measures are operating effectively. Such arrangements should be commensurate with the size, nature of business, complexity, and respective mandate of the Bank.

## **2 SDB’s Guiding Principles of Corporate Governance**

- 2.1 The Board approves corporate strategies that are intended to build sustainable long-term value; oversees the CEO and Senior Management in operating the SDB’s business, including allocation of capital for long-term growth, assessment, and management of risk; and sets the “tone at the top” for ethical conduct.
- 2.2 The Senior Management develops and implements corporate strategies and operates the bank’s business under the Board’s oversight, with the goal of producing sustainable long-term value creation.
- 2.3 The Senior Management, under the oversight of the Board and its audit committee, produces financial statements that fairly present the Bank’s financial condition and results of operations and makes timely disclosures to investors who need to assess the financial and business soundness and risks of the Bank.
- 2.4 The Audit Committee (AEC) of the Board review the financial condition of SDB, internal control systems, performance of the internal audit staff, audit programmes of the internal audit division, audit comments/concerns, external auditors scope of work, to determine appropriate actions taken to counter fraud, exceptions and irregularities, to select independent auditors for appointment by SDB’s Board, to present the independent reports of the audit committee and also to ensure the prompt publication of SDB’s annual accounts.
- 2.5 The Board plays a leadership role in shaping the corporate governance of the Bank, strives to build an engaged and diverse Board whose composition is appropriate in line with the Bank’s needs and strategy. For continuity and succession purpose, the State Government is responsible and decide on the appointments and changes of the Board.

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- 2.6 The Board, with directive and instruction from the State Government develops an executive compensation philosophy, adopts, and oversees the implementation of compensation policies that fit within philosophy, designs compensation packages for the CEO and Senior Management to incentivize the creation of long-term value, and develops meaningful goals for performance-based compensation that support the Bank's long-term value creation strategy.
- 2.7 The Board and Senior Management continue to engage with the Shareholder on issues and concerns that are widespread interest to them and that affect the Bank's long-term value creation. As part of this responsibility, Shareholder should recognize that the Board must continually weigh both short-term and long-term uses of capital when determining how to allocate it in a way that is most beneficial to Shareholder and to building long-term value.
- 2.8 In making decisions, the Board may consider the interests of the Bank, including stakeholders such as employees, customers, suppliers, and the community in which the Bank does business, when doing so contributes in a direct and meaningful way to building long-term value creation.

## 3 Applicability

- 3.1 This policy document is applicable for SDB's internal use only.

## 4 Interpretation

- 4.1 In this corporate governance policy document, except where the context otherwise requires, the following words and expressions shall have the following meanings: -
- **"Active politician"**, refers to an individual who is a member of any national or state legislative body, or who is an officer bearer of, or holds any similar office or position in a political party.
  - **"Affiliate"**, in relation to an entity, refers to any corporation that controls, is controlled by, or is under common control with, the entity.
  - **"Appointment"**, includes a reference to election, reappointment, and re-election.
  - **"Bank/SDB"**, refer to Sabah Development Bank Berhad.
  - **"Board"**, refers to The Board of Directors of SDB.
  - **"Board committee"**, refers to any committee of the board that is required to be established.
  - **"CEO"**, refers to Chief Executive Officer of SDB.

- **“Control function”**, refers to a function that has a responsibility independent from business lines to provide objective assessments, reporting and assurance on the effectiveness of a SDB’s policies and operations, and its compliance with legal and regulatory obligations. This includes the risk management function, the compliance function, and the internal audit function.
- **“DFI”**, Development Financial Institution.
- **“Executive”**, any individual who has management responsibilities in SDB or any of its affiliates.
- **“Executive director”**, a director of SDB who has management responsibilities in SDB or any of its affiliates.
- **“External auditor”**, an auditor of SDB that has been appointed.
- **“Independent director”**, a Director who is assessed to be independent.
- **“Internal control framework”**, the set of rules and controls governing SDB’s organizational and operational structure, including reporting processes and control functions.
- **“Other material risk taker”**, refers to an officer who is not a member of Senior Management of SDB and who: -  
Can materially commit or control significant amounts of SDB’s resources or whose actions are likely to have significant impact on its risk profile; or is among the most highly remunerated officers in SDB.
- **“Re-appointment”**, a reference to re-election.
- **“Remuneration”**, salary, and benefits of any kind.
- **“Risk appetite”**, the aggregate level and types of risk SDB is willing to assume, decided in advance having regard to its financial and operational capacity, to achieve its business objectives and strategies.
- **“Senior management”**, refers to the MD/CEO and senior officers.
- **“Shareholder”**, in relation to SDB, means the Sabah State Government who is the ultimate owner of 100% of the issued share capital of SDB.
- **“State”**, means the State of Sabah.
- **“State Government”**, means the Sabah State Government.

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## **PART B      The Board**

### **1      Roles and Responsibilities**

1.1      The Board is committed to upholding good corporate governance and endeavours to vigilantly advocate the highest standards of transparency, accountability, responsibility, and integrity. This commitment enables the Bank to achieve an optimal governance framework and maximise shareholder value, as well as lay a solid foundation for SDB to carry out its policy role and realise sustainable, long-term growth.

1.2      The Board has overall responsibility for promoting the sustainable growth and financial soundness in fulfilling its mandate, and for ensuring reasonable standards of fair dealing, without undue influence from any party. This includes a consideration of the long-term implications of the Board's decisions on SDB and its customers, depositors, members, officers, and the general public. In fulfilling this role, the Board must:

- Review and adopt strategic plan for SDB, including monitoring implementation of the strategic plan by Senior Management.
- Approve the risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on SDB's risk profile and continuing ability to support its mandate.
- Approve and oversee the implementation of SDB's governance framework, which sets out a clear management structure with well-defined lines of responsibility, and ensure effective processes are in place to identify and allocate accountabilities for all operations of the Bank to key senior roles, comprising at minimum the individuals holding the roles.
- Oversee the implementation of SDB's internal control framework, and periodically review whether these remain appropriate considering material changes to the size, nature, and complexity of the Bank's operations.
- Oversee the development and effective implementation of a performance measurement framework for SDB that is aligned with its mandate.
- Oversee the conduct of SDB's business including financial and non-financial performance measured against approved budgets and targets.

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- Promote, together with Senior Management, a sound corporate culture within the Bank which reinforces ethical, prudent, and professional behaviour. This shall include ensuring that Senior Management establishes, implements and monitors policies and procedures that prevent activities and relationships that are inconsistent with sound governance, effectively address conflicts of interests' situations, strictly prohibit corrupt practices, and ensure arm's length dealings with connected parties and other interested entities.
- Promote sustainability through appropriate environmental, social and governance ("ESG") considerations in SDB's business strategies.
- Oversee and approve the business continuity plans for SDB to restore its financial strength and maintain or preserve critical operations and critical services when it comes under stress.
- Act in the best interest of the Bank, free from any undue external influence which could undermine its approved mandate and financial soundness.

1.4 The Board will establish appropriate arrangements to ensure that it has access to all relevant information, advice, and resources necessary to enable it to carry out its role effectively, which may include obtaining advice from third party experts. As part of these arrangements, the Board must ensure that significant issues and developments are brought before the Board for its information and consideration.

1.5 The following matters shall be reserved to the Board for determination and/or approval (save to the extent that the Board resolves that determination and/or approval of any such matter shall be delegated to a committee of the Board) and as per the Bank's authority matrix: -

**1.5.1 Board Structure**

- Subject to Shareholder's instruction, appointment, and recommendation for removal of Directors.
- Subject to Shareholder's instruction, appointment, and extension of contracts of the Managing Director/Chief Executive Officer ("MD/CEO").
- Appointment and removal of the Company Secretary.
- Establishing committees and their specific terms of reference; and
- Appointment, removal, and replacement of committee members.

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- The Bank must have at least 3 Directors (excluding Executive Directors) with finance-related or accounting experience.
- The Chairman of the Board must not be an executive and must not have served as a CEO of the Bank in the past five years.
- The Board of the Bank must not have more than one executive Director on the Board to promote effective independent oversight by the Board.
- The Board must always have a majority of independent Directors.

### 1.5.2 Company Operations

- Review and approval of SDB's strategic plans.
- Approval of the risk appetite, business plans and other initiatives which would have a material impact on the financial soundness, reputation, or key operational controls of SDB.
- Approval of investment or divestment of a capital project which represents a significant diversification from SDB's existing business activities.
- Oversee the performance and succession plans of SDB's CEO and key management personnel.
- Approval of any major changes in the activities of SDB; and
- Approval of policies of SDB.

### 1.5.3 Strategic planning

- The CEO and Senior Management generally take the lead in articulating a vision for SDB's future and in developing strategic plans designed to create long-term value for the Bank, with meaningful input from the Board.
- Senior Management implements the plans following Board approval, regularly reviews progress against strategic plans with the Board, and recommends and carries out changes to the plans, as necessary.



#### 1.5.4 Financial / Reporting / Approving Authority.

Approval of SDB's authority matrix, Bank's mandates, signatories and signing limits. This includes overseeing and review of the limits and breaches of SDB's authority matrix. The authority matrix covers the following bank activities: -

- The authority matrix is allocated to cover operational transactions of the Bank.
- Approval of the annual budget and any changes to the budget.
- Approval of capital expenditure and/or disposal of capital items, where the amount involved exceeds, a pre-determined threshold given to management.
- Approval of the acquisition and disposal of assets of the Bank.
- Approval of all credit and write-off proposals.
- Approval of audited financial statements and quarterly results (if applicable) and their release.
- Approval of dividend policy and declaration of dividend, interim dividend, and final dividend by the Bank. The Board must ensure that the Bank is solvent, both at the time of declaration as well as after distribution of dividend in accordance with the requirement stipulated in Companies Act 2016.
- Approve the appointment/revocation of attorneys for the Bank and to delegate any of its powers to the CEO or other person deemed fit.
- Approve procurement of works, supplies, and services as prescribed by SDB authority matrix.
- Approval of any significant changes in accounting policies and practices in line with the Malaysian Financial Reporting Standards; and
- Approval of the review on adequacy and effectiveness of SDB's system of risk management and internal controls.

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1.5.5 **Share and debt capital.** Recommendation to Shareholder on changes relating to the Bank's capital structure including the amount of the Bank's authorized capital and reduction of capital.

1.5.6 **Non-Independent and Non-Executive Director.** A Non-Independent and Non-Executive Director representing the interests of stakeholder Ministry of Finance on the Board of SDB shall have the same duties and responsibilities as other Board members, to act in the best interest of the Bank, with due regard to the interest of customers and depositors, in line with its approved mandate.

1.5.7 **Others.** Other matters that as prescribed under SDB's Constitution, the Companies Act 2016 and other relevant legislations.

## 2 Board Meetings

2.1 The Chairman, in leading the Board, is responsible for the effective overall functioning of the Board. In fulfilling this role, the Chairman must: -

- ensure that appropriate procedures are in place to govern the Board's operation;
- ensure that decisions are taken on a sound and well-informed basis, including by ensuring that all strategic and critical issues are considered by the Board, and that Directors receive the relevant information on a timely basis;
- encourage healthy discussion and ensure that dissenting views can be freely expressed and discussed; and
- lead efforts to address the Board's developmental needs.

2.2 A Director must devote sufficient time to prepare for and attend Board meetings and maintain a sound understanding of the business of the Bank as well as relevant market and regulatory developments.

2.3 A Director must attend at least 75% of the Board meetings held in each financial year and must not appoint another person to attend or participate in a Board meeting on his behalf such as an alternate Director.

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- 2.4 The Bank must ensure that attendance at a board meeting, by way other than physical presence, remains the exception rather than the norm, and is subject to appropriate safeguards to preserve the confidentiality of deliberations.

### **3 Board Appointments and Removals**

- 3.1 A Director must not have competing time commitments that impair his ability to discharge his duties effectively. The Board must maintain a policy on the maximum number of external professional commitments that a director may have, commensurate with the responsibilities placed on the Director, as well as the nature, scale, and complexity of the Bank's operations.
- 3.2 A Director of the Bank shall not be an active politician<sup>1</sup>.

### **4 Composition of the Board**

- 4.1 The Board must be of a size that promotes effective deliberation, encourages the active participation of all Directors, and allows the work of the various Board committees to be discharged without giving rise to an over-extension of Directors that are required to serve on multiple Board committees.
- 4.2 The Board must develop, document, and regularly review the criteria and skill sets required of its members, both individually and collectively. The criteria and skill sets must reflect the fit and proper requirements and specific market, or business knowledge required on the Board. This should include a consideration of experience and knowledge in development finance on the Board.
- 4.3 The Board must regularly review the criteria and skills sets to encourage diversity and ensure alignment with the mandate, strategic direction and emerging challenges faced by the Bank. The Board must also consider supervisory concerns highlighted by the Bank that require specific expertise on the Board.

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1 BNM, 13<sup>th</sup> December 2019; "An individual who is a member of any national or state legislative body, or who is an officer bearer of, or holds any similar office or position in a political party".

## **5 Board Evaluation and Development**

- 5.1 The Board shall carry out annual board evaluations to objectively assess the performance and effectiveness of the Board, Board committees and individual Directors. This is important to enable the Board to identify areas for professional development and process improvements, having regard to the changing needs of the Bank.
- 5.2 The Board shall establish and implement a systematic process for conducting Board evaluations. The Board must deliberate the results of the Board evaluation and address areas for the development of individual Directors and to improve the effectiveness of the Board.
- 5.3 The evaluation of the Board's performance should include the following areas: -
- whether the collective experience and expertise represented on the Board appropriately reflect the business priorities and needs of the Bank;
  - whether individual Board members can contribute and participate effectively in Board deliberations; and
  - the dynamics and quality of Board deliberations especially on key issues affecting the Bank, such that decisions taken at the Board are reached with careful consideration of relevant inputs from board members and in the best interest of the Bank, with due regard to the interest of customers and depositors.

## **6 Conflicts of Interest**

- 6.1 The Board shall establish a written policy to address Directors' actual and potential conflicts of interest. The policy must: -
- identify circumstances which constitute or may give rise to conflict of interest;
  - clearly define the process for Directors to keep the Board informed on any change in his circumstances that may give rise to a conflict of interest;
  - identify those responsible for maintaining updated records on each Director's conflicts of interest; and
  - articulate how many non-compliance with the policy will be addressed.

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- 6.2 The Director to disclose to the Board the nature and extent of his interest in a material transaction or material arrangement, and if such material transaction or material arrangement is being deliberated during a Board meeting, to be absent from the meeting during such deliberations.

## **7 Company Secretary**

- 7.1 The Company Secretary is responsible for supporting the effective functioning of the Board. In discharging this role, the Company Secretary shall provide counsel to the Board on governance matters and facilitate effective information flows between the Board, the Board Committees, and Senior Management.
- 7.2 The Company Secretary shall always keep confidential the affairs of the Bank and its officers. Accordingly, where the Company Secretary also serves as Company Secretary for the Bank's affiliates, he/she shall not disclose the affairs of the Bank or its officers to the affiliates except with the knowledge and consent of the Bank.
- 7.3 The Company Secretary shall not have competing time commitments that may impair his ability to discharge his duties effectively. Unless the Bank approves otherwise in writing, the Company Secretary of a Bank must devote the whole of his/her professional time to the affairs of the Bank and its affiliates.

## PART C SENIOR MANAGEMENT

### 1 Roles and Responsibilities

- 1.1 The CEO and Senior Management, under the CEO's direction, are responsible for the development of the Bank's long term strategic plans and the effective execution of its business in accordance with those strategic plans. As part of this responsibility, Senior Management is charged with the following duties.
- **Business operations.** The CEO and Senior Management run the Bank's business operation under the Board oversight, with a view toward building long-term-value.
  - **Strategic planning.** The CEO and Senior Management generally take the lead in articulating a vision for the Bank's future and in developing strategic plans designed to create long-term value for the Bank, with meaningful input from the Board.
  - **Implementation.** The Senior Management implements the plans following Board approval, regularly reviews progress against strategic plans with the Board, and recommends and carries out changes to the plans, as necessary.
  - **Capital allocation.** The CEO and Senior Management are responsible for providing recommendations to the Board related to capital allocation of SDB's resources, including but not limited to organic growth; divestitures; spin-offs; maintaining and growing its physical and non-physical resources; and the appropriate return of capital to Shareholder in the form of dividends.
  - **Identifying, evaluating, and managing risks.** The CEO and Senior Management identify, evaluates, and manages the risks that the Bank undertakes in implementing its strategic plans and conducting its business. Senior Management also evaluates whether these risks, and related risk management efforts, are consistent with SDB's risk appetite. Senior Management keeps the Board informed about the Bank's significant risks and its risk management processes.
  - **Accurate and transparent financial reporting and disclosures.** Senior Management is responsible for the integrity of the Bank's financial reporting system and the accurate and timely preparation of the Bank's financial statements and related disclosures. It is Senior Management responsibility – under the direction of the CEO and the Bank's principal financial officer – to establish, maintain and periodically evaluate the Bank's internal controls over financial reporting and the Bank's disclosure controls and procedures, including the ability of such controls and procedures to detect and deter fraudulent activity.

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- **Annual operating plans and budgets.** Senior Management develops annual operating plans and budgets for the Bank and presents them to the Board. The Senior Management team implements and monitors the operating plans and budgets, making adjustment considering changing conditions, assumptions, and expectations, and keeps the Board apprised of significant developments and changes.
- **Selecting qualified management, establishing an effective organizational structure, and ensuring effective succession planning.** Senior Management selects qualified management, implements an organizational structure, and develops and executes thoughtful career development and succession planning strategies that are appropriate for the Bank.
- **Business resiliency.** Senior Management develops, implements, and periodically reviews plans for business resiliency that provide the most critical protection in light of the Bank's operations.

## 2 Management Committee (MANCO)

- 2.1 The objective of the Bank MANCO is to serve as a planning, organising, monitoring, and controlling body on the smooth and effective operations of the Bank's business.
- 2.2 The MANCO scope and functions is: -
- To be a brain-storming channel for strategic planning.
  - To be a collective body in formulating, reviewing, and recommending sound policies and procedures for each division and unit of the Bank.
  - To serve a forum whereby management may be informed and be responsible to take the necessary corrective action upon examining the necessary updates through the following reports i.e., internal audit reports, risk management report, human resources report and financial economic review and outlook.
  - To act as a joint decision-making body in resolving issues and/or problems that may be raised on operational matters of the Bank.

### **3 Pre-Screening Working Group (PSWG)**

- 3.1 The objective of the Bank's PSWG is to pre-screen all credit applications. At the pre-screening stage, the role of the PSWG is to conduct preliminary assessment on applicant's profile, credit information and supporting documents and to subject them to first round of scrutiny to determine the eligibility of the application for further credit evaluation.

### **4 Recovery Committee (RC)**

- 4.1 The objective of the Bank's RC is to help formulate work-out strategies that optimise loan recoveries. The developed work-out strategies will define expected recovery, potential loss, and an expected timeframe to recover material loan position and portfolio segment.
- 4.2 The estimates of recovery and timeline need to be realistic and should not aim to justify low provisions.



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**PART D      CULTURE AND REMUNERATION****1      Culture**

- 1.1      As a public establishment, any conduct that undermines the integrity of SDB should be taken seriously. Such conduct can have broader ramifications for public confidence in the State Government apart from misdirecting development resources intended for the benefit of the State.

**2      Code of Ethics**

- 2.1      The Bank adopt a code of ethics (COE) which provides guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, integrity in reporting, and the fair treatment of customers. The Bank must maintain a record of breaches of the code of ethics and address such breaches in a manner that upholds high standards of integrity.
- 2.2      The Board and Senior Management shall be responsible in ensuring the effective enforcement of COE, and its periodic review to consider emerging issues concerning the Bank, including its internal and external stakeholders.
- 2.3      The Bank shall ensure that there are declarations of assets by the Chairman, Directors, CEO and any other officers of the Bank and procedures for dealing with gifts from external parties to avoid conflict of interest situation.

**3      Privacy Policy**

- 3.1      The Bank views personal data and privacy utmost priority. This privacy policy is enplaced by the Bank pursuant to the requirements of the Personal Data Protection Act 2010 (PDPA). This privacy policy serves to inform how customer and staff personal data is being processed by or on behalf of the Bank.
- 3.2      Data collected and held by the Bank will be kept confidential. The supplied data to the Bank is necessary in connection with the provision of facilities/services by the Bank. Failure to comply such data may result in the Bank being unable to establish, continue or provide the facilities/services or comply with any laws or guidelines issued by regulatory or other authorities.

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#### **4 Anti-Bribery and Anti-Corruption Policy**

- 4.1 The Bank obliges to a high level of ethics and integrity in conducting its business. The Bank has adopted a zero-tolerance approach against all forms of bribery and corruption and takes a strong stance against such acts.
- 4.2 The Bank will take reasonable and appropriate measures to ensure that its businesses do not play a part in corrupt activities for its advantage or benefit.
- 4.3 This policy sets out the Bank's position on bribery in all its forms and matters of corruption that might be encountered by the Bank, its Directors, CEO, Senior Management, and staff in its operations.
- 4.4 This policy serves to ensure all the Bank's Directors, CEO, Senior Management, Staff, Business Associates, Vendors, Contractors, Agents and other third parties who are associated with the Bank are guided on standards of behaviour in compliance with all applicable laws, rules, and regulations in discharging their duties. It sets the boundaries on interactions with all parties.

#### **5 Whistleblowing Policy**

- 5.1 The Management of SDB supports whistleblowing policy as part of its efforts to ensure transparency for SDB's business transactions and activities. Its policy encourages whistleblowing via an open and accessible reporting procedure.
- 5.2 SDB Whistleblowing policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Individuals must be able to raise concerns about illegal, unethical, or questionable practices in confidence and without the risk of reprisal.
- 5.3 It clearly indicate the parties to whom concerns can be escalated within the bank.
- 5.4 It ensure that individuals are made aware of other avenues for whistleblowing to regulators or law enforcement agencies.

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- 5.5 It communicate the whistleblowing policy to third parties such as contractors, consultants and interns and allow them to report their concerns.

## **6 Policies and Procedures on Procurement and Contracting Process**

- 6.1 SDB maintains and develops its policies and procedures on procurement and contracting processes with the aim of improving its business performance and, at the same time, complying with the laws and regulations.
- 6.2 Clear internal policies, procedures, and limits in respect of procurements, corporate sponsorships and donations must be established and complied with by the Bank.
- 6.3 Such policies, procedures and limits must be consistent with SDB's responsible stewardship of public funds and subject to regular reviews of compliance to the policy by independent control functions such as SDB's internal audit.

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**PART E      GROUP GOVERNANCE****1      Responsibilities as a Holding Company**

1.1      The Bank is responsible for exercising adequate oversight over its subsidiaries while respecting the independent legal and governance responsibilities that apply to them.

1.2      The Bank has the overall responsibility for ensuring the establishment and operation of a clear governance structure appropriate to the nature, size and complexity of the group and its entities. In promoting the adoption of the sound corporate governance principles set out in this policy document throughout the group, the Board and Senior Management must: -

- Ensure that the group governance framework clearly defines roles and responsibilities for the oversight and implementation of group-wide policies;
- Ensure that the differences in the operating environment, including the legal and regulatory regime for each jurisdiction in which the group has a presence, are properly understood, and reflected in the group governance framework;
- Have in place reporting arrangements that promote the understanding and management of material risks and developments that may affect the entity and its subsidiaries;
- Assess whether the internal control framework of the group adequately addresses risks across the group, including those arising from intra-group transactions;
- Ensure that there are adequate resources to effectively monitor compliance of the apex entity and its subsidiaries with all applicable legal and regulatory requirements.

1.3      The Bank must ensure that the group structure does not undermine its ability to exercise effective oversight. The Board and Senior Management must know and understand the group structure, including its changes over time, and assess the implications for the capacity to identify and manage all material risks across the group.

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- 1.4 The Bank is responsible to ensure that there are sufficient resources and supporting infrastructure to govern and monitor operations of subsidiaries including the adequacy of reporting requirements by subsidiaries to the Bank for effective oversight.
- 1.5 The Bank must discharge its own legal and governance responsibilities as a separate entity, even if it is a subsidiary of a legal entity which is subject to prudential regulation.

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**PART F      TRANSPARENCY**

**1      Corporate Governance Disclosures**

- 1.1      The Bank shall disclose information on its corporate governance policies and practices.
- 1.2      The Board will ensure that the corporate governance disclosures are accurate, clear, and presented in a manner that is easily understood by its shareholder, customers, and other relevant stakeholders.
- 1.3      The Bank will ensure that the corporate governance disclosures are: -
- a) laid before as an appendix to the Directors' report.
  - b) published on its website; and
  - c) published in its annual report.

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**PART G      REFERENCES**

- 1      The Principles and Best Practices of Corporate Governance as set out in *Bank Negara Malaysia's (BNM) Corporate Governance Policy Document (BNM/RH/ED 035-5) issued on 13/12/2019.*
- 2      Malaysian Code on Corporate Governance issued by the Securities Commission Malaysia (updated and published on 28<sup>th</sup> April 2021).
- 3      Other DFI's (i.e., *Bank Pembangunan Malaysia Berhad, Exim Bank Malaysia Berhad AgroBank and SME Bank Berhad*) corporate governance best practices.
- 4      SDB Terms of Reference on: -
  - *The Board of Directors* (Legal Unit, SDB).
  - *The Management Committee* (Corporate Services Division, SDB)
- 5      SDB Internal Policies on: -
  - *Anti-Bribery and Anti-Corruption*
  - *Privacy*
  - *Whistleblowing*