

TERMS OF REFERENCE OF THE BOARD OF DIRECTORS BANK ISLAM MALAYSIA BERHAD (“Bank Islam” or “the Bank”)

1. Introduction

The Board of Directors is the highest authority in Bank Islam.

The Board plays critical role in ensuring sound and prudent policies and practices in the Bank. It provides effective check and balance mechanism in the overall management of the Bank.

The Board carries ultimate responsibility for the proper stewardship of the Bank. It has the responsibility to ensure optimisation of shareholders’ value and safeguard the stakeholders’ interest.

The Board has a fiduciary responsibility to act in the best interest of the Bank.

2. Authority

The Board of Directors shall have the authority to deliberate and approve on matters within its primary duties and responsibilities in line with the Authority Limits document or such limits as may be determined by the Board of Directors from time to time. During the discharge of such duties, the Board of Directors shall have:-

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

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

3. Primary Duties and Responsibilities

The Board has the overall responsibility for promoting the sustainable growth and financial soundness of the Bank and for ensuring reasonable standards of fair dealing, without undue influence from any party. This includes a consideration of the long term implications of the Board’s decision on the Bank, its stakeholders and the general public. The primary duties and responsibilities of the Board are:-

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I. FINANCE / OPERATIONS

- (a) Review and approve all strategic and policy matters including the objectives, strategic business plan and significant operating policies of the Bank and monitor the Management’s performance in implementing them based on KPIs approved by the Board;
- (b) Review the adequacy and integrity of the Bank’s accounting and financial reporting system and ensure appropriate controls are in place.
- (c) Review and approve the following matters, including but not limited to:-
 - (i) Annual Business Plan and Budget of the Bank;
 - (ii) Management report which includes financial and business performance, update on credit impaired assets, material litigation and important events;
 - (iii) Any corporate exercise proposals;
 - (iv) Changes in corporate organisation structure;
 - (v) Any write-off proposal;
 - (vi) Material Litigation;
 - (vii) Investment proposal or ventures on strategic alliance;
 - (viii) Authority Limits documents including discretionary authority vested to any officer of Bank Islam;
 - (ix) Distribution of the Bank’s dividend;
 - (x) Any purchase and disposal of goods or fixed assets or any purchase or termination of services within limits stipulated in the Authority Limits document; and
 - (xi) Acquisition of and prepayment of any financing or indebtedness of the Bank.
- (d) Approve capital plan as part of budget exercise and any significant capital raising and repayment activities and review reports on capital adequacy.
- (e) Review and approve significant business and operational policies and oversee its implementation including but not limited to the following:-
 - (i) approval for new products or services and review the performance and profitability of such products or services;
 - (ii) Dividend policy;
 - (iii) Depreciation policy;

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- (iv) Procurement policy;
 - (v) Outsourcing policy;
 - (vi) IT security and other related IT policies; and
 - (vii) Compliance policy.
- (f) Review and approve any appointment of such person, consultants or advisors or establishment of committee or task force to undertake any specific assignments in relation to the Bank’s business and operations within limits stipulated under the Authority Limits document.

II. CORPORATE GOVERNANCE

- (a) Review and approve the Bank’s corporate governance and internal control framework.

III. RISK MANAGEMENT

- (a) Review and approve the risk appetite, business plans and other initiatives of the Bank which would have a material impact on the Bank’s risk profile;
- (b) Review and approve risk management policies and ensure that the Bank establishes adequate internal controls and infrastructure.
- (c) Review and approve the Bank’s Business Continuity Management Policy in dealing with various extreme internal/ external events and disasters.
- (d) Review and approve the entry into, or variation of, any contract, arrangement or commitment with any related party or any dealing involving conflict of interest situation.
- (e) Review and approve any new outsourcing proposals.
- (f) Review and challenge the stress testing results, scenarios and methodologies (including key assumptions) and assess the impact of stress testing on the overall risk profile of the Bank.

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- (g) Evaluate the effectiveness of the Management in managing the risks of the Bank including at least annually, evaluation on the overall management of compliance risk.

IV. HUMAN RESOURCES

- (a) Review and approve the appointment, renewal and removal, the remuneration and promotion as well as succession plans of the Board of Directors, Shariah Supervisory Council (SSC) members and key senior management personnel holding the function of Managing Director, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Risk Officer, Chief Compliance Officer and such other function holding the position of General Manager and above as determined by the Board of Directors from time to time.
- (b) Review and approve Human Resource policy including but not limited to the succession planning policy, salary and remuneration policy including bonuses and other staff benefit, code of conduct, code of ethics, whistle blowing procedures, disciplinary action procedures and grievance procedures.
- (c) Annually review the performance of individual directors, SSC members and key senior management personnel including the Managing Director and effectiveness of the Board and the SSC as a whole.
- (d) Review and approve any policies related to directors including Directors Remuneration policy, Tenure of Directorship and Directors Training.

V. SHARIAH GOVERNANCE

- (a) Review and approve Bank Islam Shariah governance framework.
- (b) Review and approve all policies relating to Shariah in relation to the Bank’s business and operations upon consultation with the SSC.
- (c) Review and approve rectifications on any Shariah non-compliance event.

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VI. COMPLIANCE

- (a) Approve the establishment of the compliance function and ensure the compliance function and the Chief Compliance Officer are provided with appropriate standing, authority and independence;
- (b) Review and deliberate compliance issues regularly based relevant reports or proposals to ensure such issues are resolved effectively and expeditiously and operations of the Bank are in compliance with:-
 - (i) The relevant framework of laws including but not limited to the Islamic Financial Services Act 2013, Companies Act 2016, Anti Money Laundering & Anti Terrorist Financing Act 2001 and any regulations and guidelines under the relevant laws;
 - (ii) The relevant Shariah principles; and
 - (iii) Any established policies and procedures of the Bank.
- (c) Consider and provide any response, attestation, undertaking or confirmation as required by regulatory authorities in relation to compliance with regulatory requirements.

VII. OTHERS

- (a) Approve any corporate branding exercise affecting the corporate image of Bank Islam including logo, tagline and annual report.
- (b) Review and approve any appointment of corporate representatives and power of attorneys to act on behalf of the Bank.

The Board of Directors shall also have the authority to review and approve such other matters as determined by the Board of Directors of the Bank, from time to time.

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- 4. Composition**
- (a) Pursuant to Article 63 of the Articles of Association of the Bank, minimum numbers of the Board of Directors is five (5) and maximum is eleven (11).
- (b) Pursuant to BNM Corporate Governance Policy issued on 3 August 2016:-
- (i) The Chairman of the Board shall be a non-executive. He must not have served as the Chief Executive Officer of the Bank in the past five years;
- (ii) The Board must have a majority of Independent Directors at all times¹; and
- (iii) The Board must not have more than one Executive Director², except with BNM’s approval.

¹ *Transitional period - to be complied by 3 August 2021.*

² *Executive Director refers to a director of the Bank who has management responsibilities in the Bank or any of its affiliates.*

- 5. Secretary**
- The Secretary shall be the Company Secretary of the Bank or such other person as appointed by the Board of Directors.
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- 6. Frequency of meetings**
- The Board of Directors shall meet not less than six (6) times a year, with additional meetings for particular matters, as and when required.
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- 7. Notice of Meetings**
- (a) Unless otherwise agreed by the members, the notice for each meeting confirming the venue, date and time together with the agenda of the meetings shall be forwarded to each member of the Board of Directors at least four (4) days prior to the date of the meeting.
- (b) In addition to the scheduled meeting, the Secretary shall convene any special meetings of the Board of Directors upon receipt of request from the Chairman/directors by giving due notice.
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8. Quorum for meetings

- (a) The quorum for meeting shall be at least 50% of the Board of Directors.
 - (b) A director interested in a contract or a proposed contract or arrangement shall not be counted for the purpose of determining a quorum. *[extracted from the Bank’s Articles of Association]*
 - (c) Any director who participates in the meeting via teleconferencing device shall be counted for the purpose of determining a quorum.
 - (d) In the event the Chairman is unable to attend the Board meeting, the directors present may elect any one of them to be the Chairman of the meeting.
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9. Circular Resolution

- (a) Decision by the Board of Directors may be made via circular resolution.
 - (b) Decision made via circular resolution is deemed effective after being executed by all directors who are present in Malaysia.
 - (c) All decisions and/or approvals made via circular resolution shall be presented at the subsequent Board of Directors’ meeting for notation.
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10. Minutes of Meetings

The Secretary shall minute the proceedings and resolutions of all meetings of the Board of Directors. The minutes must record the decisions of the Board, including the key deliberations, rationale for each decision made, and any significant concerns or dissenting views. The minutes must also indicate whether any director abstained from voting or excused himself from deliberating on a particular matter.

11. Attendance

Each member of the Board of Directors is required to attend at least 75% of the board meetings held in each financial year.

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**12. Review of the
Terms of
Reference**

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