



**TERMS OF REFERENCE OF GROUP SHARIAH SUPERVISORY COUNCIL
BANK ISLAM MALAYSIA BERHAD**

1. Introduction

The Group Shariah Supervisory Council (GSSC) is established pursuant to Section 30 (1) of the Islamic Financial Services Act (IFSA) 2013, which requires Bank Islam to establish a Shariah Committee for purposes of advising the Bank in ensuring its business, affairs and activities comply with Shariah.

The GSSC plays critical role in ensuring sound and comprehensive compliance with Shariah rules and principles in all aspects of business operations and activities at all times.

2. Authority

The GSSC during the discharge of its duties shall have:

- (a) authority to decide on Shariah related matters referred to the GSSC by taking into consideration of the published rulings of the Shariah Advisory Council (SAC) of Bank Negara Malaysia (BNM) or Securities Commission Malaysia (SC) or any matters that require certification by the GSSC as imposed by any relevant authorities, including the Labuan Financial Services Authority (FSA).. In the event where the decision given by the SSC is different from the ruling given by the SAC, the rulings of the SAC shall prevail. However, the GSSC is allowed to adopt a more stringent Shariah decision. 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 Group must;
 - i. document the deliberations and justifications of the GSSC decision or advice;
 - ii. ascertain the Board of Director's (Board) views on the decision or advice made by the GSSC with regards to the SAC ruling; and
 - iii. ensure immediate notification to the BNM of such decision or advice.
- (b) authority to decide on Shariah related matters referred to the GSSC without undue influence that would hamper the GSSC from exercising objective judgment in deliberating issues brought before them;
- (c) authority to ensure that decisions made by the GSSC are duly observed and implemented by the Group. Decisions made by the GSSC should not be set aside or modified without its consent; and



**TERMS OF REFERENCE OF GROUP SHARIAH SUPERVISORY COUNCIL
BANK ISLAM MALAYSIA BERHAD**

- (d) authority to inform the Board in any case that the GSSC has reason to believe that the Group has been carrying on Shariah non-compliant activities and to recommend suitable measures to rectify the situation. In cases where Shariah non-compliant activities are not effectively or adequately addressed or no rectification measures are made by the Group, the GSSC shall inform BNM or SC, where relevant, of the fact. In this case, the GSSC will not be regarded as breaching the confidentiality and secrecy code if the sensitive information were disclosed to BNM/ SC in good faith.

In addition, during the discharge of such duties, the GSSC shall have:-

- (a) access to the full company records, properties and personnel;
- (b) independent professional advice and expertise necessary to perform its duties; and
- (c) access to advice and services of the Secretary of the GSSC and Company Secretary.

A GSSC member shall at all times act honestly and shall use reasonable diligence in the discharge of his/her duties.

3. Primary Duties and Responsibilities

The GSSC has the responsibility to provide objective and sound advice to the Group¹ 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.

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 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. In the context of recovery plan as per Bank Negara Malaysia's (BNM) Recovery Planning Policy Document issued on 28 July 2021, the GSSC must:

¹ 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.



**TERMS OF REFERENCE OF GROUP SHARIAH SUPERVISORY COUNCIL
BANK ISLAM MALAYSIA BERHAD**

- I. advise on the application of Shariah requirements in relation to the recovery options, impediments to implement recovery options, transferability of assets/ portfolio and other relevant components of the recovery plan;
 - II. advise and provide clarification on relevant Shariah rulings, decisions or policy documents on Shariah matters issued by the Bank, and if relevant, any other authorities impacting, or which may impact the development and implementation of the recovery plan; and
 - III. give opinions on any other Shariah matters in general, where necessary.
- (b) to perform an oversight role on Shariah matters related to the Bank's business operations and activities;
- (c) to oversee the Group's compliance with any Shariah regulatory requirements as imposed by BNM or SC, where relevant;
- (d) to endorse or approve 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 Group which may trigger a Shariah non-compliance event;
- (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;
-



**TERMS OF REFERENCE OF GROUP SHARIAH SUPERVISORY COUNCIL
BANK ISLAM MALAYSIA BERHAD**

- (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 Group to consult the SAC of BNM and SC on Shariah matters that cannot be resolved;
 - (k) to provide written Shariah opinions in circumstances where the Group makes reference to the SAC for further deliberation, or where Bank Islam submits application to BNM for new product approval; and
 - (l) to approve the computation, payment and distribution of Zakat of the Group.
-

4. Composition

- (a) Pursuant to BNM Shariah Governance Policy Document and Clause 10(2) of the Bank's Constitution, that the number of GSSC shall not be less than five (5) and not more than seven (7).
- (b) The GSSC may comprise the following categories of members:
 - I. 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
 - II. 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.

5. Secretary

The Secretary shall be the Director of Shariah or such other person within the Shariah Division as appointed by the GSSC.

6. Frequency of Meetings

The GSSC meetings shall be held at least once in every two (2) months. Additional meetings for particular matters may be conducted, as and when required. The number of meetings must be disclosed in the Bank's annual report.

**TERMS OF REFERENCE OF GROUP SHARIAH SUPERVISORY COUNCIL
BANK ISLAM MALAYSIA BERHAD**

7. Notice of Meetings

- (a) Unless otherwise agreed by the GSSC, the notice for each meeting confirming the venue, date and time shall be forwarded to each member of the GSSC at least five (5) working days prior to the date of the meeting;
 - (b) In addition to the scheduled meeting, the Secretary shall convene any special meeting of the GSSC upon concurrence of the Chairman by giving reasonable notice of not less than two (2) working days; and
 - (c) Any late submission to the GSSC will only be considered to be discussed in the meeting with the permission from the Chairman.
-

8. Quorum for Meetings

- (a) The quorum for meeting shall be at least 60% of the total members with majority of Shariah qualified members to be present at the meeting.
 - (b) Any member who participates in the meeting virtually shall be counted for the purpose of determining a quorum; and
 - (c) In the event that the Chairman is unable to attend the meeting, the members present shall elect one (1) of them to chair the meeting.
-

9. Circular Resolution

- (a) Decisions by the GSSC members may be made via circular resolution where the mode of communication can be via text messaging platform, telephone, email, facsimile etc.;
 - (b) Consent from the Chairman shall be obtained prior to the circulation of any circular resolution.
 - (c) Decisions made via circular resolutions are deemed effective after being executed by all members of the GSSC. All decisions made via circular resolution shall be presented at the subsequent GSSC meeting for notification; and
 - (d) SSC members shall respond to all circular resolution submitted to the SSC members within T+2 working days. (subject to Chairman's view based on complexity of the matters)
-



**TERMS OF REFERENCE OF GROUP SHARIAH SUPERVISORY COUNCIL
BANK ISLAM MALAYSIA BERHAD**

10. Minutes of Meetings

- (a) The Secretary shall minute the proceedings and resolutions of all meetings of the GSSC. The Secretary shall ensure that clear and accurate minutes of GSSC meetings are maintained to record the decisions or advice of the GSSC, including the key deliberations, rationale for each decision or advice made, and any significant concerns and dissenting views. The minutes must also indicate whether any GSSC abstained from voting or excused himself/ herself from deliberating on a particular matter;
 - (b) Minutes of meetings shall be submitted to the Board and Management for notification; and
 - (c) Resolutions of meeting shall be circulated to relevant division for necessary action.
-

11. Decision-Making

- (a) The decision of the GSSC shall be based on simple majority basis.
- (b) In relation to the decision making on all matters herein, all GSSC member(s) shall deliberate the proposals and must ascertain views and insights on such matters. In the event that any GSSC member(s) is unable to attend the meeting, the member shall submit written views, specifically on the proposals for the application of Hajah and/or Darurah, which shall be duly considered in the decision-making process. Any written comment(s) provided by him/her shall be treated as his/her view on the issue(s) and shall be taken into consideration to make a decision;
- (c) While the Board or Management may provide useful insights on any business, technical or operational matters discussed during a GSSC meeting, they must not exercise undue influence that could hinder the GSSC in exercising objective judgment in its decision-making.
- (d) In reaching to the decision on matter(s) referred to the GSSC, the GSSC must observe the methodology and means of Shariah decision making process as detailed out in Section 11 of GSSC Charter.

In the event where there is a conflict of interest to any GSSC members, the GSSC must excuse himself from the discussion and abstain from voting on that particular matter as detailed out in Section 10 of GSSC Charter.



**TERMS OF REFERENCE OF GROUP SHARIAH SUPERVISORY COUNCIL
BANK ISLAM MALAYSIA BERHAD**

12. Attendance

- (a) Each GSSC member is required to attend at least 75% of the GSSC meetings held in each financial year. The attendance of each GSSC member must be disclosed in the Bank's annual report.
- (b) The GSSC member must devote sufficient time to prepare for and attend Shariah committee meetings.
- (c) The Board Representative and any officers shall be invited to attend the GSSC meetings as Permanent Invitees to foster integration and facilitate the GSSC in deliberating of matters related to the Group's business and strategy.

13. Review of Terms of Reference

The GSSC and Board may review the Terms of Reference once every two years or as and when is necessary.
