THE TERMS OF REFERENCE AND THE CHARTER OF THE BOARD SHARIAH COMMITTEE

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1. GENERAL PROVISIONS

1.1 The establishment of the Board Shariah Committee (BSC) is pursuant to the Section 30(1) of the Islamic Financial Services Act (IFSA) 2013, which provides that a licensed person (the bank) shall establish a Shariah Committee for purposes of advising the licensed person in ensuring its business, affairs and activities comply with Shariah.

2. DUTIES AND RESPONSIBILITIES OF THE MEMBERS

2.1 The BSC plays a critical role in ensuring sound, prudent and compliance with Shariah principles at all times covering all aspects of the Bank's aims, business operations, affairs and activities.

2.2 The primary roles and responsibilities of the BSC are to:

a) Perform an oversight role on Shariah matters related to the business operations and activities of CIMB;
b) Advise the Board of Directors of CIMB Islamic and the Management on Shariah matters in order to ensure that the Islamic banking and finance business of CIMB are Shariah-compliant at all times. This includes providing advice or decision on the operations, business, affairs and activities of the Bank which may trigger a Shariah non-compliance event. The BSC shall be accountable for the quality, accuracy and soundness of its decision or advice;
c) Advise CIMB on the application of any ruling of the Shariah Advisory Council of Bank Negara Malaysia (SAC of BNM) and the Securities Commission (SAC of SC), or standards on Shariah matters that are applicable to the operations, business, affairs and activities of the Bank. This includes keeping abreast with the latest development of Islamic banking business globally, regulatory changes affecting CIMB's business, the rulings made by the SACs and the changes in the latest Shariah research, Ijtihad, Fatwas or findings;
d) Advise and update the Board on any Shariah issue or matter that may affect the safety and soundness of the Bank;
e) Advise CIMB to refer to the SAC of BNM and the SAC of SC for matters that require a Shariah ruling to be made;
f) Endorse the Shariah policies and procedures including their revision, improvement and updates from time to time as may be necessary;
g) Establish the policies and guidelines to allow the Shariah Advisory & Governance (S&G) department of CIMB Islamic to process and decide on submissions from any division within CIMB;
h) Review and endorse Shariah governance framework as provided by various tools such as Shariah policies and procedures and various implementation functions within CIMB including Shariah Research, Shariah Secretariat, Shariah Compliance Review, Shariah Audit and Shariah Risk Management;

i) Responsible to issue any reports as may be required by relevant regulations such as the BSC Report on Financial Statement;
j) To review and respond to proposals submitted for the Members' Circular Resolution within 7 (seven) calendar days after the proposals have been circulated; if any of the Members requires more time for the study of the circulated Shariah Papers, the relevant Member may submit a request for an extension of time to the Shariah Co-Ordinator at any time before the due date for the response
k) Deliberate and affirm a Shariah non-compliance finding by any relevant function including to endorse the rectification measure to address any Shariah non-compliance event;
l) Approve the computation, payment and distribution of Zakat for CIMB;
m) To ensure high standard in arriving at Shariah decision through proper Shariah ruling framework.

2.3 The Members of BSC are encouraged to undertake research work in related and relevant areas and to propose new products and principles of financing. Any Member who is desirous of undertaking such research or proposing new products and principles of financing, shall submit directly to CIMB an outline of his or her proposed research topic or a summary of the new product and principles of financing.

2.4 Notwithstanding the above, the BSC is also accountable to perform specific roles and responsibilities as outlined in the guidelines, policy documents, circulars or standard issued by the regulatory authority.

2.5 Maintain and embrace professionalism in the best manner to uphold the integrity of the BSC.

3. STRUCTURE AND MEMBERSHIP

3.1 The BSC shall report directly to the Board of Directors (Board) of CIMB Islamic.

3.2 The BSC members shall be appointed by the Board subject to the written approval by BNM.

3.3 The BSC members must be Muslim individuals and shall consist of the following 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) or Fiqh Muamalat (Islamic transaction/commercial law). These members must possess solid knowledge in Shariah with reasonable Islamic finance knowledge and experience;

b) Expert members who possess the relevant skills, knowledge and experience with finance and law background to support the roles and responsibilities of the BSC. They could support the depth of the deliberation in the BSC meeting.

3.4 The number of members at all times shall not be less than five (5) and not more than nine (9):
a) The majority of the members shall be Shariah qualified persons;
b) The Chairman must be a Shariah qualified person.

3.5 The composition and effectiveness of the BSC may be reviewed annually by the Board of Directors with the assistance from the Management of CIMB Islamic. The annual review shall incorporate the following essential elements:
a) Member's attendance;
b) Number of circulars responded; and
c) Member's participation in discussions and value added response.

3.6 The maximum year of service for each individual BSC member is 9 years. Approval from BNM is required for any extension to this maximum service period.

3.7 An existing Member of the BSC shall, during the service period, be entitled to resign from the BSC by giving one (1) month notice in writing to the Chairman of the BSC, with copies thereof to CIMB.

4. FIT AND PROPER CRITERIA

4.1 On a continuous basis, the BSC members must meet the fit and proper criteria.

4.2 The BSC members shall ensure at all times that they are not:
a) An undischarged bankrupt;
b) Being the subject of a judgement debt which is unsatisfied, either in whole or in part, whether in Malaysia or elsewhere;
c) Being the subject of any proceeding of a disciplinary or criminal nature, or being notified of any impending proceeding or of any investigation, which might lead to such proceedings;
d) Engaged in business practices which are deceitful, oppressive or otherwise improper (whether unlawful or not), or which otherwise reflect discredit on his professional conduct;
e) Contravene requirements and standards of a regulatory body, professional body, government or its agencies;
f) Being dismissed, asked to resign or has resigned from employment or from a position of trust, fiduciary appointment or similar position because of questions about their integrity;

g) Whether within or outside Malaysia, entered into a compromise or scheme of arrangement with any creditors, being a compromise or scheme of arrangement that is still in operation; and *
h) Have any receiver, receiver and manager or an equivalent person appointed, whether within or outside Malaysia, in respect of any of his property. *

** These requirements are not included in the fit & proper criteria for Shariah Committee by BNM. The requirements are outlined in the Securities Commission Guidelines for Shariah Advisers and is adopted for best practices.*

4.3 Where a criminal proceeding is pending in any court for any offence against a BSC member, the member shall not:
a) Act in such capacity, hold any other office or act in other capacity in CIMB;
b) Take part or engage in any manner whether directly or indirectly in any activity, affairs or business of CIMB.

4.4 In the event that any of these requirements are not met, A BSC member must immediately disclose these to the Board.

5. CONFLICT OF INTEREST

5.1 Members of the BSC must avoid situations that may give rise to conflict of interest.

5.2 A BSC member or his immediate family member must not:
a) Be an executive of the bank during the tenure of his appointment or within the last two (2) years of his proposed appointment as a BSC member;
b) Be a substantial shareholder, executive director or senior officer of the bank or any of its affiliates; or
c) Have a significant business or other contractual relationship with the bank or any of its affiliates within the last two (2) years.

5.3 A BSC member can only accept appointment as a member of Shariah committee in other financial institutions as specified under the relevant regulatory standards. Any BSC member must not accept any appointment in more than one licensed Islamic bank, one licensed Takaful operation and one prescribed institution.

5.4 A BSC member must not be an active politician.

5.5 Members of the BSC shall immediately disclose the potential conflicts of interest to the Board as soon as there is any change in their circumstances that may affect their status. If a matter to be brought before the BSC gives rise to a conflict of interest to any committee member, the member must excuse himself from the discussion and abstain from voting on that particular matter.

5.6 The BSC members must ensure that their judgment in arriving at a Shariah decision or advice is not affected by their other professional commitments. The BSC members are required to manage their commitments effectively, observe professional objectivity and confidentiality in carrying out their duties.

6. MEETINGS

6.1 The BSC shall meet at least once in every two (2) months. Nevertheless, CIMB may call for Special BSC Meetings to discuss if the need arises including for specific matters as required by the regulators.

6.2 The quorum for every meeting, including the Special BSC Meetings, shall be two-third (2/3) with the majority of attending members must be Shariah qualified members. For the avoidance of doubt, in the event that the number of BSC members is 5, then 3 Shariah qualified members must attend to fulfil the two-third (2/3) requirement.

6.3 In the event the appointed Chairman is unable to attend the meeting, the members present may elect one (1) of the members to be the Chairman of the meeting. The alternate Chairman shall be a Shariah qualified member.

6.4 The BSC meetings can be held via a physical presence or by using teleconference, telepresence, video conference technology or through other electronic media.

6.5 Any member who participates in the meeting via tele-conferencing device shall be counted for the purpose of determining the meeting quorum.

6.6 Each individual BSC member is required to attend at least 75% of all the meetings held in a financial year and must not appoint another person to attend the meetings on his or her behalf. Any member who does not meet the minimum requirement without any valid excuse might be subject to a review of his or her service.

6.7 Dissenting opinions that occur in the BSC meetings shall be clearly stated in the minutes of meeting along with the justification for such dissenting opinions.

6.8 The minutes should accurately reflect the BSC's discussions as well as actions taken at meetings.

6.9 A BSC member whose appointment tenure is reaching expiry and is being proposed for reappointment must immediately cease to hold office and act in such capacity, including attending BSC meetings or holding himself out as a BSC member of CIMB.

6.10 The number of BSC meetings held in the year, as well as the attendance of each individual BSC member shall be disclosed in the CIMB Islamic annual report.

6.11 All official communication and correspondence between the BSC and CIMB shall be in writing.

7. CONFIDENTIALITY

7.1 The confidentiality of the matters discussed during the meeting either held via a physical meeting or electronic means, must be preserved at all times by all BSC members. The members must apply appropriate safeguards to preserve the confidentiality of the deliberations.

7.2 Each individual member of BSC shall ensure that he or she does not divulge, reveal, publish or otherwise disclose to any person, any information, issues, materials or publications of a confidential nature, in relation to CIMB generally or any deal or structure proposed by CIMB or any client of CIMB, communicated, furnished or made available to them.

8. DECISION MAKING

8.1 Decision of the BSC must be made on the basis of simple majority. For avoidance of doubt, the decision can be made by both Shariah qualified and expert members of the BSC.

8.2 In making any decision, the BSC shall take into consideration the published rulings of the SAC of BNM and other regulatory authority. In the event where the decision made by the BSC is different from the ruling of the SAC of BNM, the rulings of the SAC of BNM shall prevail. Nevertheless, the BSC is allowed to adopt more stringent Shariah decisions and rulings than those provided by the SAC of BNM.

8.3 In adopting the more stringent approach, the BSC must ascertain the Board's views on the matter.

8.4 Any member who is present at a meeting when a proposal is approved by the entire BSC is presumed to have agreed to the action unless the said Member objects and votes against the approval and the reasoning for the objection is presented to other Members.

8.5 Decision by the BSC may be made via circular resolution where the mode of communication can be via email and etc. Decisions made via circular resolution are deemed effective after being executed by simple majority of the BSC members.

8.6 All decisions made via circular resolution shall be notified in the BSC meeting.

8.7 In making any decision, as and when required the BSC may request CIMB to obtain advice from third party experts on matters deliberated by the BSC and the cost in obtaining the advice shall be borne by CIMB.

9. OPINION OR ADVICE

9.1 The BSC, in giving its opinion or advice, must ensure that the following criteria are met:

a) it must clearly state the issue or problem that is being addressed, and also the background to such issue or problem;
b) it must set out the Shariah justification for the ruling and the Shariah pronouncement will be issued;
c) it must state the ruling of the BSC; and
d) it should also set out such other matters as the BSC may deem relevant.

10. PROCEDURE FOR ISSUING OPINION OR ADVICE

10.1 If written opinion is requested by the Chairman, each BSC Member shall channel his or her written opinion or advice to CIMB. The written opinion or advice shall be either in English or Malay or Arabic. In the event the same is issued in Malay or Arabic, CIMB shall translate it into English.

10.2 For the avoidance of doubt, it is hereby declared that the opinion, advice or response of an absent Member may be taken into account when preparing the Shariah Ruling.

10.3 All new products and services based on Shariah Rulings of the Committee shall be the property of CIMB.

11. DELEGATION OF AUTHORITY

11.1 The BSC may delegate its functions to the following parties but shall be responsible for the functions delegated and must periodically review the performance of the delegated functions:

a) The responsibility on Shariah matters is delegated to the Head of S&G Department and can be further sub-delegated to the Qualified Shariah Officer within the department and shall be governed by the approved parameters by the BSC as outlined in the Shariah Advisory and Board Shariah Committee Secretariat Policy & Procedures;
b) One or more BSC members on Shariah specific matters which require attention and approval from the BSC.

11.2 The Members of BSC are still responsible for the functions delegated and should periodically review the performance of the functions so delegated.

11.3 The decisions of the Head of S&G Department made under the Delegated Authority shall be submitted to the BSC for notification.

11.4 The BSC may rely on the information, disclosure, opinions or reports of the relevant personnel within CIMB Islamic or professionals engaged by the Management of CIMB Islamic.

12. EXERCISE OF POWER IN GOOD FAITH

12.1 The BSC Members shall have the powers to review the current policies of CIMB Islamic and to reject or overrule the Management's decision in relation to Shariah matters in Islamic banking and finance business and activities. The Members must exercise their powers in good faith and in the interests of CIMB as a whole. Members must not abuse their powers. They must exercise their powers in what they honestly believe to be the interest of CIMB as a whole or the Members as a whole rather than in the interests of a particular Member or Members.

13. CODE OF CONDUCT

13.1 The Members are obliged to carry out their functions with due care, skill and diligence. The Members shall at all times adhere to the 5 fundamental principles including competence, integrity, fairness, confidentiality and objectivity as detailed out in the Code of Conduct for BSC.

14. INTERACTION BETWEEN THE BOARD AND THE BSC

14.1 Joint Board-BSC Meeting will be held on a periodic basis to achieve effective communication relating to Shariah requirements, Shariah Governance, Shariah

non-compliance risks and other pertinent relevant topics to enable both parties to discharge responsibilities under the Shariah governance.

14.2 Conduct of the meeting is as per the Guidance Notes of Joint Board –BSC Meeting

15. POTENTIAL SHARIAH NON-COMPLIANT COMMITTEE

15.1 The Potential Shariah Non-Compliant (PSNC) Committee is established for the purpose of deciding on PSNC events which will be presented for BSC deliberation.

15.2 The TOR of the PSNC Committee shall be approved by the BSC.

16. MISCELLANEOUS

16.1 Subject to overall conflict of interest principles, the Members of the BSC shall not be subject to any restrictions in terms of serving on other Committee or Boards or bodies subject to the Members allocating sufficient time and effort as may be reasonably required to effectively and conscientiously discharge their duties as Members of the BSC. However, no member shall accept appointment to render Shariah advisory to any other financial institutions within Malaysia.

16.2 Members are entitled to request CIMB to sponsor them to participate in any learning and training programme including participation in seminars or conferences for the purpose of enhancing their knowledge and skills in Shariah or Islamic banking and finance.

17. REVIEW OF TERMS OF REFERENCE

17.1 The Board and the BSC may review this Terms of Reference as and when is necessary to be aligned with the latest requirements.