

SABAH DEVELOPMENT BANK BERHAD (“SDB/Bank”)
Code of Conduct and Ethics for Directors and Employees
As approved at the 2/2024 (567th) Board of Directors Meeting on 29 February 2024

Purpose:

SDB’s Code of Conduct and Ethics (“Code”) sets out the principles and standards of good practice in the financial services industry, to be observed by SDB’s Directors and Employees.

Expectations:

The Board and Employees are required to uphold the highest integrity in discharging their duties and in dealing with stakeholders, customers, employees and regulators to preserve confidence in the Bank. Directors and Employees are expected to carry out business activities and represent the Bank with highest standards of professional conduct, in accordance with the principles set out herein.

SDB’s Directors and Employees are bound to observe all legislations which may have a more comprehensive coverage of the subject matters contained in this Code. The provisions of this Code are deemed to be part of the Terms and Conditions of Service for all Employees, and certain clauses will continue to apply to the Employees even after cessation of employment with SDB. All Directors and Employees are required to sign a declaration on their observance of the Code.

Failure to observe the Code may result in disciplinary action(s) being taken by the Bank, including termination and/or legal prosecution.

Six Principles of the Code:

1. To avoid **conflict of interest**;
2. To avoid **misuse of position**;
3. To prevent **misuse of information** gained through the Bank’s operations, either for personal gain or for any purpose other than that intended by the Bank;
4. To ensure **completeness and accuracy of relevant documents**;
5. To ensure **confidentiality of communication and transaction** between the Bank and its stakeholders/customers; and
6. To ensure **fair and equitable treatment** of all customers and others who rely on or who are associated with the Bank.

1. Conflict of Interest

Directors and Employees must not engage directly or indirectly in any business activity that competes or conflicts with the Bank's interest. These activities include, but are not limited to:-

a) Outside Financial Interest

Where Director or Employee has a financial interest in a customer, whether as a sole proprietor, partner, shareholder, creditor or debtor, such an interest must be disclosed immediately to the Management and/or Board. Thereafter the Director or Employee should not be directly involved in the Bank's dealings with the customer so long as the interest continues to exist.

The above restriction does not apply in cases where Director or Employee has holdings of publicly quoted securities unless the Bank considers the interest to be material, and the financial interest is considered likely to impair the objectivity of the Director or Employee concerned. In any case, holdings of 5 percent or more of the voting shares of a public quoted company would be regarded as material.

b) Other Business Interest

It is considered a conflict of interest if a Director or Employee conducts business other than the Bank's business during office hours. Where the acquisition of any business interest or participation in any business activity outside the Bank and office hours demands excessive time and attention from the Director or Employee, thereby depriving the Bank of the Director or Employee's best effort on the role/job, a conflict of interest also arises.

c) Other Employment

The written approval from HR or Chief Executive Officer ("CEO") should be obtained before Employees embark on part-time employment or business activities. Approval would be granted only where the interest of the Bank will not be prejudiced.

d) Entertainment and Gifts

All Employees must conduct and be seen to be conducting their business(es) at the highest level of integrity, when receiving or giving gifts and/or entertainment. They must at all times exercise good judgment and ensure that by receiving or giving the gift and/or entertaining, it does not give the impression of bribery, corruption or other improper influence in any way. Employees are to refer to the Bank's Gifts and Entertainment Standard Operating Procedure ("SOP").

e) Corporate Directorship

Employees must not solicit corporate directorship. An Employee should not serve as a director of another corporation without the approval of the Board of Directors or CEO. Employees who hold directorships without such approval must seek approval immediately, if they wish to remain as directors of other corporations. However, Employees may act as directors of non-profit public service corporations, such as religious, educational, cultural, social, welfare, philanthropic or charitable institutions, subject to policy guidelines in each institution.

f) Trusteeship

Employees must not solicit appointments as executors, administrators or trustees of customers' estates. If such an appointment is made and the Employee is a beneficiary of the estate, his signing authority for the estate's bank account(s) must be approved by the Board of Directors, or CEO, who will not unreasonably withhold approval.

2. Misuse of Position

- a) Directors or Employees must not use the Bank's name or facilities for personal advantage in political, investment or retail purchasing transactions, or in similar type of activities. Directors or Employees and their relatives must not use their connection with SDB to borrow from or become indebted to customers or prospective customers. The use of position to obtain preferential treatment, such as in purchasing goods, shares and other securities, is prohibited.
- b) Further, Employees must not use the Bank's facilities and influence for speculating in commodities, gold, silver, foreign exchange or securities, whether acting personally or on behalf of friends or relatives. Such misuse of position may be grounds for dismissal.
- c) Employees should also not engage in "back-scratching" exercises to provide mutually beneficial transactions with staff of other financial institutions in return for similar facilities, designed to circumvent these ethical guidelines.

3. Misuse of Information

- a) Employees shall not deal in the securities of any company listed or pending listing on a stock exchange at any time when he is in possession of information, obtained as a result of his employment by, or his connection with the Bank which is not generally available to shareholders of that company and public, and which, if it were so available, would likely bring about a material change in the market price of the shares or other securities of the company concerned.
- b) An Employee who possesses insider information is also prohibited from influencing any other person to deal in the securities concerned or communicating such information to any other person, including other Employees who do not require such information in discharging their duty.

4. Integrity of Records and Transaction

- a) Records and reports must be complete and accurate. Directors and Employees should never make entries or allow entries to be made for any account, record or document of the Bank that are false or would obscure the true nature of the transaction, as well as to mislead the true authorisation or approval by the relevant authority of such transactions. Directors and Employees need to be aware of the criminal penalties against any Director or Employee who is guilty of wilfully making a false entry, or omitting, altering, abstracting, concealing or destroying an entry in the Bank's records, reports or documents.
- b) All records and computer files or programs of the Bank, including personnel files, financial statements and customer information, must be assessed and used only for the management-approved purposes for which they were originally intended.

5. Confidentiality

- a) Employees must take every precaution to protect the confidentiality of customer information and transactions. No Employee shall during, or after termination of, his employment with the Bank (except in the proper cause of his duties or with the Bank's consent) divulge or make use of any secrets, copyright material, or any correspondence, accounts or dealings of the Bank or its customers. No Employees shall in any way use information so obtained for financial gain.
- b) Business and financial information about any customer may be used or made available to third parties only with prior written consent of the customer or in accordance with the Personal Data Protection Act or in accordance with the arrangements for proper interchange of information between financial institutions about credit risks, or when disclosure is required by law.
- c) Directors and Employees are to sign Non-Disclosure Agreement ("NDA") with the Bank.

6. Fair and Equitable Treatment

- a) All business dealings on behalf of the Bank with current and potential customers, with other Employees and with all those who may have cause to rely upon the Bank, should be conducted fairly and equitably.
- b) Employees must not be influenced by friendship or association, either in meeting a customer's requirement, or in recommending that they be met. Such decisions must be made on strictly arms-length business basis.
- c) All preferential transactions with insiders or related interests should be avoided. If transacted, such dealings should be in full compliance with law, judged on normal business criteria and fully documented and duly authorised by the Board of Directors or an independent party.

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