



TERMS OF REFERENCE OF SHARIAH SUPERVISORY COUNCIL BANK ISLAM MALAYSIA BERHAD

1. Introduction

The Shariah Supervisory Council (SSC) 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 SSC 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 SSC during the discharge of its duties shall have:

- (a) authority to decide on Shariah related matters referred to the SSC by taking into consideration of the published rulings of the Shariah Advisory Council (SAC) of Bank Negara Malaysia (BNM) or Securities Commission Malaysia (SC), where relevant. 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 SSC is allowed to adopt a more stringent Shariah decision. In the event where the SSC 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 SSC decision or advice;
 - ii. ascertain the Board of Director's (Board) views on the decision or advice made by the SSC 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 SSC without undue influence that would hamper the SSC from exercising objective judgment in deliberating issues brought before them;
- (c) authority to ensure that decisions made by the SSC are duly observed and implemented by the Group. Decisions made by the SSC should not be set aside or modified without its consent; and



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- (d) authority to inform the Board in any case that the SSC 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 SSC shall inform BNM or SC, where relevant, of the fact. In this case, the SSC 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 SSC 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 SSC and Company Secretary.

A SSC 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 SSC 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 SSC's decision on the Group, its stakeholders and the general public.

In general, the SSC'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 SSC must:
 - 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;

¹ The duties and responsibilities of SSC shall include Bank Islam and its subsidiaries (the Group) except for BIMB Investment Management Berhad and BIMB Securities Sdn Bhd due to availability of Shariah Committee/advisor at the respective institutions. The SSC may at its discretion consider on advising other parties and when such request is made.



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- 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.
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- (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 SSC 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;
 - (i) to advise related parties such as the Bank, subsidiaries, clients, legal counsels, auditors or consultants on Shariah matters for advice upon request;



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- (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.
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4. Composition

- (a) Pursuant to BNM Shariah Governance Policy Document and Clause 10(2) of the Bank's Constitution, that the number of SSC shall not be less than five (5) and not more than seven (7).
- (b) The SSC 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 SSC.

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

5. Secretary

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

6. Frequency of Meetings

The SSC 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.



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7. Notice of Meetings

- (a) Unless otherwise agreed by the SSC, the notice for each meeting confirming the venue, date and time shall be forwarded to each member of the SSC 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 SSC upon concurrence of the Chairman by giving reasonable notice of not less than two (2) working days; and
 - (c) Any late submission to the SSC will only be considered to be discussed in the meeting with the permission from the Chairman.
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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.
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9. Circular Resolution

- (a) Decisions by the SSC 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 SSC. All decisions made via circular resolution shall be presented at the subsequent SSC 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)
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10. Minutes of Meetings

- (a) The Secretary shall minute the proceedings and resolutions of all meetings of the SSC. The Secretary shall ensure that clear and accurate minutes of SSC meetings are maintained to record the decisions or advice of the SSC, 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 SSC 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.
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11. Decision-Making

- (a) The decision of the SSC shall be based on simple majority basis.
- (b) In the event of absence of SSC member(s) in the meeting, 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 SSC meeting, they must not exercise undue influence that could hinder the SSC in exercising objective judgment in its decision-making.
- (d) In reaching to the decision on matter(s) referred to the SSC, the SSC must observe the methodology and means of Shariah decision making process as detailed out in Section 11 of SSC Charter.

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

12. Attendance

- (a) Each SSC member is required to attend at least 75% of the SSC meetings held in each financial year. The attendance of each SSC member must be disclosed in the Bank's annual report.
 - (b) The SSC member must devote sufficient time to prepare for and attend Shariah committee meetings.
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(c) The Board Representative and the following officers¹ shall be invited to attend the SSC meetings as Permanent Invitees to foster integration and facilitate the SSC in deliberating of matters related to the Group's business and strategy.

- i. Group Chief Executive Officer;
- ii. Group Chief Legal & Secretarial Officer;
- iii. Group Chief Financial Inclusion Officer;
- iv. Group Chief Internal Auditor,
- v. Group Chief Risk Officer;
- vi. Group Chief Compliance Officer and
- vii. Head of Product Management.

¹In the event the officers are unable to attend the meeting, he/ she may delegate their representative to attend the meeting.

**13. Review of Terms
of Reference**

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