

**Sabah Development Bank Berhad ("SDBank/Bank")
Board Charter**

As approved at the 2/2024 (567th) Board of Directors Meeting on 29 February 2024

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1. Preamble

The purpose of this Board Charter is to clearly identify the respective roles and responsibilities of the board, board committees, individual directors and management; as well as the matters and decisions reserved for the Board. This Board Charter is adapted from and supersedes the Terms of Reference of the Board approved at the 534th Board Meeting held on 30/12/2020. The Board Charter shall be periodically reviewed and published on the Bank's website.

2. Roles and Responsibilities of the Board

2.1 The Board is fully responsible for the proper stewardship of the Bank's business and the creation of long-term value for shareholder(s).

2.2 The Board shall assume the following principal responsibilities:-

- a) Review and adopt strategic plan for SDBank, including overseeing the implementation of the strategic plan by Management.
- b) Oversee the conduct of SDB's business and performance.
- c) Ensure the implementation of internal controls and mitigation measures in respect of the principal risks of SDB's business.
- d) Succession planning for Management.
- e) Foster a strong compliance culture and encourages ethical, prudent and professional conduct.

3. Matters Reserved for the Board

3.1 Board Structure

- a) Subject to the Shareholder's instructions, appointment of and recommendation for removal of Directors;
- b) Subject to Shareholder's instruction, appointment and extension of contract of Chief Executive Office ("CEO");
- c) Appointment and removal of Company Secretary; and
- d) Establishment of Committees including their specific Terms of Reference and the appointment, removal and replacement of Committee Members;

3.2 Remuneration Matters

- a) Recommend Directors' remuneration to be approved by Shareholder;

- b) Approve remuneration packages for CEO, Key Management and any other person the Board determines;
- c) Determine the Corporate targets/objectives relevant to the remuneration of the CEO, Key Management and any other person the Board determines, and evaluation of the performance of this group of people in light of these targets/objectives; and
- d) Determine staff bonus/incentive based on business performance indicators and financial position of the Bank.

3.3 Company Operations

- a) Review and approve the Bank's strategic plans;
- b) Approves risk appetite, business plans and other initiatives having material impact on the financial position, reputation or key operational controls of SDBank;
- c) Approve of investment or divestment of a capital project which represents a significant diversification from the Bank's existing business activities;
- d) Oversee the performance and succession plans of the Bank's CEO and Key Management;
- e) Approve of any major changes in the activities of SDBank; and
- f) Approve Policies of the Bank.

3.4 Financial

- a) Approve annual budget of the Bank;
- b) Approve financial statements and their release;
- c) Approve any interim for payment and recommend of final dividend or other distribution for Shareholder's approval;
- d) Adoption of accounting policies in line with the current reporting standards;
- e) Approve and review adequacy and effective of SDBank's system of risk management and internal controls on financial;
- f) Approval of capital expenditure, and/or disposal of capital items or any expenditure whereby the amount exceeds a pre-determined threshold given to Management.

3.5 Other matters as prescribed under SDBank's Constitution, the Companies Act 2016 and other laws.

4. Roles of Chairman, Directors, CEO and Company Secretary

4.1 Role of Chairman

- a) To carry out leadership role in the conduct of the Board and its relations to shareholder and stakeholders.
- b) To ensure balance of authority, increased accountability and greater capacity for independent decision-making. For this, the position of the Chairman and CEO shall be held by different individuals with a clear division of responsibilities between the Chairman and the CEO.
- c) In the Boardroom, the role of the Chairman is to
 - i. Chair Board meetings;
 - ii. Ensure that Board meetings are effective in that decisions are taken on a sound and well-informed basis, including ensuring that:
 - All strategic and critical issues are considered by the Board;
 - All directors are given the opportunity to effectively contribute;
 - Directors receive the relevant information on a timely basis, including being properly briefed on issues arising at Board meetings; and
 - The Board comes to clear decisions and resolutions are noted.
 - iii. Ensure the CEO looks beyond his/her executive functions and accept full share of the responsibilities of governance;
 - iv. Ensure that the Board act in accordance with the Board Charter; and
 - v. Lead efforts to address the Board's development needs.
- d) Outside the Boardroom, the role of the Chairman is to:-
 - i. Undertake appropriate public relations activities in conjunction with the CEO;
 - ii. Be the spokesperson for SDBank at the Annual General Meeting;
 - iii. Be kept fully informed of current events by the CEO on all matters which may be of interest to Directors;
 - iv. Regularly review progress on important initiatives and significant issues facing SDBank and/or the Group in conjunction with the CEO and key Management; and
 - v. Initiate and oversee annual CEO and key Management performance evaluation process.

4.2 Roles of Directors

- a) Each Director is required to be aware of legal parameters that define his/her duties. Broadly these include:
 - Duty to act in good faith and with honesty in line with SDBank's interest;
 - Duty to exercise powers of office for proper purposes;
 - Duty to exercise discretion properly and not fetter these powers by abdicating an independent exercise of such discretion and merely doing what is wanted by another person; and
 - Duty to avoid conflict of interest and self-dealing through improper use of SDBank's and the Group's property, position, corporate opportunity or competing with any of the companies and/or director within the Group, unless consent or ratification is obtained in a general meeting.

- b) Directors shall exercise reasonable care, skill and diligence according to the knowledge, skill and experience which may be reasonably expected of him/her. This may be guided by the following:
- Refraining from rushing into decision-making, provide adequate time for deliberation and evaluation of transactional and financial matters;
 - Requiring sufficient notice and distribution of board papers and explanatory appendices in advance of meetings;
 - Convene supplemental meetings in response to request for further information before the final decision;
 - Making informed decisions based on the information provided; and analysis and recommendations of SDBank's independent professional advisers;
 - Ensuring that there is no undue pressure from dominant personalities or nominees of the Shareholder;
 - Basing reliance on others where there is sound basis for doing so; and
 - Making appropriate enquiries to satisfy himself/herself on the integrity and soundness of the internal controls and risk management system.

4.3 Roles of CEO

- a) The CEO assumes the overall responsibility for the implementation of SDBank's strategy, carrying out the Board's directions and driving performance within strategic goals and commercial objectives. The CEO leads the Management team in carrying out the corporate strategy and vision of SDBank. He/she is accountable to the Board for day-to-day management and operations of SDBank's business.
- b) The specific responsibilities of the CEO include:
- Together with the Board, set objectives, visions, targets and strategic direction of SDBank;
 - Ensuring strategies and corporate policies are effectively implemented;
 - Ensuring Board decisions are implemented and Board directors are responded to;
 - Providing directions in the implementation of short and long term business plans;
 - Provide strong leadership that communicates vision, management philosophy and business strategy to the management team and employees;
 - Keeping the Board fully informed of all important aspects of SDBank's operations and ensuring sufficient information is distributed to Board members; and
 - Ensuring the day-to-day business affairs of SDBank are effectively managed.

4.4 Roles of Company Secretary

- a) The Board shall be supported by a suitably qualified and competent Company Secretary who meets the requirements of the Companies Act 2016.
- b) The Company Secretary is responsible for the co-ordination of all Board business including agendas, board papers, minutes, communication with regulatory bodies and statutory filings.
- c) The Company Secretary shall comply with all the requirements under the Companies Act 2016 and other relevant laws in general and specifically on matters related to SDBank and the Group.

- d) The Company Secretary shall maintain adequate confidentiality and due care in all matters relating to SDBank.
- e) All directors shall have direct access to the Company Secretary.

5. Meetings

5.1 Directors must devote sufficient time to prepare for and attend board meetings, and maintain a sound understanding of the business.

5.2 Frequency and Attendance

- a) The Board shall meet sufficiently regularly to discharge its duties effectively.
- b) The Chairman is responsible, in consultation with the CEO, for the conduct of all Board meetings. This includes being satisfied that the agenda items are comprehensive, appropriate and that recommendations fit within the strategic direction set by the Board.
- c) The Chairman may call a meeting of the Board if so requested by any member of the Board
- d) If a Director is unable to be physically present, the Director may choose to participate via a virtual platform. The Director should, however, ensure that his/her physical attendance is more than 50% of Board meetings held in each financial year.
- e) The Board may request management or other non-Board members to attend Board meetings on invitation basis.

5.3 Notice and Agenda

- a) Unless otherwise determined by the Board, seven (7) days' notice of all Board meetings shall be given to all Directors, except in the case of an emergency, where reasonable notice of the meeting shall be sufficient.
- b) The agenda and relevant papers for Board meetings shall be issued at least three (3) days prior to each of the Board meetings to allow sufficient time for Directors to consider the relevant information.

5.4 Quorum

- a) Quorum for a Board meeting shall be at least three (3) members of the Board present at the meeting.
- b) In the absence of the Chairman, the members present shall elect from among themselves a Chairman for the meeting.

5.5 Voting on Resolutions

- a) Resolutions of the Directors at a meeting of the Directors shall be adopted by a majority of votes of all Directors present.
- b) In the event matters requiring Board decisions arise between meetings, such matters shall be resolved through circular resolution which shall be supported by relevant papers setting out details of the subject matters.

5.6 Minutes

- a) Minutes of Board meetings shall record the decisions of the Board, including key deliberations, rationale for decision made, and any significant concerns or dissenting views. The minutes shall indicate whether any Directors abstained from voting or excused himself from deliberating on a particular matter.
- b) The draft minutes shall be tabled at the following meeting for review and confirmation.
- c) Keeping of the minutes must comply with the requirements of relevant laws including Companies Act 2016 and Income Tax Act 1967.
- d) Reproduction of any part of the minutes can be only done by the Company Secretary.

6. Authority

The Board shall have the authority to:-

- a) Investigate any activity or matter within its Board Charter;
- b) Acquire resources which are required to perform its duties;
- c) Have full and unrestricted access to anyone in SDBank or the Group in order to conduct any investigation and to obtain any information pertaining to SDBank or the Group, including access to the auditors and consultants;
- d) Obtain relevant internal and external independent professional advice or other advice to assist the Board in performing its duties and responsibilities, at the expense of the Bank; and
- e) Meet exclusively among itself, whenever deemed necessary.
- f) Delegate its authority to board committees or management. However, it shall not abdicate its responsibility and should at all times exercise collective oversight of the board committees and management.

7. Ethical Standards and Conflict of Interest

- 7.1 Board members are expected to observe the highest standards of ethical behaviour.
- 7.2 The Board supports and encourages policies of SDB which require Directors and Employees to observe high standards of personal integrity and display of honesty in their dealings. This include observance of SDB's Code of Conduct and Ethics.
- 7.3 All Board members shall safeguard all internal communications and treat them as strictly private and confidential, and for the use of Board members only unless officially published.
- 7.4 Directors are expected to avoid any action, positions or interest that conflicts with an interest of SDBank, or gives the appearance of a conflict. A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with SDBank shall declare the Director's interest in accordance with the Companies Act.
- 7.5 Any interested Director must make disclosure by way of written notice to the Board and the Company Secretary as soon as practical after being aware of their interest in the material transaction or arrangement. If the material transaction or arrangement is being deliberated at a Board meeting, before commencement of that deliberation.

8. Directors Development

Directors are strongly encouraged to undergo training and development courses to equip themselves to effectively discharge their duties as a Director. The costs of continuing education programs for the Directors' on-going development shall be borne by the Company, subject to suitability of programs and financial position of the Bank.

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