

BOARD AND BOARD COMMITTEES CHARTER AND TERMS OF REFERENCE

Standard Insurance Sdn Bhd

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This Board Charter contains the Terms of Reference (“TOR”) for the Board of Directors (the “Board”) and Board Committees and addresses the principal duties and responsibilities that the Board will discharge for Standard Insurance Sdn Bhd (“Standard” or the “Company”) and those that the Board Committees will discharge for the Board. It also outlines the Board’s approach to important governance practices.

1. Terms of Reference for the Board

1.1. Objective and principal duties of the Board

The Board is primarily responsible for ensuring that Standard has an appropriate corporate governance structure aimed at creating and protecting shareholder value and also protecting the interest of the policyholders. This Charter explains Standard’s commitment to corporate governance.

1.2. Roles and responsibilities of the Board

The Board is the supervisory body responsible for the oversight of the business of Standard.

The Board shall have the following responsibilities:

- To govern the Company by ensuring that there is a proper governance framework in place to promote and protect the Company’s interests for the benefit of its shareholders, and other stakeholders.
- To promote the sustainable growth and financial soundness of the Company, and for ensuring the fair treatment of customers. This includes consideration of the long-term implications of the

Board's decisions on the Company, its policyholders/participants, shareholders and other recognised stakeholders.

- To provide stewardship, including direction setting and general oversight of the management and operations of the Company.

In addressing its responsibilities, the Board is concerned with the matters listed below, taking account of the recommendations of the Managing Director ("MD") as appropriate:

a) Strategy and Management

- Responsibility for the overall management of the Company;
- Determining and approving the Company's short-term and long-term objectives as a basis for management to develop business strategies, business plans and budgets;
- Approving significant strategic initiatives or transactions, such as mergers and acquisitions;
- Overseeing the Company's control and accountability systems;
- Ensuring appropriate resources are available for the Company in the pursuit of its strategic objectives;

b) Structure and Capital

- Approving material changes relating to Standard's capital structure, including reduction of share capital, share issuances, share buybacks (including the use of treasury shares); and material changes in debt structure; and
- Approving changes to the Company's corporate structure.

c) Financial

- Reviewing business and financial performance against Board-approved strategy and risk appetite;
- Ensuring the financial integrity of the Company, including
 - i) monitoring the cash flow position;
 - ii) monitoring performance of the prudential reserve and approving significant changes to reserve policy;
 - iii) monitoring investment performance and approving significant changes to investment policy; and
 - iv) Monitoring of the solvency requirement and capital adequacy requirement.
- Approving the annual report and accounts;
- Approving any significant changes in accounting policies or practices;
- Determining the overall dividend policy to be followed and approving any interim or final dividend recommendations.

d) Risk

- Promoting and sustaining a sound risk culture;
- Putting in place an enterprise risk management framework;
- Approving the Company's risk appetite and risk limits;
- Reviewing current risk profile, risk tolerance level and risk strategy of the Company;
- Ensuring that Senior Management has established adequate risk management and internal compliance and control policies and procedures and the monitoring and review of their effectiveness;
- Ensuring that the Board identifies risks to be addressed by contingency plans;

- Approving any matters that may materially affect the Company's reputation, including its brand and values;
- Ensuring systems exist to enable the Company to comply with all statutory and regulatory requirements and ethical standards;
- Ensuring that staff are fully aware of their obligations and responsibilities to the Company; and
- Overseeing major litigation.

e) Contracts

- Overseeing major capital projects, investments, acquisitions and disposals; and
- Approving contracts which are material strategically or by reason of size, entered into by the Company whether in the ordinary course of business or otherwise.

f) Board Membership, Appointments and Remunerations

- Approving Chairmanship and membership of the Board and Board Committees;
- Appointing or removing of the MD;
- Reviewing the performance and compensation of the MD and where appropriate other members of Senior Management;
- Succession planning with respect to the Board, MD and where appropriate, other members of Senior Management;
- Appointing, reappointing or removing of the external auditor to be put to shareholders for approval, following the recommendations of the Audit Committee; and
- Appointing of actuary and scope of actuarial review.

g) Delegation of authority

- Approving the division of responsibilities between the Chairman and the MD;
- Delegating responsibility for the overall management and profit performance of the Company, including all operational and administrative matters, to the MD;
- Approving the terms of reference of Board Committees that set out their roles and responsibilities, as well as determining matters relevant to their composition and administration and any other matters that the Board may consider necessary.
- Receiving and reviewing minutes and/or reports from Board Committees.

h) Corporate governance matters

- Undertaking a formal and rigorous review annually and externally facilitated reviews as appropriate of its own performance, and that of its Committees and individual Directors;
- Determining the independence of non-executive directors;
-
- Overseeing corporate governance matters including development, implementation and monitoring of corporate governance policies.
- Reviewing the Company's compliance with the Corporate Governance Framework and disclosures as required by AMBD

1.2.1. Reserved powers

Any responsibilities not specifically delegated by the Board to the MD or through him to other Senior Management members, remain the responsibility of the Board.

The following matters are reserved for the Board:

Approval of the Company's:

- a) Business objectives, strategy and plans (capital, financial, liquidity), including its risk appetite and risk limits;
- b) Significant strategic initiatives or transactions, such as mergers and acquisitions;
- c) Risk Management Framework including the risk management strategy;
- d) Internal Control Framework;
- e) Appointment, performance review and compensation of the MD and, where appropriate, other members of Senior Management, including the heads of the control functions;
- f) Succession plans with respect to the Board, MD and where, appropriate, other members of Senior Management, including the heads of the control functions;
- g) Mandate, resources, and budgets of the control functions;
- h) External audit plan, including audit fees and the scope of the audit engagement;
- i) Appointment of the actuary and scope of the actuarial review;
- j) Material insurance risks and investments decisions where:
 - Insurance risks require special acceptance, or with gross premium exceeding BND 100,000;
 - Operating decisions with an impact greater than BND 500,000; and
 - investments decisions with impact greater than BND 500,000

1.3. Structure of the Board

1.3.1. Membership

The number of Directors shall not be less than two nor more than seven. At least one-third of the directors must be independent.

1.3.2. Director independence

The Board has adopted a formal policy for the determination of the independence of its non-executive directors. The key criteria include:

- a) Independence from management; and
- b) Absence of any business relationship which could materially interfere with the director's independence of judgement and ability to provide a strong valuable contribution to the Board's deliberations.

1.3.3. Competency

At least two member(s) members of the Board must be able to demonstrate a significant relevant understanding of the skill and knowledge of claims management and indemnity relevant to property and casualty insurance operations.

At least two member(s) of the Board must have a significant relevant understanding of property and casualty Insurance.

1.3.4. Fit and proper

All directors appointed will need to be fit and proper. Fit and proper is as defined in Guidelines No. TIU/G-1/2017/6 *Guidelines on Fit and Proper Criteria for Key Responsible Persons and Key Persons in Control Functions in Insurance and Takaful*.

1.3.5. Chairman

The Chairman of the Board is appointed by the Board and must be a non-executive director.

Board meetings will be chaired by the Chairman or, in his absence, a chairman should be appointed by the meeting.

He or she is responsible for:

- a) Leadership of the Board;
- b) Overseeing the Board in the effective discharge of its supervisory role;
- c) The efficient organisation and conduct of the Board's functions and meetings;
- d) Facilitating the effective and open contribution by all directors;
- e) Ensuring that decisions are taken on a sound and well-informed basis, including that all strategic and critical issues are considered by the Board;
- f) Briefing all directors in relation to issues arising at meetings;
- g) The promotion of constructive and respectful relations between Board members and the Board and management;
- h) Committing the time necessary to discharge effectively his or her role as Chairman;
- i) Scheduling regular and effective evaluations of the Board's performance; and
- j) Leading efforts to address the Board's development needs.

1.3.6. Directors

Executive director

An executive director is a paid employee of Standard. He or she is expected to add value to the Board's decision making process through their technical expertise and knowledge of the business and the industry.

Non-executive director

A non-executive director is not employed by Standard but is not independent of Standard. He or she is expected to constructively challenge and contribute to the decision making process of the Board.

Independent non-executive director

An independent non-executive director is independent from management and substantial shareholders of Standard. He or she is also free of any business or other relationships that could materially interfere with the independence of their judgement.

The independent director shall immediately disclose to the Board any change in his circumstances that may affect his status as an independent director. The Board shall review his designation as an independent director and notify AMBD in writing of its decision to affirm or change his designation.

Responsibilities of directors

In discharging his or her duties, each director is expected to:

- a) Exercise due care and diligence;
- b) Act in good faith in the best interests of Standard;
- c) Not improperly use his or her position or misuse information of Standard; and
- d) Commit the time necessary to discharge effectively his or her role as director.

In addition, all directors are entitled to be heard at all meetings and bring an independent judgement to bear in decision-making.

1.3.7. Appointment

All directors can only be appointed to the Board after approval from AMBD.

1.4. Board Committees

To assist the Board in fulfilling its duties and responsibilities, it has established the following committee with the respective delegations:

1.4.1. Audit Committee (“AC”)

The AC will provide oversight over:

- a) Integrity of Standard’s financial report and financial reporting process;
- b) Compliance with relevant legal and regulatory obligations;
- c) The work and independence of the external and internal auditors; and
- d) Risk Management and Internal Controls Framework.

1.5. Authorities delegated to MD and Senior Management

1.5.1. Delegation to the MD

The Board has delegated to the MD authority over the day to day management of the Company. This delegation of authority includes responsibilities for:

a) Strategy and Management

- Developing business plans, budgets and the Company’s strategies for recommendation to and consideration by the Board and, to the extent approved by the Board, implementing these plans, budgets and strategies;
- Managing the Company’s financial and other reporting mechanisms as well as its control and monitoring systems to ensure that these mechanisms and systems capture all relevant material information on a timely basis and are functioning effectively;
- Managing regulatory relationships across the Company’s operations.

b) Risk

- Identifying and managing operational risks on a daily basis and, where those risks could have a material impact on the Company’s businesses, formulating strategies for managing these risks for consideration by Board;
- Communicating and implementing the policies and procedures approved by the Board and putting in place adequate controls to ensure that compliance occurs;
- Ensuring the Company has sufficiently resourced and effective internal control and regulatory compliance functions; and
- Ensuring that the reinsurance programme for the Company is cost efficient in retention, management and protection against insured risks.

c) Communication

- Ensuring that the Board and its various committees are provided with sufficient information on a timely basis in relation to the Company’s business and in particular, with respect to the Company’s performance, financial condition, operating results and prospects, to enable the Board and those committees to fulfil their governance responsibilities; and
- Ensuring concerns of external stakeholders such as regulatory agencies are properly communicated to the Board.

d) Others

- Ensuring a safe working environment for staff;
- Appointing, reviewing the performance of and removing of senior executives;
- Ensuring that staff are fully aware of and comply with appropriate codes of conduct;
- Drawing up the agenda for each Board meeting taking into account, where appropriate, any matters proposed by the other Directors for inclusion in the agenda; and
- Reviewing and monitoring the training and continuous professional development of senior executives.

The MD is authorized to delegate the authority conferred on him as he deems appropriate.

1.5.2. Delegation to Senior Management

Senior Management includes individuals who are directly accountable to the MD. Senior Management is accountable for implementing the Board's decisions and is responsible for directing and overseeing the operations of the Company.

The Board has delegated to Senior Management the following responsibilities:

- a) Implementing the business and risk strategies, remuneration and other policies in accordance with the direction given by the Board;
- b) Establishing a management structure that promotes accountability and transparency throughout the Company's operations, and preserves the effectiveness and independence of control functions;
- c) Promoting, together with the Board, a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviour;
- d) Addressing actual or suspected breaches of regulatory requirements or internal policies in a timely and appropriate manners; and
- e) Regularly updating the Board with the material information the Board needs to carry out its oversight responsibilities, particularly on matters relating to –
 - i) The performance, financial position condition and operating environment of the Company;
 - ii) Internal control failures, including breaches of risk limits; and
 - iii) Legal and regulatory obligations, including supervisory concerns and the remedial actions taken to address them.

1.5.3. Oversight on Senior Management

The MD and Senior Management are accountable to the Board. The Board shall:

- a) appoint the MD and outline his responsibilities and duties
- b) monitor the MD's performance and determine and approve his compensation;
- c) review the MD's performance at least annually against agreed upon objectives;
- d) establish a succession plan for the MD and other executive officers of the Company, including programs to train and develop management;
- e) approve decisions related to Senior Management, including:
 - appointment and discharge of senior executive officers; and
 - compensation and benefits for the senior executive officers;
- f) satisfy itself as to the integrity of the MD and other executive officers and that the MD and other executive officers create a culture of integrity throughout the Company;
- g) provide a source of advice to the MD and Senior Management on critical issues and matters faced by the Company;

1.5.4. Accountabilities and authorities of MD

The MD is authorised to approve any matters which does not require Board's approval. These shall include the following:

- a) Insurance risks which require special acceptance or facultative arrangement but with gross premium not exceeding BND 100,000
- b) Operating decisions not exceeding BND 500,000
- c) Investments not exceeding BND 500,000

The Managing Director shall also override decisions by Senior Management which are, in his opinion, observed to be detrimental to the interest of the Company.

2. Operations of the Board

2.1.1. Frequency of meetings / minimum number of meetings

The Board will meet as frequently as is necessary to undertake its role effectively and in any event at least 2 times per year.

2.1.2. Notice of meeting

The Chairman may call a meeting of the Board if required by any Board member, the Chairman or the MD. A notice of each meeting confirming the date, time, venue and agenda will be forwarded to each member of the Board as soon as practicable prior to the meeting date.

Board meetings are permitted to be held other than in person, by any technological means as consented to by all members of the Board or as allowed under the Standard's Articles of Association.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Board no later than twenty-one calendar days before the date of the meeting. These will be provided to all Directors whether or not they are able to attend the meeting.

2.1.3. Attendees

All directors are required to attend at least 75% of the Board meetings held in each financial year.

Non-members may be invited to attend meetings at the Chairman's discretion.

2.1.4. Quorum

The quorum for a valid meeting is two Directors as set out in the Company's Articles of Association.

2.1.5. Board member interests

Members of the Board will not participate in discussions and will not vote on any issues in respect of which there is an actual or perceived conflict of interest.

2.1.6. Access to advice

The Board has the authority to investigate any matters within its TOR, with the resources it needs to do so and with the right of access to information including external professional advice as necessary.

2.1.7. Conflict of interest

The Board has put in place a documented 'Conflict of Interest' policy (refer to *Appendix on Conflict of Interest*) for its members and where conflicts of interest arises, the Board shall ensure that they are noted in the minutes. Main elements of the policy include:

- a) The individual member of the Board shall practise independent judgment and objectivity in his decision making, taking due account of the interests of Standard and its stakeholders;
- b) If on-going conflicts of interest arise, consideration should be given to changing the membership of the Board.
- c) Standard shall provide the Board with access to advice from independent third party experts on any matter deliberated by the Board as and when required, and the cost of such advice shall be borne by Standard.

2.1.8. Minutes of meeting

The Board shall minute the proceedings and resolutions of all meetings of the Board, including recording the names of those present and in attendance. Draft minutes of Board meetings shall be circulated to all members of the Board no later than 72 hours after the meeting.

The minutes should include the key deliberations, rationale for each decisions made, and any significant concerns or dissenting views. The minutes shall also indicate whether any directors abstained from voting or excused himself from deliberating on a particular matter.

2.2. Remuneration policies

Fees paid to directors reflect their respective duties and responsibilities. They also reflect the time required to be spent by them to make a meaningful and effective contribution to Standard's affairs.

The directors' fees are subject to review and approval by the Board annually.

3. Audit Committee ("AC")

3.1. Membership

The AC shall consist of at least two Board members all of whom are independent from management and business relationships.

3.1.1. Competency

At least one members of the AC must be able to demonstrate understanding of finance and capability to discuss matters in general insurance in which the Company operates.

3.1.2. Chairman

The Chairman of the AC ("AC Chairman") will be appointed by the Board and must not be the Chairman of the Board.

Should the AC Chairman be absent from a meeting and no acting AC Chairman has been appointed, the members of the AC present at the meeting have authority to choose one of their number to be chairman for the particular meeting.

3.2. Roles and responsibilities of the AC

The Board has delegated the responsibility to the AC to provide oversight over the integrity of the financial statements, compliance with laws and regulations, the independence and performance of external auditors, risk management and internal controls frameworks.

The responsibilities of the AC are:

- a) Reviewing the skills, resources, fees and independence of the external auditor and recommending appointment of, or change or external auditor to the Board;
- b) Establishing criteria for the types of non-audit services to be provided by the external auditor;

- c) Reviewing the annual financial statements of the insurer and the appropriateness of Standard's accounting and actuarial policies and practices;
- d) Evaluating and approving internal control procedures for Standard;
- e) Meeting with the actuary to discuss effectiveness of the internal controls and adequacy of reserving and reporting practices;
- f) Reviewing and approving the Company's external audit plans to ensure they are appropriate, risk-based and address all relevant activities over a measurable cycle;
- g) Supporting the Board in ensuring there is a reliable and transparent financial reporting process within the Company;
- h) Reviewing and updating the Board on all related party transactions;
- i) Reviewing the accuracy and adequacy of the Chairman's statement in the director's report, corporate governance disclosures, interim financial reports and preliminary announcement as to the preparation of financial statements;
- j) Ensuring that Senior Management has established adequate risk management and internal compliance and control policies and procedures and the monitoring and review of their effectiveness; and
- k) Ensuring the Company has sufficiently resourced and effective internal control and regulatory compliance functions.
- l) The AC is authorised by the Board to:
 - a. Assist the Board in fulfilling its roles and responsibilities in accordance with the TOR detailed in this Charter;
 - b. Seek any information that it requires from any Standard's employees in order to perform its duties;
 - c. Have direct and unrestricted access to the external auditors and management;
 - d. Meet with any relevant person of Standard without Senior Management present, if necessary; and
 - e. Obtain professional advice at the Company's expense whenever deemed necessary.

3.3. Operations of the AC

3.3.1. Frequency of meetings / minimum number of meetings

The AC will meet as frequently as is necessary to undertake its role effectively and in any event at least two times per year at appropriate times in Standard's reporting and audit cycle.

The AC, or any of its delegated persons, may meet with the external auditors. The external auditors may request a meeting with the AC whenever deemed necessary.

3.3.2. Notice of meeting

The AC Chairman may call a meeting of the AC if required by any Committee member, Board member, the AC Chairman or the Managing Director. A notice of each meeting confirming the date, time, venue and agenda will be forwarded to each member of the Board as soon as practicable prior to the meeting date.

AC meetings are permitted to be held other than in person, by any technological means as consented to by all members of the AC or as allowed under the Standard's Articles of Association.

3.3.3. Attendees

All members are required to attend 75% of the AC meetings held in each financial year.

Non-members may be invited to attend meetings at the Chairman's discretion. There may include the external auditors as necessary.

3.3.4. Quorum

The quorum for a valid meeting is two, as set out in the Standard's Articles of Association.

3.3.5. AC member interests

Members of the AC will not participate in discussions and will not vote on any issues in respect of which there is an actual or perceived conflict of interest.

3.3.6. Access to advice

The AC has the authority to investigate any matters within its TOR as set out in the AC's terms of reference, with the resources it needs to do so and with the right of access to information including external professional advice as necessary.

3.3.7. Minutes of meeting

The AC shall minute the proceedings and resolutions of all meetings of the AC, including recording the names of those present and in attendance. Draft minutes of AC meetings shall be circulated to all members of the AC no later than 72 hours after the meeting.

The minutes should include the key deliberations, rationale for each decisions made, and any significant concerns or dissenting views. The minutes shall also indicate whether any directors abstained from voting or excused himself from deliberating on a particular matter.

3.3.8. Formal mechanism for reporting key matters

The minutes of AC meetings shall be included in the papers for the next Board meeting. The AC Chairman shall report the findings and recommendations of the AC to the Board after each AC meeting, or as appropriate.

3.4. Review of the AC Terms of Reference

To ensure that the AC is fulfilling its stewardship duties to the Board, the AC will:

- a) Review, at least annually, the AC's TOR and recommend to the Board any appropriate amendments for approval;
- b) Review the annual agenda incorporating any changes in the AC's TOR.

3.5. Review of Charter and Terms of References

This Board Charter and Terms of References for the Board and AC are subject to amendment by the Board. The Board will review Board Charter and Terms of References for the Board and AC this Charter at least annually to ensure it remains relevant to the circumstances of the Company.

Appendix – Conflict of Interest Policy

1. Purpose

The Conflict of Interest Policy is intended to be a guideline for identifying and managing where conflicts of interest could occur in the decision making processes of the Board and its Committees. In keeping with the standards of responsible stewardship, Board members are expected to observe the guidelines, and in doing so, avoid any actual or perceived conflict of interest including that which might impair or impugn the independence, integrity or impartiality of the board.

1. Identifying conflicts of Interest

A conflict of interest in the context of Board matters is defined as a set of circumstances that creates a risk that professional judgement or actions regarding interests of shareholders and policy holders of Standard will be unduly influenced by a personal benefit or advancement of personal interest of a Director. Such a situation arises in a situation where the private interests (to include financial relationships or professional advancement) of a director or those of his or her associates/family conflict, potentially conflict, or be perceived to conflict with interests of Company Stakeholders. As a result, such personal interests can likely influence the objective exercise or proper discharge of his/her duties in the interest of the Company's stakeholders.

Every director should avoid any situation in which there is an actual, potential, or perceived conflict of interest between the private interests of the director and the best interests of the Company's stakeholders. Members of the Board should exercise independent judgement and objectivity in his decision making in the best interest the Company and its policyholders.

The onus is on each individual director to anticipate conflicts of interest arising from their actions and to take steps to comply with the rules. It is the director's duty to avoid to the extent possible activities that could create conflicts of interest.

Where a director is unable to avoid a conflict of interest, it is the director's duty to disclose any matter that may result, or has already resulted, in a conflict of interest. Additionally, it is the director's responsibility to abstain from voting on any matter where the member may have a conflict of interest or where the member's objectivity or ability to properly fulfil duties to the Company may be otherwise compromised.

2. Protocol for dealing with Conflicts of Interest

1. Declaration

A director is obligated to disclose an actual, potential or perceived conflict of interest as soon as it is identified. The declaration must be made prior to discussion or decision of a known issue at the Board. Directors should alert the Board Chairman of the reason for the potential for conflict of interest.

Conflict of interest situations could include:

- Project or contract related conflicts of interest arising on decisions over projects of contracts on which Standard is involved, as a result of Directors' relationships with individuals, firms and other entities providing services in relation to the said project or contract;

- Where a Director holds a significant financial interest, either directly or through a relative or associate, or hold or accept a position as an officer or director in an organization that has a relationship with Standard, and the Director could benefit personally by influencing the purchasing, selling or other decisions of the Company;
- A Director who accepts a position or contract with any outside organization that could lead to a conflict of interest or situation prejudicial to the Company's interests;

In any of the cases aforementioned above, the conflicted Director (or potentially conflicted Director) is required to disclose the Director's relationship and potential conflict to the Board Chairman. Where the Board Chairman deems appropriate, the Board Chairman will encourage the declaring Director disclose the (potential) conflict of interest in a Board meeting, where the disclosure would be recorded in Board minutes.

Where a Director is unsure whether to declare a potential conflict, a Director is encouraged to discuss the matter with the Board Chairman in private for guidance.

2. Refrain from participation

If a Director has a conflict with a matter being discussed at the Board, the Director must remove his or herself from that discussions and decision making process. Where possible, the remaining members of the Board will continue proceedings absent the conflicted Director on that matter.

The Board's decision shall not be influenced in any way by the fact that a director has an interest in the contract.

3. Obligation to raise conflict of interest issues

A director who perceives another director may be in conflict must identify the potential conflict to the Board Chairman.

4. Conflict discovered after a decision has been made

Where a conflict of interest is discovered after consideration of a matter, the conflict must be declared to the Board and recorded at the first opportunity. If the Board determines that the director may have been in a conflict of interest, the Board must examine the matter and determine an appropriate resolution.

Where the Board determines that a Director has failed to comply with the Code, the Board shall consider the extent to which the Director's duties has been breached and the need for redress and decide on an appropriate course of action, which may include:

- issuing an oral or written reprimand to the Director;
- requesting the Director to take appropriate corrective action;
- retroactively revoking a resolution where there was a conflict of interest in the decision making process, and taking a review and re-vote on the said resolution without interested Director; and/or
- passing a resolution recommending the removal of a Director.