

CHARTER OF GROUP SHARIAH SUPERVISORY COUNCIL BANK ISLAM MALAYSIA BERHAD

SECTION 1: INTRODUCTION

- 1.1 The Group Shariah Supervisory Council (GSSC) Charter contains broad principles and requirements on the GSSC's governance in accordance with the principles of good corporate governance as set out in the recommendation and guidelines issued by the relevant regulatory authorities. The GSSC is expected to be fully committed in promoting and sustaining a strong culture of good corporate governance and uphold high standards of business integrity and professionalism when carrying out their duties and responsibilities of SSC in line with ethical values and Islamic principles.
- 1.2 The duties and responsibilities of GSSC shall include Bank Islam and its subsidiaries (the Group). The GSSC may at its discretion consider on advising other parties and when such request is made.

SECTION 2: SSC COMPOSITION

- 2.1 The GSSC must be of a size that reflects the business needs of the Bank or the financial group; and enables a conducive environment for sound deliberation of Shariah matters.
- 2.2 Shariah Governance Policy Document issued by Bank Negara Malaysia (BNM) and Clause 10(2) of the Bank's Constitution specifies that the number of GSSC shall not be less than five (5) and not more than seven (7).
- 2.3 The GSSC may comprise the following categories of members:
 - (a) Shariah qualified members who hold, at minimum, a bachelor's degree in Shariah, which includes study in *Usul Fiqh* (principles of Islamic jurisprudence) and *Fiqh Muamalat* (Islamic transaction/commercial law). These members must possess solid knowledge in Shariah with reasonable Islamic finance knowledge and experience; and
 - (b) Expert members who possess relevant skills, knowledge and experience relevant to support the roles and responsibilities of the GSSC.

The composition of the GSSC shall, at all times, consist of a majority of Shariah qualified members. In addition, the Chairman of GSSC must be a Shariah qualified person.

- 2.4 The Bank encourages diversity from a number of aspects which include skills, knowledge, professional experience and gender in the GSSC composition as it is an important driver of a GSSC's effectiveness.
- 2.5 The Chairman of GSSC attends the Board meeting as a permanent invitee. In addition, two (2) GSSC representatives are also invited as permanent invitees to the Board Risk Committee ("BRC") meeting on rotation basis for a period of two (2) years. Their attendance at the Board and BRC meetings facilitate and assist the Board and BRC members when deliberating issues relating to Shariah matters.
- 2.6 The members of the Board, as decided by the Board, may attend the GSSC meeting as permanent invitees. Their attendance at the GSSC meetings will facilitate and assist the GSSC members when deliberating issues relating to the Group's business strategies.

SECTION 3: DUTIES AND RESPONSIBILITIES

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3.1 Roles & Responsibilities of the GSSC

- 3.1.1 The GSSC has the responsibility to provide objective and sound advice to the Group to ensure that its aims and operations, business, affairs and activities are in compliance with Shariah and it is their responsibility to form an independent opinion on the conduct and businesses of the Group without undue influence from any party.
- 3.1.2 The Terms of Reference (TOR) of the GSSC stipulates the primary duties and responsibilities of the GSSC and the conduct of the GSSC meetings. In general, the GSSC has the responsibility to provide objective and sound advice to the Group to ensure that its aims and operations, business, affairs and activities are in compliance with Shariah without undue influence from any party. This includes a consideration of the long term implications of the GSSC's decision on the Group, its stakeholders and the general public.
- 3.1.3 In general, the GSSC's key roles and responsibilities include but not limited to the following: -
- (a) to advise the Board and Management on Shariah-related matters encompassing areas such as the recovery plan as well as sustainability and climate-related aspects in order for the Group to comply with Shariah rules and principles at all time;
 - (b) to perform an oversight role on Shariah matters related to the Bank's business operations and activities;
 - (c) to oversee the Bank's compliance with any Shariah regulatory requirements as imposed by Bank Negara Malaysia (BNM), Securities Commission (SC) and Labuan Financial Services Authority (FSA).
 - (d) to endorse Shariah related policies and guidelines;
 - (e) to approve products and services to ensure compliance with Shariah rules and principles which include;
 - (i) validating the terms and conditions contained in the forms, contracts, agreements or legal documents used in executing the transactions;
 - (ii) validating the product manual, marketing advertisements, sales illustrations and brochures used to describe the product and services;
 - (f) to deliberate and affirm a Shariah non-compliance finding by assessing works carried out by Shariah Compliance and Shariah Audit which forms part of the GSSC duties in providing assessment of Shariah compliance and assurance information in the annual report of the Bank;
 - (g) to provide a decision or advice on the operations, business, affairs and activities of the Bank which may trigger a Shariah non-compliance event;

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- (h) to confirm the status of potential Shariah non-compliance event(s) and to endorse a rectification measure to address a Shariah non-compliance event;
- (i) to advise related parties such as the Bank, subsidiaries, clients, legal counsels, auditors or consultants on Shariah matters for advice upon request;
- (j) to advise the Bank to consult the SAC of BNM and Securities Commission on Shariah matters that cannot be resolved;
- (k) to provide written Shariah opinions in circumstances where the Bank makes reference to the SAC for further deliberation, or where the Bank submits application to BNM for new product approval; and
- (l) to approve the computation, payment and distribution of Zakat of the Bank and subsidiaries.

3.2 Roles & Responsibilities of the Chairman

The Chairman, in leading the GSSC is responsible for the effective overall functioning of the GSSC. In fulfilling this role, the Chairman must;

- (a) ensure appropriate procedures are in place to govern the GSSC's deliberations and proceedings;
- (b) act as a direct liaison between the Board and GSSC to foster greater understanding between both organs;
- (c) ensure that Shariah decisions or advice are made on a sound and well-informed basis, including based on a robust decision-making methodology which ensures that all business, operations and risk implications are considered by the GSSC;
- (d) encourage healthy discussion, participation and contribution, and ensure that dissenting views can be freely expressed and discussed;
- (e) ensure sufficient records of the discussion leading to formulation of the GSSC's decision or advice are maintained; and
- (f) lead efforts to manage the GSSC's development plans.

3.3 Roles & Responsibilities of the CEO and Senior Management

The CEO, in leading senior management, has primary responsibility over the day-to-day management of the Bank. This includes ensuring that the Bank's operations, business, affairs and activities comply, at all times, with Shariah. In fulfilling this responsibility, the CEO and senior management must;

- (a) establish a management structure and reporting arrangement that provides a clear

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scope of accountability between the business lines and the internal control functions that are involved in managing Shariah non-compliance risks, including the accountability of the senior officer's leading a Shariah department or unit;

- (b) implement effective Shariah governance policies, procedures and practices in accordance with the direction given by the Board;
- (c) implement the rulings of the SAC and the decision or advice of the GSSC with due regard by the Board;
- (d) implement an effective communication policy that supports a sound understanding of Shariah matters across the Bank;
- (e) conduct regular assessment to evaluate the quality of operational support provided to the GSSC and address any inadequacies arising thereof; and
- (f) report to the Board and GSSC on a timely basis any potential or actual Shariah non-compliance events.

3.4 Roles & Responsibilities of the Secretary of GSSC

- 3.4.1 The Secretary shall be the Director of Shariah or such other person within the Shariah Division as appointed by the GSSC.
- 3.4.2 The Secretary must devote his professional time to the affairs of the GSSC.
- 3.4.3 The Secretary in leading the secretariat role has the responsibility to provide operational support for effective functioning of the GSSC, which include;
 - (a) coordinating communications and disseminating information among the GSSC, the Board and Management;
 - (b) performing in-depth research and studies on Shariah issues;
 - (c) providing day-to-day advice to relevant parties within the Group on Shariah matters based on the rulings of the SAC and decisions or advice of the GSSC;
 - (d) Ensuring proper dissemination of decisions or advice of the GSSC within the Group; and
 - (e) undertaking administrative and secretarial functions to support the GSSC.

All GSSC members have direct and unrestricted access to the advice and services of the Secretary.

- 3.4.4 The Secretary has the responsibility to plan and coordinate GSSC meetings in a manner that promotes sound decision-making by the GSSC.
- 3.4.5 The Secretary shall record the proceedings including any significant concerns or

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dissenting views and resolutions of all proceedings of the GSSC. The minutes must also indicate whether any GSSC members abstained from voting or excused himself from deliberating on a particular matter. The Secretary shall ensure that all minutes of meetings are properly kept at all times.

3.4.6 The minutes shall be submitted to Management and Board for notification.

3.4.7 The appointment and removal of the GSSC's Secretary must be approved by the GSSC.

SECTION 4: REPORTING STRUCTURE

4.1 The GSSC shall report directly to the Board of Directors.

SECTION 5: AUTHORITY AND DELEGATION

5.1 The GSSC derives its authority to act from the Bank's Constitution and the laws and regulations governing financial institutions and companies in Malaysia. In carrying out its duties and responsibilities, the GSSC has the authority to advise the Group on the operations of its banking business and its subsidiaries in order to ensure that they are in compliance with Shariah rules and principles.

5.2 Delegation of Authority by Board to GSSC

5.3.1 As part of the Board's responsibility to promote sustainable growth and financial soundness of the Bank, the Board must institutionalize a robust Shariah governance framework that is commensurate with the size, complexity and nature of the Bank's business. The Board's oversight accountability over Shariah governance and compliance must reflect the integration of Shariah governance considerations within the business and risk strategies of the Group;

5.3.2 The Board may delegate any of its responsibilities to the GSSC which require reporting arrangements of the GSSC's work, key deliberations and decisions on delegated matters. While the GSSC has distinct responsibilities in relation to Shariah matters, the Board shall remain responsible for the direction and control of the Bank's business and risk strategies. The Board must remain fully accountable for the decisions and any ensuing implications arising from the delegated responsibility.

5.3.3 Hence, the Board has delegated the responsibilities to oversee the implementation of SAC rulings and decisions within all business and functional lines, including any business or risk implications to the GSSC; and

5.3.4 In the event of any inconsistency between the decision of GSSC and the Board on Shariah matters, the GSSC decision shall prevail.

5.3 Delegation of Authority by GSSC

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- 5.3.1 The GSSC may delegate any of its responsibilities to any persons or functions which require reporting arrangements of the work, key deliberations and decisions on delegated matters. The GSSC must remain fully accountable for the decisions and any ensuing implications arising from the delegated responsibility.
- 5.3.2 The GSSC has delegated several responsibilities to the followings:
- (a) the Officers within Shariah Division (subject to approval by GSSC from time to time) to approve subject matters as prescribed in the Group Shariah Compliance Guideline; and
 - (b) the Sadaqa House & Zakat Committee (SHZC) and Chairman and/or Vice Chairman of the SHZC (which ever applicable) to approve application for utilization of zakat fund and other Sadaqah House fund e.g., orphan fund, direct fund, general fund etc. within authority limit as prescribed in the Bank's Business Zakat Guideline and Sadaqah House Management Guideline.
- 5.3.3 The approvals of the Shariah Division, the minutes of the SHZC meetings, and approval for utilization zakat fund and other Sadaqah House fund by Chairman and/or Vice Chairman of the SHZC shall be submitted to the GSSC for notification.

SECTION 6: APPOINTMENT / REMOVAL / SUCCESSION PLANNING

6.1 Appointment / Removal / Succession Planning of GSSC

- 6.1.1 Section 31 of Islamic Financial Services Act 2013 (IFSA 2013) requires the Bank to submit a written application to seek BNM's approval on the appointment or reappointment of the Chairman and GSSC members. The application must be submitted to BNM at least three (3) months before it expects the individual to assume his/her proposed responsibilities as a GSSC member.
- 6.1.2 In the case of a reappointment, the application must be submitted three (3) months prior to the expiry of the GSSC's existing term, and it may be renewable for a term of two years or such term as approved by BNM.
- 6.1.3 A GSSC member is subject to maximum tenure of nine (9) years.
- 6.1.4 A GSSC member must fulfil the following minimum requirements at the time of his/her appointment or reappointment and on continuing basis:-
- (a) be a Muslim individual;
 - (b) he/she must not be disqualified under section 68(1) of the IFSA 2013, and must have been assessed by the Board Nomination & Remuneration Committee ("BNRC") to have complied with the fit and proper requirements as adopted by the Bank under para 6.2 below;
 - (c) he/she must not be an active politician;

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- (d) he/she must not accept any appointment in more than one licensed Islamic bank, one licensed takaful operator and one prescribed institution;
 - (e) he /she must comply with the restriction on external professional commitment as stipulated in Section 6.3 below;
 - (f) no adverse record in Lexis/ Nexis screening and credit agency screening; and
 - (g) he/she has not attained the maximum age limit of 70 and their tenure will not lead to him/her continuing to be on the SSC beyond the maximum age of 70 unless approved by the Board.
- 6.1.5 Each GSSC must be assessed against the above minimum requirements at least annually, and as and when the Board becomes aware of information that may materially compromise the GSSC's fitness and propriety, or any circumstances that suggest that the GSSC is ineffective, errant or otherwise unsuited to carry out his/her responsibilities. A GSSC must immediately disclose to the Board any circumstance that may affect his/her ability to meet the minimum requirements.
- 6.1.6 The Board must determine whether an individual to be appointed as a GSSC member is independent in character and judgment and free from associations or circumstances that may impair the exercise of his/her independent judgement.
- 6.1.7 Without limiting the generality of the foregoing, a GSSC member must not be considered to be a GSSC member if he/she or any person linked to him/her:-
- (a) has been an executive of the Bank within the last two (2) years;
 - (b) is a substantial shareholder, executive director and senior officer of Bank Islam or any of its affiliates. For this purpose "Affiliates" refers to corporation that controls, is controlled by, or is under common control with Bank Islam;
 - (c) has been engaged in any significant business or other contractual relationship with the Bank or any of its affiliates within the last two (2) years.
- Note: Significant business or other contractual relationship refers to any transaction with a value of above RM1.0 million.
However, "transactions" stated above shall exclude the following transactions:-
- (a) for personal use of the said GSSC;
 - (b) for personal investment of the said GSSC except for the purpose of carrying on a trade or business; or
 - (c) normal banking transactions other than financing and advances; provided that such transactions are on normal commercial terms.

- 6.1.7 Upon appointment, each GSSC member must acknowledge the terms of his/her

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appointment, which must include:-

- (a) the roles and responsibilities of the GSSC member, including those arising from his/her membership of any Board Committee of the Bank;
- (b) the tenure of the appointment; and
- (c) provisions for the GSSC's removal in the event that he/she no longer meets the minimum requirements or has been assessed to be ineffective, errant or otherwise unsuited for carrying out his responsibilities.

6.1.8 Unless the written approval of BNM has been obtained:-

- (a) the Bank must not publicly announce the proposed appointment of a GSSC; and
- (b) a GSSC whose tenure has expired and is being proposed for reappointment must immediately cease to hold office and act in such capacity, including by participating in GSSC meetings or holding himself out as a GSSC.

6.1.9 Prior approval from BNM must be obtained before the removal of GSSC member.

6.1.10 The Bank is required to notify BNM no later than fourteen (14) days of resignation or disqualification of GSSC members.

6.1.11 The Bank shall provide a written notification to the Securities Commission (SC) within 10 business days in the event any GSSC member is no longer fit and proper.

6.2 Fit & Proper Criteria

6.2.1 In determining whether an individual is "Fit & Proper", the following are the minimum factors that must be taken into considerations:-

- (a) Probity, personal integrity and reputation;
- (b) Competency and capability; and
- (c) Financial integrity.

6.2.2 Probity, personal integrity and reputation are values that can be demonstrated through personal qualities such as honesty, integrity, diligence, independence of mind and fairness. These qualities are demonstrated over time and demand a disciplined and on-going commitment to high ethical standards.

6.2.3 Competency and capability are demonstrated by a person who possesses the relevant knowledge, experience and ability to understand the technical requirements of the business, the inherent risks and the management process required to perform his/her role in a key function in the relevant capacity effectively.

6.2.4 Financial integrity is demonstrated by a person who manages his own financial affairs properly and prudently.

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- 6.2.5 In assessing a person's "fit & proper", the Board shall have the discretion to conduct an interview with the individual concerned prior to the appointment / re- appointment.
- 6.2.6 To facilitate the Board in the appointment or reappointment of GSSC, the Bank has established a set of criteria in evaluating the fit & proper of a GSSC as follows:-
- (a) Necessary Skills & Experience
 - (i) possess the necessary qualification;
 - (ii) possess the necessary technical expertise in the relevant area; and
 - (iii) possess the relevant working experience
 - (b) Character & Financial Standing
 - (i) not an undischarged bankrupt and no bankruptcy proceeding / legal action in relation to dishonesty and fraud is taken against him/her;
 - (ii) has not committed any criminal offence relating to dishonesty and fraud and no charge for such offence under any law; and
 - (iii) has not been a director of a company that has been wound up due to insolvency.
 - (c) Commitment & Contribution
 - (i) attended at least 75% of the GSSC meetings in each financial year;
 - (ii) obtained at least satisfactory rating from the peer evaluation in terms of his/her contribution and participation in GSSC meetings; and
 - (iii) comply with the restriction on External Professional Commitment under para 6.3 below.
- 6.2.7 The fitness and propriety of the GSSC will be reassessed annually by executing the fit and proper declaration.

6.3 Restriction on External Professional Commitment

- 6.3.1 A GSSC member must not have competing time commitments that may impair his ability to discharge his duties effectively. In respect of multiple appointments, a GSSC member is required to manage his commitments effectively, observe professional objectivity and confidentiality in carrying out his duties.
- 6.3.2 In this regard, each GSSC member is required to ensure that the maximum number of external professional commitments must not be more than ten (10).

Note: External professional commitments are defined as holding position (executive or non-executive) in organisations other than Bank Islam. If the professional commitment involved sitting in more than one committee or holding several positions in a same entity, it will be treated as one (1) professional commitment.

- 6.3.3 Each GSSC member is required to notify the Bank on any change in the status of their external professional commitment within fourteen (14) days from the date of the said changes. In addition, Bank, via Legal and Secretarial, will obtain confirmation from each GSSC member on the status of their external professional commitment, on a bi-monthly basis.

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SECTION 7: GSSC TRAINING

- 7.1 Any GSSC that is newly appointed will undergo an orientation session with the Management on the company's governance structure, key management members, business and operations and important regulations and laws. GSSC Charter and TOR of GSSC and other relevant information will be made available to the GSSC. The said session will be organised as soon as practicable not later than three (3) months upon the appointment of the GSSC.
- 7.2 The SSC will be required to register for Certified Shariah Advisors (CSA) or Certified Shariah Practitioner (CSP) certification organized by Association of Shariah Advisors in Islamic Finance (ASAS) within one (1) year of the appointment and to complete within three (3) years upon their enrollment. The certification will be funded by the Bank.
- 7.3 The GSSC are encouraged to attend other trainings that are relevant to enable them to discharge their responsibilities based on areas that are relevant to the banking industry and conducted by experienced speakers and trainers.
- 7.4 In accordance with the Authority Limit Policy of the Bank, the GCEO may approve any GSSC members to attend trainings overseas if such trainings are viewed to be crucial for the Bank and the trainings are not available within Malaysia.
- 7.5 All GSSC are required to complete their Individual Development Plan (IDP). The IDP must consist of a minimum of three (3) trainings on technical knowledge and it shall be determined in consultation with the GSSC's Chairman. Status of the GSSC's training will be annually disclosed in the Annual Report.

SECTION 8: GSSC EVALUATION

- 8.1 An annual GSSC evaluation must be carried out annually to assess the performance and effectiveness of the GSSC members whether they deliver and support a sound Shariah governance system. This includes the GSSC Peer Evaluation, GSSC Collective Assessment and Internal Evaluation by the Senior Management who are among the permanent invitees of the GSSC meeting.
- 8.2 Where necessary, a consultant will be engaged to assist in and to lend objectivity to the annual assessment.
- 8.3 The Bank, via Legal and Secretarial, will conduct a one-to-one session between each GSSC member with the Chairman upon completion of the annual GSSC evaluation exercise. This one-to-one session will serve as a platform for the Chairman to invite any views or suggestions by the respective individual GSSC members and vice versa.

SECTION 9: GSSC REMUNERATION

- 9.1 Bank Islam has in place a remuneration structure for the GSSC members that are sufficient to attract, retain and remunerate for their contribution to the Bank.

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- 9.2 The remuneration structure for the GSSC members takes into consideration the relevant factors which include the function, workload, responsibilities and time spent for the preparation of the GSSC meeting. A higher rate (premium) is given to the Chairman of GSSC in view of his/her additional role in guiding and managing the GSSC meeting. The remuneration includes monthly fees, meeting allowances and other benefit.
- 9.3 The review of remuneration for the GSSC is conducted from time to time to ensure that it remains competitive with the industry.
- 9.4 The remuneration of the GSSC is disclosed annually in the Bank's Annual Report.

SECTION 10: CODE OF ETHICS

10.1 The GSSC observes the following Code of Ethics:-

- 10.1.1 Code of Ethics for the Financial Services Industry issued by the Financial Services Professional Board; and
- 10.1.2 Such other code of ethics issued by the relevant governing authority.

10.2 The GSSC are expected to demonstrate utmost integrity and conduct themselves with high standard behaviour based on the following fundamental principles:-

10.2.1 Duty to Avoid Conflict of Interest

A GSSC member must not allow himself/herself to get into a position where there is a conflict between his/her duty to the Bank and his/her own interest. Under section 67(4) of the IFSA, a GSSC member has a duty to disclose his/her interest in material transaction or material arrangement. If the material transaction or material arrangement is being deliberated during the GSSC meeting, the GSSC member concerned must make the disclosure before the commencement of the deliberation and he/she must not be present during such deliberation.

10.2.2 Duty to Avoid Misuse of Position

A GSSC member must not use the Bank's name or facilities for personal advantage in political, investment or retail purchasing transactions, or in similar types of activities. The GSSC member and their relatives must not use their connection with the Bank to borrow from or become indebted to customers or prospective customers. In addition, the GSSC member must not use the Bank's facilities and influence for any speculation activities, whether acting personally or on behalf of friends and relatives. The GSSC member should also not engage in "back-scratching" exercise with staff and GSSC member of other financial institutions to provide mutually beneficial transactions in return of similar facilities.

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10.2.3 Duty of Confidentiality and Prevent Misuse of Information

All GSSC members are required to respect the confidentiality of sensitive information held by the Bank. A GSSC member is prohibited from making improper use of information obtained in the course of performing his/her duties for his/her gain or advantage. In addition, a GSSC member cannot disclose information relating to the business and affairs of the Bank or that he/she obtains in the course of performance of duties and functions, as well as information about customers of the Bank. All confidential information remains confidential even when they are no longer serve as a GSSC member and it cannot be exploited or improperly used.

10.2.4 Responsibility for GSSC Decisions

An GSSC member must be capable of providing constructive challenge. They are also expected to share responsibility for decisions taken by the GSSC as a whole. If any of the GSSC member fundamentally disagree with the decision taken by the GSSC, they have the option of recording their disagreement in the minutes. However ultimately, they must accept and support the collective decision of the GSSC.

10.2.5 Loyalty to the Bank

All GSSC members must be loyal to the Bank and be fully committed to all GSSC related activities. A GSSC member is prohibited from doing, saying or publishing anything that may be detrimental to the Bank's interest. A GSSC member should never publicly criticise the Bank or fellow GSSC member, attempt to undermine the GSSC's decision or distance himself from the other SSC members outside of the meeting room. If a GSSC member has specific concerns about the manner in which the Bank is being run, these concerns should be raised with the Chairman and Management or during GSSC meetings.

10.2.6 Speaking in Public and Usage of Social Media

The CEO is the designated spokesperson who may issue statement or make comments regarding the Bank. If any GSSC member is asked to comment publicly, the GSSC is required to decline and refer the question to the CEO.

However, on case to case basis, the Board may also appoint the Chairman of the GSSC or such other GSSC member to be the spokesperson for the Bank.

In addition, all GSSC members are required to be mindful when using social media such as, but are not limited to Facebook, Twitter, Instagram, Blogs, YouTube, Google+, LinkedIn, WhatsApp and Telegram, that they do not disclose confidential information about the Bank's business or its customers. The GSSC members are prohibited from posting and making commentaries that would adversely affect the image and reputation of Bank Islam. If such comments are made in the GSSC member's personal capacity, the said GSSC member must refrain from identifying himself as the Bank's GSSC member.

SECTION 11: CONFLICTS OF INTEREST

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- 11.1 Conflict of interest is a set of circumstances that creates a risk that professional judgment or actions regarding the GSSC's primary obligation to act in the best interest of the company will be unduly influenced by the interest to do favours for family and friends either for financial gain or such other motives that will be beneficial to the GSSC or person connected to the GSSC.
- 11.2 Circumstances that may constitute or may give rise to conflicts of interests situation include but not limited to the following:-
- 11.2.1 A GSSC member or person connected to him/her will or might profit from the proposed transaction to be entered by the Bank;
 - 11.2.2 A GSSC member or person connected to him/her proposing to contract personally with the Bank;
 - 11.2.3 A GSSC member or person connected to him/her sit on the Board of direct competitor, the customer, potential customers or suppliers of the Bank;
 - 11.2.4 A GSSC member or person connected to him/her being the majority shareholder of the Bank;
 - 11.2.5 A GSSC member or person connected to him/her being the potential customer, supplier or advisor/consultant to the Bank; and
 - 11.2.6 A GSSC member or person connected to him/her accepting costly entertainment or gifts from customers, potential customers or suppliers. However, a GSSC member may accept token gifts with no commercial value during the festive seasons if such act will not put the GSSC in compromising position.
- 11.3 Each GSSC member shall declare any COI or potential COI prior to his/her appointment and thereafter as soon as such COI or potential COI comes to his/her knowledge, to the Chairman of the GSSC. In the event of a new appointment for the Chairman, the declaration shall be made to the SID. An assessment of conflict of interest will be conducted by Corporate Secretarial Department to determine any potential conflict arising from the new appointment. The declaration and assessment process shall be formally tabled to the BNRC and Board for notation or further action, where necessary.
- 11.4 In the event where there may be a conflict of interest, the interested GSSC member shall declare at the beginning of the GSSC meeting the facts and nature of the conflict and to leave the meeting room and abstain from participating in discussions and decisions on the matters directly involving the said member. In circumstances where an GSSC member is unsure as to whether or not a conflict of interest exists or is material, he/she should discuss the matter with the Chairman prior to the meeting.

Where a conflict of interest exists and the GSSC member does not declare his or her interest and/or offer to withdraw, the Chairman should, if he is aware, take appropriate action to ensure that the GSSC member concerned is not compromised.

The fundamental principle is that no one should use, or give the appearance of using, their

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public position to further their private interests. This is an area of particular importance as it receives considerable media attention and even innocent acts could be misinterpreted.

- 11.5 In the event of any non-compliance with the above conflict of interest requirement, the GSSC shall take or impose such actions as it considers appropriate in the best interest of the Bank.

SECTION 12: DECISION MAKING PROCESS

12.1 Methodology and Means of Decision Making

Methodology and means for the GSSC members in reaching the decision on Shariah related matters referred are as follow:

- (a) Understanding the details of the presented issue through questioning the Bank, consulting other Shariah scholars, resorting to expert and specialized parties and taking into consideration the prevailing norms and tradition.
- (b) Decision should be founded on what has been explicitly stated in the Quran and the Sunnah along with what has been reported by *ijma'* (unanimity) and proved by *qiyas* (analogy).
- (c) After resorting to the preceding sources, the decision with regard to the different viewpoints of the fuqaha' e.g. *istihsan* (approbation) and *maslahah mursalah* (public interest) may be considered as the basis for issuing the decision. Reference may also be made to classical *fiqhi* reference including but not limited to the view of prominent scholars of mazhabs i.e. Hanafi, Maliki, Shafie and Hanbali.
- (d) In the absence of explicit directives in the Quran and the Sunnah on a given issue, or non-existence of the issue in the prevailing *fiqh* literatures; the decision may be derived through Shariah-sanctioned rules and methods of deduction (*istiqra'*).
- (e) The rulings of the SAC of BNM must be respected and observed in the decision making. The same treatment shall be treated on SAC of Securities Commission in case of capital market matters.
- (f) The collective contemporary fatwas issued by non-regulatory body such as resolutions of International Islamic Fiqh Academy (Jeddah – Organizations of Islamic Countries), Islamic Fiqh Academy (Makkah – Muslim World League), National Fatwa Committee, other SSCs as well as Shariah Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) may be referred to in deciding the matters.
- (g) If necessary, the GSSC may advise the Bank to consult the SAC of BNM or SC or third-party experts on any Shariah matters including decision making for hajah type 2 and darurat which have not been resolved or endorsed by the GSSC through the Secretariat of the SAC of BNM. In the case when the Bank submitting applications to BNM for new product approval, the GSSC shall provide written Shariah opinions for deliberation at the SAC level.

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- (h) In the event where the GSSC decides or advises to place additional restrictions on the operations, business, affairs and activities of the Bank in applying the SAC rulings, the Bank must;
 - a. document the deliberations and justifications of the GSSC decision or advice;
 - b. ascertain the board's views on the decision or advice made by the GSSC with regards to the SAC ruling; and
 - c. ensure immediate notification to the BNM of such decision or advice.
- (i) GSSC should issue decision whenever the Bank approaches it for that purpose, except when it feels that the Bank may use the decision for committing a Shariah-banned action. In that case, the GSSC may either refrain from issuing the decision, or make it subject to certain restrictions.

12.2 Decision Pronouncement

- (a) The decision should be clearly stated, so that it may not be misunderstood by the layman, or taken to mean different things to those who have bad intentions.
- (b) When there are more than one *fiqh* opinions on the same issue, the GSSC should declare the specific opinion that it subscribes to. If the issue is controversial, the GSSC has to explain the specific bases of its choice.
- (c) The decision pronouncement should be precise, concise and free from any confusing details. However, if the subject requires detailed statement for the sake of public interest or so as to convince the regulatory bodies, it would be better to add such expressions, for knowledge on the justification of the decision, and also to indicate the goal behind it and avoidance from any kind of losses.
- (d) In addition, the GSSC may provide more information than what has been requested by the Bank in order to leave no room for confusion, or to distinct the decision from other decisions, or to serve a future need of the Bank.

12.3 Rights to Review Decision

The GSSC, on its own initiative or on request of the Bank, has the right to review its decision even if such revision would lead to issuing a new decision that contravenes the former one. In such case, the Bank has to follow the new decision in the future.

SECTION 13: TRANSPARENCY AND DISCLOSURES

- 13.1 The Bank must ensure that structured processes are applied by the GSSC in deriving its opinion on the status of the Group's compliance with Shariah.
- 13.2 The process to derive the GSSC opinion on the status of Group's Shariah compliance are as follows:
 - (a) ensure effectiveness of the internal Shariah compliance functions;
 - (b) ensure all products, transactions, services, processes and documents of the Group in compliance with Shariah.
 - (c) advice on new research & product development activities, refining existing products &

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- procedures, providing Shariah training;
- (d) monitor Shariah non-compliance risks bank-wide,
- (e) review Shariah Audit & Shariah Compliance report on departments and branches; and
- (f) review the financial statement of the Bank.

13.3 The GSSC report shall be expressed as follows:

- (a) nothing has come to the GSSC’s attention that causes the GSSC to believe that the operations, business, affairs and activities of the Group involve any material Shariah non-compliances; or
- (b) the overall operations, business, affairs and activities of the Group are in compliance with Shariah but it has come to the GSSC’s attention that a material Shariah non-compliance event(s) has occurred and has been or in the process of being rectified.

13.4 The status of the Group’s compliance with Shariah rules and principles will be published in the GSSC report at the end of the financial year.

SECTION 14: WHISTLE BLOWING POLICY

14.1 The Bank has established its Whistle Blowing Policy. The GSSC acknowledged that the Whistle Blowing Policy encompasses the following structure:

Person being reported	Designated recipient(s) of Whistleblowing Disclosure
Any member of the Board of Directors/ GSSC	Chairman of the Board Chairman@bankislam.com.my
Chairman of the Board, GCEO, GICGO and/or any member of Integrity & Governance Department (IGD)	Senior Independent Director (“SID”) SID@bankislam.com.my
Employees	GCIGO and SID whistle@bankislam.com.my

SECTION 15: DEALING IN SECURITIES

15.1 Directors, GSSC and principal officers of the Company are prohibited from trading in any affected securities based on price sensitive information and/or knowledge which have not been publicly announced. Notices on the closed period for trading in Bank Islam and/or any affected securities are circulated to Directors, GSSC and principal officers deemed privy to any price sensitive information in advance of the closed period, wherever applicable.

GSSC members is required to notify the Company Secretary of the Bank of all changes in his/her holding of securities of the Company, if any.