

HSBC AMANAH MALAYSIA BERHAD (“the Bank”)

BOARD OF DIRECTORS TERMS OF REFERENCE

1. OBJECTIVE

The role of the Board is to provide entrepreneurial leadership of the Bank within a framework of prudent and effective controls which enables risks to be assessed and managed. The Board is collectively responsible for the long-term success of the Bank and delivery of sustainable value to shareholders. It sets the strategy and risk appetite for the Bank and approves capital and operating plans presented by management for the achievement of the strategic objectives it has set.

2. RESPONSIBILITIES OF THE BOARD

2.1 The Board has the ultimate responsibility for the operations and the financial soundness of the Bank. In discharging its responsibilities, it should actively be engaging and overseeing the affairs of the Bank and cognisant of material changes in the Bank’s business and the external environment in which the Bank operates. Decisions of the Board should be taken in a timely manner, having regard to the legitimate interests of shareholders, depositors and other relevant stakeholders. The Board should play a leading role in establishing and overseeing the Bank’s culture and behavioural standards that promote prudent risk-taking and fair treatment of customers. Directors should act bona fide in the interest of the Bank, and on an informed and prudent basis, in accordance with the applicable laws, regulations and supervisory standards.

2.2 The key responsibilities of the Board include:

- (i) setting and overseeing the objectives of the Bank and the strategies for achieving those objectives;
- (ii) establishing and overseeing risk governance;
- (iii) appointment and oversight of senior management and Shariah Committee;
- (iv) setting corporate culture, values and standards;
- (v) overseeing remuneration policy;
- (vi) ensuring a suitable and transparent corporate structure as well as an appropriate degree of transparency in respect of operation and risk management of the Bank;
- (vii) ensuring effective audit functions;
- (viii) promoting Shariah compliance and culture in accordance with Bank Negara Malaysia (“BNM”) Shariah Governance Policy Document for Islamic Financial Institutions and ensuring its integration with the Bank’s business and risk strategies;
- (ix) promoting sustainability through appropriate environmental, social and governance considerations in the Bank’s business strategies;
- (x) overseeing and approving the recovery and resolution as well as business continuity plans for the Bank to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress;
- (xi) promoting timely and effective communication between the Bank and regulators on matters affecting or that may affect the safety and soundness of the Bank;

- (xii) establishing a written policy to identify, assess and manage any conflicts of interest arising from any additional activities or services performed by the Shariah Committee members and Board members, or his/her other/ external professional commitments;
- (xiii) ensuring that an effective communication policy is in place and implemented to advocate effective implementation of Shariah governance;
- (xiv) overseeing the implementation of Technology Risk Management Framework and Cyber Resilience Framework, policies and procedures; and
- (xv) overseeing the implementation of Shariah Advisory Council rulings and decisions or advice of the Shariah Committee within all business and functional lines, including any business or risk implications arising from such implementation.

2.3 In discharging its responsibilities, the Board shall, among other things, have regard to the Islamic Financial Services Act 2013, and the relevant BNM policies and guidelines for Islamic financial institutions as issued from time to time.

2.4 BNM requires the Board to ensure that there are governance strategies, policies and procedures appropriate to the structure, business and risks of the Bank. The Bank is a wholly-owned subsidiary within the HSBC Group, which has HSBC Group-wide strategic objectives, risk governance arrangements, corporate values and governance principles. Since the Board retains its own corporate governance responsibilities, it is ultimately responsible for the implementation and effectiveness of HSBC Group policies and practices applied to the Bank and the conduct and financial soundness of the Bank. BNM expects the Board's primary responsibility to protect the interest of the Bank which it serves. As such, the Board should ensure that the decisions at the Group level are not detrimental to the Bank's sound and prudent management, financial health or legal interests of the Bank's stakeholders.

3. MATTERS RESERVED TO THE BOARD

3.1 In addition to items reserved to the Board by law and the Constitution, the following items specifically require Board approval:

- (i) strategic plans, financial resource plans, risk governance structure, risk appetite framework and statement, climate-related risk strategies, performance targets and other initiatives which would, singularly or cumulatively, have a material impact on the Bank's risk profile;
- (ii) procedures and policies for monitoring and controlling relevant operations as identified by the Directors and management from time to time ;
- (iii) the recovery plan of the Bank;
- (iv) remuneration policy of the Bank and the recommendation of the remuneration for each Non-Executive Director, member of senior management and other material risk takers;
- (v) the authority or the delegation of authority to approve credit, market risk limits, acquisitions, disposals, investments, capital expenditure or realisation or creation of a new venture;

- (vi) appointments/reappointment or removals to the positions of Chairman, Director, Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Operating Officer, Company Secretary, and other members of senior management;
- (vii) appointment, resignation or dismissal of the Head of Internal Audit;
- (viii) appointment, reappointment and termination of Shariah Committee members, subject to BNM's approval;
- (ix) any substantial change in the policies for the management of capital and liquidity adequacy, and approval of the annual Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process; and
- (x) the Directors' Conflicts of Interest Policy.

In addition, the Board has responsibilities for:

- (i) the oversight of large-scale change and transformation programmes; and
- (ii) the escalation of key information and decisions to its holding company, as appropriate.

3.2 The appointment of Chairman and Directors to the Board require the concurrence of the Chief Executive Officer of the Bank's immediate holding company, HSBC Bank Malaysia Berhad ("HBMY").

4. POWERS OF THE BOARD AND DELEGATIONS

4.1 The Board is responsible for managing the business of the Bank and, in doing so, may exercise all the powers of the Bank, subject to any relevant laws and regulations and to the Constitution.

4.2 The Board may delegate certain authorities to the Chief Executive Officer ("CEO"), Chief Risk Officer and other members of management.

4.3 The Board may by power of attorney, appoint any corporation, firm or person or body of persons to be the attorney or attorneys of the Bank and may delegate to any such person or persons any of its powers, authorities and discretions (not exceeding those vested in or exercisable by the Board under the Bank's Constitution but including the power to sub-delegate) for such time and on such terms as it thinks fit.

5. BOARD COMMITTEES

5.1 The Board has established and approved terms of reference for the following Committees:

- (i) Shariah Committee;
- (ii) Audit Committee;
- (iii) Risk Committee; and

(iv) Nominations and Remuneration Committee

- 5.2 The Board approves appointments as members of these committees. The Committees interact with each other as appropriate to ensure consistency and compatibility in their actions and minimize any potential for gaps (e.g. information gaps) in risk management oversight. The Board shall ensure there is appropriate cross participation between the Committees. Each Committee maintains appropriate records of its deliberations and decisions and reports to the Board on its decisions and recommendations as appropriate.
- 5.3 In setting and overseeing corporate culture, the Board shall require that each of its Committees escalate and/or recommend to the Board as appropriate any issues or actions in relation to culture for the Board's consideration. The Risk Committee shall be responsible for advising and assisting the Board's review of the effectiveness of culture enhancement initiatives (including Shariah compliance culture) so as to assess culture and changes thereof over time. In particular, the Risk Committee shall:
- (i) at least annually, review, assess and approve for recommendation to the Board for approval the adequacy of the relevant statement which sets out culture and behavioural standards;
 - (ii) satisfy itself that the statement which sets out culture and behavioural standards is translated into policies and procedures, including, but not limited to, staff recruitment, training and incentive systems; and
 - (iii) receive results from relevant assessment and feedback mechanisms for monitoring adherence to culture and behavioural standards.
- 5.4 The Board remains fully accountable for any authority delegated to the Board Committees.
- 5.5 The Board has also established an Executive Committee and a Connected Party Transactions Committee. The Executive Committee has the responsibility for the exercise of all the powers, authorities and discretions of the Board in so far as they concern the day-to-day management of the Bank and its subsidiaries in accordance with such policies and directions as the Board may from time to time determine. The Connected Party Transactions Committee is responsible for the approval of credit or derivative transactions involving connected party/parties of the Bank.

6. COMPOSITION

- 6.1 The Board size should be large enough to address the needs of the business in terms of skills and experience (including Committee memberships) but small enough to allow all Directors to participate in meetings.
- 6.2 The Board should comprise a majority of Independent Non-Executive Directors at all times who have been determined by the Board to be independent in character and judgement, and are free from relationships or circumstances which are likely to affect their judgement or any relationships or circumstances which could appear to do so have been considered not to be material.
- 6.3 The key characteristic of independence is the ability to exercise objective, independent judgement after fair consideration of all relevant information and views,

without undue influence from Executives or from external parties. An Independent Non-Executive Director does not perform any Executive functions within the Bank and is not under any other undue influence, internal or external, political or arising through the incidents of ownership or otherwise, that would impede his/her exercise of independent and objective judgement.

- 6.4 The Board should possess, both as individual Directors and collectively, appropriate experience, competencies and personal qualities, including professionalism and integrity, to discharge its responsibilities adequately and effectively. The Board collectively should have adequate knowledge and expertise relevant to each of the material business activities that the Bank pursues (or intends to pursue) and the associated risks in order to ensure effective governance and oversight. Directors shall commit sufficient time and effort and to contribute actively to the work of the Board in order to discharge their responsibilities. When presenting a proposed appointment as a Director to the Board, the Nominations and Remuneration Committee will include a description of the necessary competencies and skills required to ensure sufficient expertise of the Board.
- 6.5 The Board has determined that each Director shall stand for re-election at each Annual General Meeting in accordance with the Bank's Constitution. In determining the re-election of Directors, the Board will review whether each Director remains qualified for his/her appointment. Each Non-Executive Director shall be appointed for an initial three-year term subject to re-election by shareholders as appropriate.
- 6.6 Non-Executive Directors are expected to serve no more than two three-year terms with any extension beyond this requiring endorsement from HSBC Holdings plc. Non-Executive Directors should not serve on the Board beyond nine years from the date of their first appointment to HSBC Holdings plc or other subsidiaries. Any exception will require prior endorsement by HSBC Holdings plc. All appointments to the Board shall only take effect subject to the prior written approval of BNM is obtained.
- 6.7 The Bank is committed to meritocracy in the Boardroom, which requires a diverse and inclusive culture where Directors believe that their views are heard, their concerns are attended to and they serve in an environment where bias, discrimination and harassment on any matter are not tolerated. The Board considers that its diversity, including gender diversity, is a vital asset to the business.
- 6.8 The Board shall ensure appropriate plans for orderly succession in respect of appointments to the Board and to senior management.

7. ROLE OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

- 7.1 The role of the Chairman is to provide leadership to the Board and to be responsible for the overall effective functioning of the Board. The Chairman shall possess the requisite experience, competencies and personal qualities to fulfill these responsibilities. The Chairman shall be responsible for the oversight of implementation of Board approved strategies and direction. The Chairman shall ensure that decisions of the Board are taken on a sound and well-informed basis and in the best interest of the Bank. To this end, the Chairman shall, among other things:

- (i) set the agenda for board meetings and ensure that all Directors are given an opportunity to include matters on the agenda;
- (ii) ensure that Directors receive accurate, timely and clear information for Board meetings;
- (iii) encourage and promote open and critical discussion;
- (iv) ensure that any concerns and dissenting views are expressed and discussed within the decision making process;
- (v) encourage constructive relations and effective communications between the Board, Shariah Committee and management, and between the Executive Directors and Non-Executive Directors;
- (vi) ensure that Directors, especially Non-Executive Directors, have access to independent professional advice at the Bank's expense where they judge it necessary to discharge their responsibilities;
- (vii) lead efforts to address the Board's developmental needs; and
- (viii) dedicate sufficient time to the exercise of his/her responsibilities.

7.2 The CEO shall be responsible for:

- (i) ensuring implementation of the strategy and policy as established by the Board;
- (ii) managing and day-to-day running of the Bank's operations;
- (iii) leading and chairing the Executive Committee;
- (iv) ensuring that the Bank's operations, business, affairs and activities comply, at all times, with Shariah rulings and principles. In fulfilling this responsibility, the CEO and senior management must:
 - a. establish a management structure and reporting arrangement that provides a clear 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 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 Shariah Advisory Council and the decision or advice of the Shariah Committee 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 Shariah Committee and address any inadequacies arising thereof; and
 - f. report to the Board and Shariah Committee on a timely basis any potential or actual Shariah non-compliance events.

8. MEETINGS AND QUORUM

- 8.1 The Board shall meet frequently enough to fulfill its responsibilities effectively. Board meetings shall be held not less than once every quarter. Additional Board meetings, or meetings of a Committee of the Board established by the Board to consider specific items, are convened when necessary. Directors should make every effort to attend all Board meetings in person especially where major issues are to be discussed and should only miss meetings in exceptional circumstances with reasons being provided and documented.

- 8.2 Video or telephone conference facilities are available in case a Director is unable to attend a meeting in person. Independent Non-Executive Directors who are unable to attend a meeting via any means will be reminded by the Secretariat that they should submit written views on items to be discussed ahead of any meeting.
- 8.3 The quorum for Board meetings shall be at least three (3) Directors, or 50% of the total number of directors, whichever is the higher. A Director must attend at least 75% of the Board meetings held in each financial year, and must not appoint another person to attend or participate in a Board meeting on his behalf.
- 8.4 When participating in meetings of the Board, Executive Directors are expected to discharge their responsibilities as Directors of the Bank and not to act solely as the representative of the activity for which they bear Executive responsibility.
- 8.5 Non-Executive Directors who should equip themselves with knowledge of the Bank's business and the banking sector, bring an external perspective, constructively challenge and help develop proposals on strategy, scrutinise the performance of management in meeting agreed goals and objectives, and monitor the risk profile and the reporting of performance.

9. MINUTES, AGENDA AND PAPERS

- 9.1 Full minutes of all Board and board committee meetings should be kept. The minutes of Board Meeting should record in sufficient detail the matters considered, discussions on key deliberations, and decisions taken, including any concerns raised by Directors or dissenting views expressed (including dissenting views between Directors and Shariah Committee and its resolution). The minutes must indicate whether any Director abstained from voting or excused himself from deliberating on a particular matter.
- 9.2 The Company Secretary assists the Chairman in drafting an agenda for each meeting of the Board. Directors may propose any matters for inclusion in the agenda through the Chairman or the Company Secretary. Board papers and agenda are targeted for distribution to Directors at least one week before the date of the meeting. Similar arrangements are in place for Board Committees.
- 9.3 Copies of all Board, Shariah Committee, Executive Committee, Audit Committee, Risk Committee and Nominations and Remuneration Committee minutes are distributed to Directors with the papers for the subsequent Board meeting.
- 9.4 Copies of minutes and papers of Board and Committee meetings are available to Directors at all times via the Company Secretary.

10. TRAINING

- 10.1 The Board shall ensure sufficient time, budget and other resources are available to meet the training needs of individual Directors and of the Board collectively.
- 10.2 An induction programme, tailored to individual needs, shall be arranged for each new Director by the Company Secretary.

10.3 The Board should regularly evaluate the effectiveness of training provided to individual members of the Board and the Board as a whole.

11. BOARD PERFORMANCE EVALUATION

11.1 The Board shall undertake annual assessments of its effectiveness (including that of its Committees) and the ongoing suitability of each individual Director.

11.2 The performance assessment shall include governance practices and procedures to determine any improvements that may be needed. The Company Secretary shall be responsible for facilitating the Board's annual performance evaluation. The Company Secretary shall maintain records and actions identified from the performance evaluation and keep the Board informed of progress with implementation.

12. INDEPENDENT ADVICE

Directors may appoint, employ or retain such professional advisors as they may consider appropriate. Any such appointment shall be made through the Company Secretary, who shall be responsible for the contractual arrangements and payment of fees by the Bank on behalf of the Board.

13. REVIEW OF TERMS OF REFERENCE

The Board shall review annually the Board's terms of reference and its own effectiveness.

14. INCONSISTENCY WITH THE CONSTITUTION

To the extent that there is any inconsistency between these Terms of Reference and the Constitution, the Constitution will prevail.

(Board's approval on 21 July 2023)

HSBC AMANAH MALAYSIA BERHAD
(“HSBC Amanah”)

TERMS OF REFERENCE OF SHARIAH COMMITTEE

AUGUST 2023

1. Membership and Tenure

- 1.1 The Shariah Committee shall consist of at least five (5) members. The appointment and reappointment of Shariah Committee members must be made upon:
- i. recommendation of the HSBC Amanah’s Nomination and Remuneration Committee (“NRC”);
 - ii. approval of the HSBC Amanah’s Board of Directors (“the Board”); and
 - iii. subsequently approval of Bank Negara Malaysia (“BNM”).
- 1.2 Pursuant to clause 1.1, the appointment and reappointment of a Shariah Committee member shall fulfil the following conditions:
- i. the person is a Muslim individual;
 - ii. the person has been assessed to have met the requirements specified in the BNM Policy Document (PD) on Fit and Proper Criteria on a continuous basis; and
 - iii. The person shall either:
 - a. Shariah qualified person; or
 - b. an expert who possesses skills, knowledge and experience relevant to support the roles and responsibilities of the Shariah Committee.
- 1.3 Pursuant to clause 1.2(iii)(a), a Shariah qualified person shall fulfil the following conditions:
- i. holds, 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);
 - ii. possesses solid knowledge in Shariah with reasonable Islamic finance knowledge and experience of the relevant industry; and
 - iii. demonstrates strong proficiency and knowledge in written and verbal Arabic, with good command in the preferred language of the IFI, either Bahasa Malaysia or English language.
- 1.4 The tenure of the appointment shall be valid for a renewable term of up to two (2) years.
- 1.5 Pursuant to clause 1.4, HSBC Amanah shall have the right to appoint individual members on differentiated tenure of appointment.
- 1.6 A Shariah Committee member shall not serve HSBC Amanah for more than nine (9) consecutive years. Upon serving two (2) years cooling-off period, HSBC Amanah may submit an application for BNM’s approval on the reappointment of the member.

- 1.7 Majority of the Shariah Committee members must possess qualification in Shariah.
- 1.8 The Chairman of the Shariah Committee must possess qualification in Shariah.
- 1.9 A Shariah Committee member may be appointed as a member of the Board to foster closer integration of Shariah governance consideration within the business and risk strategy of HSBC Amanah.

2. Meetings, Quorum and Decision Making

- 2.1 The Shariah Committee shall meet at least once in every two (2) months and whenever required and should report regularly to the Board.
- 2.2 In respect of the quorum for Shariah Committee meetings, a majority of Shariah qualified members are required to make quorum.
- 2.3 At all meetings of the Shariah Committee, the Chairman of the Shariah Committee if present shall preside.
- 2.4 If the Chairman of the Shariah Committee is unable to attend the meeting, the members shall elect one (1) member from among themselves who have a qualified Shariah background to become the chairman of the meeting.
- 2.5 A Shariah Committee member shall attend at least 75% of the Shariah Committee meetings held in each financial year and shall not appoint another person to attend or participate in Shariah Committee meetings on his behalf.
- 2.6 The Shariah Committee shall have the right of access to all accurate, comprehensive and clear information that is required for deliberation and decision making.
- 2.7 The Shariah Committee, as and when required, may invite any other parties deemed as subject matter expert to its meeting, to provide information or advise on any matters deliberated by the Shariah Committee.
- 2.8 Majority of member's attendance at a Shariah Committee meeting shall be by way of physical presence. Other form of presence is allowed provided that the member shall ensure appropriate safeguards to preserve confidentiality of the deliberations.
- 2.9 Any decisions by the Shariah Committee shall be made on the basis of simple majority, provided that the simple majority is supported by a majority of the Shariah qualified members.
- 2.10 A Shariah Committee member shall abstain from the discussion and voting on issue or matter that gives rise to a conflict of interest as a result of involvement in activities stipulated in clause 9.1 herein.

3. Objectives

- 3.1 The primary objectives of the Shariah Committee are to:

- i. provide objective and sound decisions or advice to ensure that HSBC Amanah is operated and managed in accordance with the Shariah¹, and ensure the Shariah rulings and principles resolved by the SAC are complied with; and
- ii. to provide Shariah Advisory services for all HSBC Malaysia full entities, through performing its responsibilities stipulated in clause 4 herein.

4. Responsibilities

4.1 Without limiting the generality of the Shariah Committee's objectives, the Shariah Committee shall have the following responsibilities, authorities and discretion:

- a. to provide sound decisions on Shariah matters in an independent and objective manner without undue influence or duress and to be responsible and accountable for the quality, accuracy, consistency and soundness of its Shariah decisions, opinions and views;
- b. ensure that Shariah decisions or advice are made on a sound and well-informed basis and a robust decision-making methodology. The methodology that guides the Shariah Committee's decision-making process must at minimum:
 - i. take into account relevant business, operations and risk implications; and
 - ii. include facts, key deliberations, rationale and basis, and any significant concerns or dissenting views to the decision or advice where applicable.

In the event where the Shariah Committee decides or advises to place additional restrictions on the operations, business, affairs and activities of the bank in applying the Shariah Advisory Council ("SAC") rulings, the decisions or advice shall:

- i. include deliberations and justifications;
 - ii. ascertain the Board's views on the decision or advice made by the Shariah Committee with regards to the SAC ruling; and
 - iii. be notified immediately to BNM.
- c. to advise the Board and provide input to HSBC Amanah on Shariah matters in order for HSBC Amanah to comply with the Shariah principles at all times;
 - d. to attend all the Board and/or Board Committee meetings whenever required and accordingly update the Board on any pertinent Shariah matters relating to HSBC Amanah;
 - e. to endorse Shariah policies and procedures prepared by HSBC Amanah to ensure that the contents are Shariah compliant;
 - f. to approve the product structures and transactions that are being managed, executed and entered into by HSBC Amanah;
 - g. to endorse and validate the following documentations including but not limited to:

¹ Compliance with Shariah is interpreted in accordance with Islamic Financial Services Act (IFSA) 2013 and HSBC Amanah Internal Shariah Governance Policy.

- i. the terms and conditions contained in the forms, contracts, agreements or other legal documentations used in effecting the transactions; and
 - ii. the product manual, marketing advertisements, sales illustrations and brochures used to describe the products.
- h. to assess the work carried out by Shariah Review and Shariah Audit functions;
- i. to perform an oversight role on Shariah matters related to the HSBC Amanah's business operations and activities through the Shariah Review and the Shariah Audit functions;
- j. to provide necessary assistance on Shariah matters to HSBC Amanah's related parties such as its legal counsel, compliance department and auditors to ensure continuous compliance with Shariah;
- k. to provide written Shariah decisions or pronouncement in cases that HSBC Amanah submits an application to BNM or Securities Commission (SC) for approval on any new product / transaction including Islamic capital market products/transactions that cover the documentation, structure feature, investment instruments and ensure that all aspects are in accordance with Shariah requirements as set out in the relevant laws and guidelines;
- l. to request a reference by HSBC Amanah to the SAC in cases where the SAC has not made any rulings or the Shariah Committee is not able to arrive at a decision or advice on a particular matter;
- m. to review and ratify the list of approved or rejected matters prepared by the Shariah Department as per delegated authority by the Shariah Committee that the operations and business activities of HSBC Amanah are in compliance with Shariah;
- n. if deemed fit, to provide Shariah compliant endorsement in the annual financial statement of HSBC Amanah, supported by the Annual Shariah Committee Report;
- o. to provide consultation to the Audit Committee in the course of the Audit Committee in determining the deliverables of the Shariah Audit function;
- p. to identify issues that require its attention and where appropriate, to propose corrective measures based on regular Shariah Review reports and the Shariah Audit observations; and
- q. provide a decision or advice on the operations, business, affairs and activities of HSBC Amanah which may trigger a Shariah Non-Compliance (SNC) event.

The following Shariah non-compliant events/breaches are considered Material and require escalation to the Shariah Committee for triggering an Actual SNC event reportable to BNM:

- i. Income from *`Aqd Bathil*: Generating income under a transaction without a valid underlying Shariah contract; or
- ii. A transaction involving a practice that is clearly prohibited by Shariah (*Mu`amalath Muharramah*) as determined by the Rulings of the Shariah Advisory Council (SAC) or decision of the Shariah Committee. This

includes breach of prohibitions outlined in the Shariah Requirements of BNM's PD on Shariah contracts, or other relevant Shariah guidelines, policies or PDs issued by BNM. The examples of prohibitions include but not limited to the following: charging commitment fees, practice of *bai` wa salaf*, inclusion of inter-conditionality/inter-linkages of *hibah* in *qard* contract, etc.

Events or breaches of Shariah requirements that do not meet the above criteria may not be considered as Material breaches requiring escalation to the Shariah Committee for triggering an SNC Event reportable to BNM. Nonetheless, they will be treated as Shariah Review, Risk or Audit findings that require management action and appropriate remediation. These events and breaches typically occur due to unintended errors and mistakes (*ghalat*) and may include:

- i. *'Aqd Fasidh*: a voidable contract due to a deficiency in the Shariah contract, which can be remedied (*thashih*) and does not entirely invalidate the Shariah contract/transaction.
 - ii. *Shart Fasidh*: a voidable term or condition in the Shariah contract, which can be severed (*ilghaa'*), and does not entirely invalidate the Shariah contract/transaction;
 - iii. *Ghalat*: Errors or mistakes can be in the form of:
 - Breach of agreed contractual conditions or obligations, which can be remedied (*thashih*) and do not entirely invalidate the Shariah contract/transaction (for example omission of Wakil to perform an instruction by the *Muwakkil*, overcharging fee or profit beyond the agreed amounts which can be refunded, etc.); or
 - Operational errors (due to human errors or system failures) that do not lead to either clearly prohibited practices by Shariah or does not entirely invalidate the Shariah contract/transaction; or
 - iv. Breach of operational regulatory requirements (that are not premised on Shariah requirements) prescribed in the relevant PD on Shariah contract.
- r. if the Shariah Committee has a reasonable ground to believe that HSBC Amanah is involved in Shariah non-compliant activities or upon finding by relevant functions of the bank, the Shariah Committee shall:
- i. inform the Board;
 - ii. deliberate and affirm the finding; and
 - iii. provide decision or endorsement on the rectification measure, propose or rectify as necessary to ensure its conformity to Shariah requirements at all times. The decision must be supported with key deliberations, rationale and any significant concerns or dissenting views to the decision or advice.

In cases where Shariah non-compliant activities are not effectively or adequately addressed or no rectification measures are made by HSBC Amanah, the Shariah Committee shall inform BNM of the same in accordance with the Shariah Non-Compliance reporting requirements outlined in BNM PD on Operational Risk Integrated Online Network (ORION);

- s. to foster closer integration of Shariah governance consideration within the business and risk strategy of the bank in the case that the Shariah Committee member is appointed as a Board member;
- t. to continuously develop skills and expertise to ensure that each member possesses the requisite and reasonable knowledge and skills of the business and operations of the bank and keep abreast with relevant market and regulatory developments. This includes attending at least three SIDC's CPE-approved courses on capital market annually;
- u. to update the Board immediately on any Shariah issues or matter that member has reason to believe may affect the safety and soundness of the bank;
- v. to exercise objectivity in coming up with judgment and be free from associations or circumstances that may impair the exercise of his professional objectivity. The judgement must not have affected by other professional commitments; and
- w. to devote sufficient time to prepare for and attend Shariah Committee meetings.

4.2 Pursuant to clause 4.1, in addition to the responsibilities of the Shariah Committee members, the Chairman shall:

- a. ensure effective functioning of the Shariah Committee meeting;
- b. ensure appropriate procedures are in place to govern the Shariah Committee's deliberations and proceedings;
- c. act as a direct liaison between the Board and Shariah Committee to foster greater understanding between both organs;
- d. 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 Shariah Committee;
- e. encourage healthy discussion, participation and contribution, and ensure that dissenting views can be freely expressed and discussed;
- f. ensure sufficient records of the discussion leading to formulation of the Shariah Committee's decision or advice are maintained; and
- g. lead efforts in managing the Shariah Committee's developmental plans.

5. Confidentiality & Consistency

- 5.1 All internal and privileged information obtained by any Shariah Committee member in the course of their duties shall be kept confidential at all times and shall not be disclosed to anyone or be misused.
- 5.2 Professional ethics, judgment and consistency in providing views shall be exercised and must not act in a manner that would undermine the rulings of the SAC or any decisions of the Shariah Committee.

6. Written or Circulating Resolution

- 6.1 Any resolution in writing, signed or assented to by all the members of the Shariah Committee shall be as valid and effectual as if it had been passed at a meeting of the Shariah Committee duly called and constituted and may consist of several documents in the like form each signed by one or more of such members.

7. Disqualifications

- 7.1 A Shariah Committee member is disqualified from being appointed or elected, reappointed, accepting any appointment or reappointment, or holding office, as a Shariah Committee member of an HSBC Amanah if:

- a. the Shariah Committee member is an undischarged bankrupt, has suspended payments or has compounded with his creditors whether in or outside Malaysia;
- b. a charge for a criminal offence relating to dishonesty or fraud under any written law of any country, territory or place outside Malaysia, has been proven against him;
- c. he is prohibited from being a director of a company or in any way, whether directly or indirectly, be concerned or take part in the management of a company in Malaysia pursuant to a court order made under section 130A of the Companies Act 1965 and has not obtained any leave of the court under the same section; or
- d. under any law relating to prevention of crime, drug trafficking or immigration –
 - i- an order of detention, supervision or deportation has been made against that person; or
 - ii- any form of restriction or supervision by bond or otherwise, has been imposed on him or her.

- 7.2 Where any criminal proceedings² is pending in any court for any offence referred to in clause 7.1(b) against a Shariah Committee member, such member shall not:

- i. act in such capacity, hold any other office or act in any other capacity, in HSBC Amanah; or
- ii. be concerned with, take part or engage in, any manner, whether directly or indirectly, in any activity, affairs or business of, or in relation to HSBC Amanah,

except as may be permitted by the Board subject to such conditions as may be specified by BNM.

8. Restrictions

- 8.1 The Shariah Committee member shall not have any relationship that could interfere or be reasonably perceived to interfere with the exercise of independent judgment, with the following persons:

² For the purpose of this paragraph, "criminal proceedings" shall be deemed to be pending from the date that the accused person is first charged in court for the offence until the date of the final conclusion of the proceedings, whether in the court of original jurisdiction or, in the event of any appeal by any party, in the court of final appellate jurisdiction.

- a. an immediate family member such as spouse, children or siblings who are, or who were during the last financial year, employed by HSBC Amanah or any of its related companies as a senior executive officer (CEO) or non-independent board members; and
- b. a substantial shareholder or a partner in (with a stake of 5% or more) or an executive officer of, or a director of any for-profit business organization to which HSBC Amanah or any of its subsidiaries made or from which HSBC Amanah or any of its subsidiaries received, significant payments in the current or immediate past financial year.

8.2 The Shariah Committee Member shall not be:

- a. a member of Shariah Advisory Council of BNM;
- b. a Shariah Committee member of more than one licensed Islamic bank, one licensed takaful operator and one prescribed financial institution in Malaysia; or
- c. an active politician³.

8.3 The Shariah Committee or his immediate family member shall not be:

- a. an executive of HSBC Amanah or any of its related companies during the tenure of his appointment or within the last two (2) years of his proposed appointment as a Shariah Committee member;
- b. a substantial shareholder, executive director or senior officer of HSBC Amanah or any of its affiliates; or
- c. have a significant business or other contractual relationship with HSBC Amanah or any of its affiliates within the last two (2) years.

8.4 A Shariah Committee member 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 any Shariah Committee meetings or holding himself out as a Shariah Committee member of HSBC Amanah.

9. Disclosure of Interest

9.1 Members of the Shariah Committee shall disclose and declare to the bank the nature and extent of his or her interest that constitutes or gives rise to a conflict or potential conflict of interest, in respect to involvement in any financial institutions. The HSBC Amanah Board's Conflict of Interest Policy and HSBC Global Functions Conflict of Interest Procedure Policy shall apply to the Shariah Committee where relevant. The disclosure of interest includes but not limited to the following activities:

- a. any additional activities or services performed by the Shariah Committee for HSBC Amanah;
- b. any other external professional commitments performed by the Shariah Committee member; or
- c. consultancy services to any clients of HSBC Amanah, with or without remuneration.

³ Refers to an individual who is a member of any national or state legislative body, or who is an office bearer of, or holds any similar office or position in a political party.

9.2 The Shariah Committee member must notify such matter to the Shariah Secretariat by submitting the Notification Form available in Conflict of Interest Policy and subsequently will be presented to the Board.

10. Recommendations

10.1 Where, in the course of meeting its objectives and performing its obligations, the Shariah Committee discovers an issue of concern or any undue influences that hamper its professional objectivity and independence or for which there is scope for improvement, the Shariah Committee shall escalate and make recommendations to the Board on action needed to address the issue or to make improvements.

10.2 A Shariah Committee member shall immediately disclose to the Board any circumstances that may affect his or her ability to meet any of the requirements stipulated in the Terms of Reference.

10.3 Pursuant to clauses 2.6 and 2.7 herein, in the case such request by the Shariah Committee is denied, declined or withheld by any officers or employees of the bank, the Shariah Committee must inform the Board of the situation and recommend appropriate action to rectify the situation.

10.4 The Terms of Reference must be reviewed on annual basis and any changes to these Terms of Reference must be recommended to the Board.

11. Matters Advised and/or Delegation by the Shariah Committee

11.1 The Shariah Committee may delegate any of its responsibilities deemed fit, as outlined in the relevant internal policies, to the Shariah Department. However, the Shariah Committee is still the ultimate approver and remain fully accountable for the decisions and any ensuing implications arising from the delegated authority.

11.2 The areas of delegated authority shall be limited to the following:

- a. Variation to product proposal or features approved by the Shariah Committee whereby the variation does not involve in changes to the underlying Shariah contract or concept;
- b. Variation to the product documentations or legal documents approved by the Shariah Committee, whereby the variation does not have any Shariah implications;
- c. Legal documents for new transaction or facility based on existing structure and Shariah contract approved by the Committee;
- d. Marketing collaterals and advertisement materials;
- e. Variation to certain terminologies used in the system;
- f. Website content;
- g. Statement for public and media⁴;
- h. Product campaign;
- i. Digital platform or system;

⁴ It excludes Shariah Committee's Attestation in the HSBC Amanah Financial Statement.

- j. Pre and Post launch assessment for newly launched and migrated products;
 - k. Ratification by Shariah Committee on all matters delegated to Shariah Department;
 - l. Assessment of Shariah Non-Compliance (SNC) event in the operations, business, affairs and activities of HSBC Amanah; and
 - m. Any other matters deemed necessary by the Shariah Committee.
- 11.3 The Shariah Department shall report, update, ratify and keep the Shariah Committee informed on the significant issues, key deliberations, recommendations and decisions on delegated matters.

12. Law and Guidelines

- 12.1 The provisions of these Terms of Reference must be read together with all applicable laws and guidelines including all relevant laws, regulations, as well as guidelines, circulars and directives issued by BNM and other relevant authorities, the HSBC Amanah's Memorandum and Articles of Association, policies and manuals which HSBC Amanah must adhere to by virtue of being a member of the HSBC Group of companies.
- 12.2 In the event of any conflict between these Terms of Reference and such laws and guidelines, the provisions of such laws and guidelines must prevail.

HSBC AMANAH MALAYSIA BERHAD (“HBMS”)

AUDIT COMMITTEE **TERMS OF REFERENCE**

1. Purpose

The Board of HSBC Amanah Malaysia Berhad (“HBMS”) (the “Company”) has delegated to the Audit Committee (the “Committee”) oversight of matters relating to financial reporting and internal financial controls, in particular reviewing:

- 1.1 the integrity of the financial statements, formal announcements, and disclosures relating to financial performance;
- 1.2 the effectiveness of Internal Audit and the external audit process; and
- 1.3 the effectiveness of internal financial control systems.

2. Membership

The Committee (including the Chair) shall comprise at least three members, all of whom shall be non-executive directors with a majority (including the Chair) being independent non-executive directors, or as otherwise required by local regulation.

The Chair of the Committee shall be appointed by the Board from among the independent non-executive directors.

Members of the Committee of any Group subsidiary other than a Principal Subsidiary shall be appointed subject to endorsement by the holding company, HSBC Bank Malaysia Berhad’s nomination committee (or equivalent) or audit committee of the entity with oversight responsibility of the Company.

At least one member of the Committee shall have recent and relevant financial experience. When appointing directors to the Committee, the Board shall have regard to the Committee collectively to have appropriate skills, experience and competence in relation to financial management relevant to the financial services sector.

3. Attendance

The Committee may invite any director, executive, independent auditor or other person to attend any meeting(s) of the Committee as it may from time to time consider desirable to assist the Committee in the satisfaction of its responsibilities.

The Committee shall meet separately with the external auditor and with the Head of Internal Audit, or equivalent, at least twice each year without management present.

4. Meetings and quorum

The Committee shall meet with such frequency and at such times as it may determine, subject to regulatory requirements.

The quorum for meetings is a majority of the members, including the Chair (or his/her delegate from among the members).

The Secretary of the Committee is the Company Secretary (or his/her nominee).

5. Committee responsibilities

The Committee's responsibilities shall include:

5.1 Financial reporting

- 5.1.1 monitor and critically assess the integrity of the financial statements of the Company, and any formal announcements and supplementary regulatory information relating to the Company's financial performance;
- 5.1.2 review, and consider changes to, significant accounting policies, and disclosure practices, as applicable, and support the Board in ensuring that there is a reliable and transparent financial reporting process within the Company;
- 5.1.3 review, and report to the Board on, significant accounting judgements and adjustments;
- 5.1.4 review going concern assumptions and any qualifications;
- 5.1.5 review, as applicable, compliance with accounting standards, listing rules, and other requirements relating to financial reporting;
- 5.1.6 review disclosure that describes the work of the Committee;
- 5.1.7 review the Annual Operating Plan and Capital Plan;
- 5.1.8 review comment letters from regulatory authorities;
- 5.1.9 review matters as advised by Internal Audit, any other function or the external auditor;
- 5.1.10 review any significant or unusual items that may need to be highlighted in the annual financial statements, or its local equivalent, by the external auditor;
- 5.1.11 review the adequacy of resources and expertise as well as succession planning for the local Finance function;
- 5.1.12 advise the Board whether the annual financial statements or equivalent,

taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, as applicable in the Company's jurisdiction; and

- 5.1.13 report and provide assurances to the Board on the Company's compliance with all applicable corporate governance codes or standards and regulations in relation to financial reporting.

5.2 Internal Audit

- 5.2.1 review and, if appropriate, approve the Internal Audit charter;
- 5.2.2 oversee the work of Internal Audit and approve the appointment and removal of the local Head of Internal Audit;
- 5.2.3 monitor and assess the effectiveness, performance, resourcing, independence and standing of the Internal Audit function.
- 5.2.4 consider major findings of internal investigations and management's response;
- 5.2.5 approve the local Internal Audit budget and annual work plan (including material plan changes during the year);
- 5.2.6 satisfy itself that the Internal Audit work plan is aligned to the key risks of the business;
- 5.2.7 satisfy itself there is appropriate co-ordination between Internal Audit and the external auditor; and
- 5.2.8 to request that management inform other Board committees on (a) material issues arising from or (b) shortcomings perceived in the scope or adequacy of, the work of Internal Audit relating to matters falling within the scope of such committees and that feedback is received from them.

5.3 External audit

- 5.3.1 review the terms of appointment, re-appointment, or removal of the external auditor and approve their remuneration and terms of engagement, and make recommendations to the Board for approval by the Company's shareholder;
- 5.3.2 oversee the implementation by management of the HSBC Group policy on the engagement of the external auditor to supply non-audit services, taking into account relevant regulatory requirements;
- 5.3.3 approve in advance the supply of any non-audit services by the external auditor: (a) considering the impact this may have on independence, (b) taking into account the relevant regulations and ethical guidance in this regard, (c) agreeing the terms of engagement and (d) the fees for any such services; and report to the Board on any improvement or action required;

- 5.3.4 review and monitor the external auditor's independence, objectivity and the quality and effectiveness of the audit process, considering relevant professional, regulatory and other requirements;
- 5.3.5 oversee the rotation of audit partners and external auditors;
- 5.3.6 review the external auditor's report on the progress of the audit, its management letter, any material queries raised by the external auditor to management (and management's responses). Any material risk or internal control issues (other than issues relating to internal controls over financial reporting) shall be referred to the Risk Committee, as appropriate;
- 5.3.7 discuss with the external auditor the approach, nature, and scope of their audit and reporting obligations throughout the audit process including, as applicable:
- any significant accounting and auditing problems and reservations;
 - major judgemental areas;
 - alternative accounting treatments together with the potential ramifications;
 - any significant accounting adjustments;
 - the going concern assumptions and viability statement;
 - compliance with accounting standards, stock exchange rules and legal requirements;
 - reclassifications or proposed additional disclosures;
 - any material changes in accounting policies and practices, any communications provided by the external auditor to management and other matters the external auditor wishes to discuss; and
- 5.3.8 oversee the implementation by management of the HSBC Group policy for the engagement of former employees and contractors of the external auditor.

5.4 Internal controls

- 5.4.1 review the effectiveness of the Company's and its subsidiaries' internal financial controls (the systems established to identify, assess, manage and monitor financial risks);
- 5.4.2 consider any findings of major investigations of internal controls over financial reporting matters, management's response and the conclusions of any testing carried out by internal or external auditors;
- 5.4.3 review all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting (including any annual report, and other reports as required by applicable laws and regulations, from the Company's Chief Executive and Chief Financial Officer (or equivalent) that such persons have disclosed to the Committee and to the external auditor) which could adversely affect the Company's ability to

record and report financial data and any fraud, whether material or not, that involves management or other employees who have a significant role in the Company's internal financial controls;

5.4.4 review, and, if appropriate, endorse the content of the statement relating to internal financial controls in the annual report, or its equivalent, for submission to the Board; and

5.4.5 review third-party opinions on the design and effectiveness of the Company's internal control framework.

5.5 Whistleblowing

5.5.1 oversee the local implementation of the Group's policies and procedures for capturing and responding to whistleblower concerns and oversee the local implementation of the Group's procedures to ensure confidentiality, protection and fair treatment of whistleblowers; and

5.5.2 annually review the operation and effectiveness of the arrangements by which staff may, in confidence, raise concerns.

6. Other responsibilities

6.1 Reporting, Certificates and assurances (Escalation)

(a) To provide half-yearly certificates to the audit committee of the entity with oversight responsibility of the Company (in a form that is consistent with that required by the Group Audit Committee); and

(b) To take action, provide documentation or assurances as requested by the audit committee of the entity with oversight responsibility of the Company including: copies of minutes, periodic certifications, adopting best practice, being forthcoming in sharing information, and interacting with its Chair on a regular basis.

6.2 Annual review of terms of reference and committee effectiveness

The Committee shall review annually its terms of reference and its own effectiveness and recommend to the Board any necessary changes.

The Committee shall report to the Board and inform the Chair of the audit committee of the entity with oversight responsibility of the Company, how the Committee has discharged its responsibilities and will make recommendations on any action(s) needed to resolve concerns or make improvements.

6.3 Material deviations from Core Terms of Reference

Material deviations from the Group Core Terms of Reference require the endorsement from: (for any other Group company that is not a Principal Subsidiary) the Board or relevant committee of the entity with oversight responsibility of the Company as and when a material deviation occurs.

6.4 Responsibilities of subsidiary audit committees

The Committee shall (a) review the composition, powers, duties and

responsibilities of any audit committee of the Company's subsidiaries, (b) oversee the implementation of mechanisms to facilitate the communication and escalation from such subsidiary company committees of matters for the Committee's attention including seeking documentation, certifications or assurances such as copies of minutes, periodic certifications, confirmation of adopting best practice, and other forms of sharing information, (c) foster interconnectivity and common governance principles, and (d) discuss such matters as the Committee deems appropriate with the chair or other members of such subsidiary committees.

6.5 Reporting to the Board

The Committee will report to the Board on the matters set out in these terms of reference and will provide the Board such additional assurance as it may reasonably require regarding the effectiveness of the Company's finance and audit functions.

6.6 External advisers

The Committee may retain special counsel, advisers, experts, or other consultants to consider from time to time any other matters which the Committee believes are required of it in keeping with its responsibilities. The Committee may obtain such professional external advice as it shall deem appropriate to take account of relevant experience outside the Company and challenge its analysis and assessment. Any such appointment shall be made through the Company Secretary, who shall be responsible, on behalf of the Committee, for the contractual arrangements and payment of fees by the Company.

6.7 Overlapping responsibilities

Where there is a perceived overlap of responsibilities between the Committee and another committee of the Board, the respective committee Chairs shall have the discretion to agree the most appropriate committee to fulfil any obligation. An obligation under the terms of reference of any committee will be deemed by the Board to have been fulfilled, provided it is dealt with by any other committee.

6.8 The Committee shall review and update the Board on all related party transactions.

6.9 The Committee shall monitor compliance with the Board's conflict of interest policy.

6.10 Any resolution in writing, signed or assented to by all the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee duly called and constituted and may consist of several documents in the like form each signed by one or more of the members of the Committee.

HSBC AMANAH MALAYSIA BERHAD (“HBMS”)

RISK COMMITTEE **TERMS OF REFERENCE**

1. Purpose

The Board of HSBC Amanah Malaysia Berhad (“HBMS”) (the ‘Company’) has delegated to the Risk Committee (the ‘Committee’) oversight of risk related matters impacting the Company including risk governance and internal control systems (other than internal controls over financial reporting).

2. Membership

The Committee (including the Chair) shall comprise at least three members, all of whom shall be non-executive directors with a majority (including the Chair) being independent non-executive directors, or as otherwise required by local regulation.

The Chair of the Committee shall be appointed by the Board from among the independent non-executive directors.

Members of the Committee of any Group subsidiary other than a Principal Subsidiary shall be appointed subject to endorsement by the holding company, HSBC Bank Malaysia Berhad’s nomination committee (or equivalent) or risk committee of the entity with oversight responsibility of the Company.

3. Attendance

The Committee may invite any director, executive, independent auditor or other person to attend any meeting(s) of the Committee as it may from time to time consider desirable to assist the Committee in the satisfaction of its responsibilities.

The Committee shall meet separately with the external auditor, the Head of Internal Audit, or equivalent and with the Chief Risk Officer (‘CRO’) at least twice each year without management present.

4. Meetings and quorum

The Committee shall meet with such frequency and at such times as it may determine, subject to regulatory requirements. It is expected that the Committee shall meet at least four (4) times each year.

The quorum for meetings is a majority of the members, including the Chair (or his/her delegate from among the members).

The Secretary of the Committee is the Company Secretary (or his/her nominee).

5. Committee responsibilities

The Committee's responsibilities shall include:

5.1 Risk-related matters

5.1.1 To oversee and advise the Board on risk-related matters, including both financial (including capital & liquidity, retail and wholesale credit risk, strategic risk, and market risk) and non-financial risks[including resilience risk (incorporating information technology, cyber security and third party risk), financial crime and fraud risk, regulatory compliance risk, people risk, legal risk, model risk, and financial reporting and tax risk], and to support the Board in meeting the expectations on risk management as set out in the Bank Negara Malaysia policy document on Risk Governance.

5.1.2 To review and provide independent challenge on risk management reports, including the Company's enterprise risk reports to:

- a) Assess the risk profile of the Company and how the risks arising from the Company's businesses are controlled, monitored and mitigated;
- b) Focus on current and forward-looking risks to enable the Committee to assess the Company's vulnerability and resiliency to potential risks;
- c) Review the effectiveness of the Company's conduct framework designed to deliver fair outcomes for customers, preserve the orderly and transparent operation of financial markets; and protect the Company against adverse outcomes (including reputational damage) to the Company's financial and non-financial condition and prospects; and
- d) Provide such additional assurance as the Board may require regarding the reliability of risk information submitted to it.

5.2 Risk appetite

5.2.1 To satisfy itself that risk appetite informs the Company's strategy (including technology strategy and climate strategy) and business plans and that account has been taken of the macroeconomic and financial environment, drawing on financial stability assessments and other authoritative sources that may be relevant;

5.2.2 To advise the Board on risk appetite and risk tolerance related matters;

5.2.3 To review and recommend the Company's Risk Appetite Statement at least annually to the Board for approval;

5.2.4 To receive reports where appropriate, to satisfy itself that the Company's approach to the determination of its risk appetite is in line with regulatory requirements;

- 5.2.5 As applicable, to review and recommend the Company's Internal Capital Adequacy Assessment Process ('ICAAP') to the Board for approval, and following that approval, to escalate any material issues relating to the capital component of the ICAAP to the risk committee of the subsidiary/ entity which has oversight;
- 5.2.6 As applicable, to review and recommend the Company's Internal Liquidity Adequacy Assessment Process ('ILAAP') to the Board for approval, and following that approval, to escalate any material issues raised during the Committee's ILAAP review, to the risk committee of the subsidiary/entity which has oversight;
- 5.2.7 To consider and advise the Board on the risks associated with proposed strategic acquisitions/disposals, focussing in particular on risk aspects and implications for the risk appetite and tolerance of the Company;
- 5.2.8 Upon the request of the Board or other committee that oversees remuneration matters, to advise on alignment of remuneration with risk appetite. In assisting the implementation of a sound remuneration system, examine whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the Nominations and Remuneration Committee;
- 5.2.9 To consider and advise the Board on the effectiveness of management's policies for addressing risks relating to cyber security and information security;
- 5.2.10 To review and advise the Board on the effective management of risk relating to the Company's IT and operational resilience including risks relating to the execution of the technology aspects of the approved Group or Company strategy, cyber security and serious, large scale, organised crime relating to information security; and
- 5.2.11 To provide a forward-looking perspective to the Board on financial crime risk, including oversight of matters relating to:
- a) Financial crime risk and financial system abuse, including anti-money laundering, sanctions, terrorist financing and proliferation financing;
 - b) Controls relating to anti-bribery and corruption; and
 - c) Where the Company may become exposed to financial crime and systems abuse.

5.3 Stress testing

- 5.3.1 To review and satisfy itself that the stress test design is consistent with the bank's risk appetite and appropriate with the overall business strategy and to review and approve or recommend for Board's approval, the policies and procedures governing the stress test programme and commissioning the regular independent reviews of the programme;

- 5.3.2 To review and challenge management's interpretation of the scenario(s), key assumptions and methodologies used in the stress tests;
- 5.3.3 To review and challenge the results and supporting information including the identified management actions, and consider the implication of the results on the bank's risk appetite, capital and liquidity planning and strategic business decisions; and
- 5.3.4 To review and approve, or recommend for Board approval, the Company's final stress testing submissions to regulatory authorities.

5.4 Enterprise risk management framework and internal control systems

- 5.4.1 To annually review the Company's enterprise risk management framework and satisfy itself that it is operating effectively;
- 5.4.2 To review the effectiveness of internal control systems (other than internal controls over financial reporting); and
- 5.4.3 To review how effectively management is embedding and maintaining an effective risk management culture and a strong internal control environment designed to foster compliance with HSBC Group and Company policies and regulatory compliance requirements.

In carrying out its oversight role, the Committee will consider any material findings from regulators relating to risk governance, conduct of business, risk assessment or management processes.

5.5 Compliance

- 5.5.1 To review the annual plan for the Compliance function and receive regular reports on progress against the plan and other matters relating to regulatory compliance risk and the Company's relationship with its regulators.

5.6 Chief Risk Officer and Risk Management Function

- 5.6.1 To monitor the effectiveness and independence (from the business) of the CRO and to review the composition and effectiveness of the risk management function including that it is of sufficient stature, independent of the business and adequately resourced; and
- 5.6.2 To recommend to the Board the appointment or removal of the CRO.

5.7 Internal Audit

- 5.7.1 To review reports from Internal Audit that provide assurance on the adequacy of internal control processes; and
- 5.7.2 To request that management inform other Board committees (as applicable) on (a) material issues arising from or (b) shortcomings perceived in the scope or adequacy of the work of Internal Audit relating to matters falling

within the scope of such committees

5.8 External Audit

- 5.8.1 To review any issue raised by the external auditor in respect of (a) the audit of the Company's annual report and accounts (and management's response), or local equivalent, which relates to the management of risk or internal control systems (other than internal controls over financial reporting), or (b) in connection with the external auditor's observations of the Company's (i) regulatory standing and compliance or (ii) general competitive standing

5.9 Annual Report and Accounts (or local equivalent)

- 5.9.1 Where applicable, to review and endorse the content of the risk committee report, risk disclosures or statements contained in the annual financial statements, or local equivalent, relating to internal controls (other than internal controls over financial reporting), including the assessment of principal risks facing the Company.

6. Other responsibilities

6.1 Certificates and Assurances (Escalation)

For any other Group company that is not a Principal Subsidiary:

- (a) To provide half-yearly certificates to the risk committee of the entity with oversight responsibility of the Company (in a form that is consistent with that required by the Group Risk Committee);and
- (b) To take action, provide documentation or assurances as requested by the risk committee of the entity with oversight responsibility of the Company including: copies of minutes, periodic certifications, adopting best practice, being forthcoming in sharing information, and interacting with its Chair on a regular basis.

6.2 Annual review of terms of reference and committee effectiveness

The Committee shall review annually its terms of reference and its own effectiveness and recommend to the Board any necessary changes.

The Committee shall report to the Board and inform the Chair of the risk committee of the entity with oversight responsibility of the Company, how the Committee has discharged its responsibilities and will make recommendations on any action(s) needed to resolve concerns or make improvements.

6.3 Material deviations from Core Terms of Reference

Material deviations from the Group Core Terms of Reference require the endorsement from: (where the Company is a Principal Subsidiary) the Group Risk Committee or (for any other Group company that is not a Principal Subsidiary) the Board or relevant committee of the entity with oversight responsibility of the Company, as and when a material deviation

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6.4 Responsibilities of subsidiary risk committees

The Committee shall (a) review the composition, powers, duties and responsibilities of any risk committee of the Company's subsidiaries, (b) oversee the implementation of mechanisms to facilitate the communication and escalation from such subsidiary company committees of matters for the Committee's attention including seeking documentation, certifications or assurances such as copies of minutes, periodic certifications, confirmation of adopting best practice, and other forms of sharing information, (c) foster interconnectivity and common governance principles, and (d) discuss such matters as the Committee deems appropriate with the chair or other members of such subsidiary committees.

6.5 Reporting to the Board

The Committee will report to the Board on the matters set out in these terms of reference and will provide the Board such additional assurance as it may reasonably require regarding the effectiveness of the Company's risk management functions.

6.6 External advisers

The Committee may retain special counsel, advisers, experts, or other consultants to consider from time to time any other matters which the Committee believes are required of it in keeping with its responsibilities. The Committee may obtain such professional external advice as it shall deem appropriate to take account of relevant experience outside the Company and challenge its analysis and assessment. Any such appointment shall be made through the Company Secretary, who shall be responsible, on behalf of the Committee, for the contractual arrangements and payment of fees by the Company.

6.7 Overlapping responsibilities

Where there is a perceived overlap of responsibilities between the Committee and another committee of the Board, the respective committee Chairs shall have the discretion to agree the most appropriate committee to fulfil any obligation. An obligation under the terms of reference of any committee will be deemed by the Board to have been fulfilled, provided it is dealt with by any other committee.

6.8 To ensure a Shariah Risk management control function, with necessary infrastructure, has been established to identify, measure, monitor, report and control Shariah non-compliance risks. The Shariah risk management control function shall form part of the Company's integrated risk management framework. The systematic approach of managing Shariah non-compliance risks should include but is not limited to the following:

- (i) ensure executions of business and operations that are in accordance with Shariah principles;
- (ii) review business operations on regular basis to ensure Shariah compliance;
- (iii) identify the inherent Shariah non-compliance risks, taking into account existing controls that have been put in place and their effectiveness in

- mitigating such risks;
- (iv) measure the potential impact of such Shariah non-compliance risks to the Company based on historical and actual de-recognition of income derived from Shariah non-compliant incidents;
- (v) monitor Shariah non-compliance risks to facilitate efficient and effective management of such risks; a report on Shariah non-compliance risk indicators shall be escalated to the Board periodically;
- (vi) provide recommendations on rectification/remediation measures taken as well as follow-up on implementation and controls to avoid recurrences;
- (vii) formulating appropriate Shariah risk management policies and guidelines; and
- (viii) developing and implementing processes for Shariah non-compliance risk awareness and training.

6.9 Any resolution in writing, signed or assented to by all the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee duly called and constituted and may consist of several documents in the like form each signed by one or more of the members of the Committee.

HSBC AMANAH MALAYSIA BERHAD
NOMINATIONS AND REMUNERATION COMMITTEE
TERMS OF REFERENCE

1. Purpose

The Board of HSBC Amanah Malaysia Berhad (“the Company”) has delegated to the Nominations and Remuneration Committee oversight of matters related to nominations and remuneration impacting the Company, in particular for:

- (i) Leading the process for Board appointments and for identifying and nominating for the approval of the Board, candidates for appointment to the Board. Appointments to the Board are subject to the endorsement of the parent company i.e. HSBC Bank Malaysia Berhad (“HBMY”) Nominations and Remuneration Committee, approval from the Company’s Board and the approval of Bank Negara Malaysia (“BNM”).
- (ii) Supporting the Board in carrying out its functions concerning senior management appointments/reappointment and removals;
- (iii) Supporting the Board in carrying out its functions concerning the appointment and reappointment of Shariah Committee members, subject to BNM’s approval;
- (iv) Overseeing the implementation and operation of HSBC Group’s remuneration framework, as approved by the HSBC Group Remuneration Committee;
- (v) Satisfying itself that the remuneration framework does not breach any local law, rule or regulation;
- (vi) Satisfying itself that the remuneration framework is in line with the risk appetite, business strategy, culture and values, and long-term interests of the Company;
- (vii) Satisfying itself that the remuneration framework is appropriate to attract, retain and motivate individuals of the quality required to support the success of the Company.

2. Membership

- 2.1 The Committee (including the Chair) shall comprise not less than three (3) independent non-executive directors.
- 2.2 The Chair of the Committee shall be appointed by the Board from among the independent non-executive directors.

- 2.3 Members of the Committee of any HSBC Group subsidiary shall be appointed subject to endorsement by the nomination committee (or equivalent) /or remuneration committee of the entity with oversight responsibility of the Company.
- 2.4 Members of the Committee shall collectively have appropriate knowledge, expertise and experience concerning remuneration policies and practices, and risk management oversight activities.
- 2.5 Members shall exclude themselves from any business before the Committee in which they are personally interested or consider they have an actual or potential conflict of interest.

3. Attendance

- 3.1 Only members have the right to attend Committee meetings.
- 3.2 The Committee may invite any other individual(s) to attend any meeting(s) of the Committee as it may from time to time consider necessary to assist the Committee in undertaking its responsibilities.
- 3.3 The Company's Chief Risk Officer (or equivalent) will attend meetings from time to time to report on the alignment of the remuneration framework with the Company's risk profile and risk management. The Company's Chief Financial Officer (or equivalent) will attend meetings as necessary to report on the alignment of the remuneration framework and remuneration recommendations with the Company's capital profile.

4. Meetings and Quorum

- 4.1 The Committee shall meet with such frequency and at such times as it may determine. It is expected that the Committee shall meet at least twice each year.
- 4.2 The quorum for meetings is a majority of members, including the Chair (or his/her delegate from among the members).
- 4.3 The Secretary of the Committee is the Company Secretary (or his/her nominee).

5. Areas of Responsibility

The Committee's responsibilities shall include:

5.1 In relation to Nominations

- 5.1.1 The Committee shall make recommendations to the Board concerning:

- (i) the appointment and reappointment by the Board of both executive directors and non-executive directors;
- (ii) suitable candidate for the role of chairman of the Board;
- (iii) the re-election by shareholders of directors retiring by rotation;
- (iv) membership of Board Committees;
- (v) the appointment and reappointment of Chief Executive Officer (“CEO”) and other key senior officers, and
- (vi) the appointment and reappointment of Shariah Committee members.

5.1.2 The Committee shall:

- (i) regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board and make recommendations to the Board with regard to any changes;
- (ii) give full consideration to succession planning for directors in the course of its work, taking into account the challenges and opportunities facing the Company, and what skills and expertise are therefore needed on the Board in the future;
- (iii) before recommending an appointment, evaluate the balance of skills, knowledge and experience on the Board, and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates, the Committee shall:
 - (a) use such method or methods to facilitate the search as it may deem appropriate;
 - (b) consider candidates from a wide range of backgrounds;
 - (c) consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position;
 - (d) have due regard for the benefits of diversity on the board, including gender;
 - (e) assess the candidate to determine that he/she is not disqualified under the Islamic Financial Services Act 2013 and meets BNM requirements, including the fit and proper requirements in regard to board appointments; and
 - (f) take into account any supervisory concerns that may be highlighted by BNM that require specific expertise on the board;
- (iv) review annually the time commitment required from non-executive directors, taking into account the findings of performance evaluations;
- (v) ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them;

- (vi) ensure that the directors, CEO, Company Secretary or other key senior officers are not disqualified under the Islamic Financial Services Act 2013 and that they continue to comply with BNM requirements, including the fit and proper requirements;
- (vii) carry out annual board evaluations to objectively assess the performance and effectiveness of the board, board committees and individual directors;
- (viii) review and monitor the training and development of directors; and
- (ix) oversee the appointment/reappointment, succession planning and performance evaluation of senior management and Shariah Committee members.

5.2 In relation to Remuneration

5.2.1 Remuneration framework and governance

- (i) Considering remuneration matters for the Company in the context of the HSBC Group's remuneration framework, and provide advice on the application of the framework to the Company in the context of local regulations and market conditions to the Company's Board and the Board and/or relevant committee of the entity with oversight responsibility of the Company (where the Company is not a Principal Subsidiary).
- (ii) Satisfying itself that the remuneration framework is in line with the business strategy, culture and values, and long-term interests of the Company.
- (iii) So as to complete the annual pay review process of the Company:
 - (a) Considering the relevant issues that were taken into account in agreeing remuneration funding and proposals relevant to the Company and escalate any matters of concern to the Board and/or relevant committee of the entity with oversight responsibility of the Company (where the Company is not a Principal Subsidiary); and
 - (b) Reviewing and approving (prior to, in certain cases, final approval by the HSBC Group Remuneration Committee and/or the Company's Board) performance-based remuneration and to provide

feedback to the Company's Board and the Board and/or relevant committee of the entity with oversight responsibility of the Company (where the Company is not a Principal Subsidiary), as appropriate.

- (iv) Recommending the fees for directors for approval by the Company's Board, Shareholder(s) (if required), and the Board or relevant committee of the entity with oversight responsibility of the Company (where the Company is not a Principal Subsidiary).
- (v) Presenting the HSBC Group's remuneration framework for the Board's review and approval on adoption.
- (vi) Recommending for the Board's approval the remuneration of the Senior Management and Heads of Control Functions, including:
 - a) Individual fixed pay and increases
 - b) Annual and long-term incentive arrangements and adjustments
 - c) Benefit entitlements
 - d) Termination arrangements and compensation for loss of office, ensuring any arrangements do not in any way reward failure
 - e) Any guaranteed variable pay for first-year hires
 - f) Any early payment of deferred award for leavers
 - g) Buy-out awards to compensate for any forfeiture of deferred awards from leaving previous employerFor this purpose:
Senior Management includes the Chief Executive of the Company, Heads of Control Functions include Audit, Risk, Legal, and Compliance.
- (vii) Recommending for the Board's approval or approving under delegated authority from the Board, the remuneration of Key Personnel, defined as individual employees whose duties or activities in the course of their employment involve the assumption of material risk or the taking on of material exposures on behalf of the Company.
- (viii) Determining as appropriate any further sub-delegation to management to approve the remuneration of Key Personnel.
- (ix) Presenting to the Board a summary of the remuneration of all Key Personnel for the Board's review and endorsement, as part of annual pay review.

- (x) Ensuring that an annual review of the Company's remuneration framework and its operation, either internally conducted, or externally commissioned, is carried out independently of management.

5.3 Regulatory, risk and audit

5.3.1 Satisfying itself that HSBC Group's remuneration framework as applied to the Company complies with the regulatory and other legislative requirements that the Company is required to comply with. Where elements of the framework are contrary to local regulations, to seek approval from the HSBC Group Remuneration Committee for appropriate deviations from the HSBC Group framework to ensure compliance with local regulations.

5.3.2. Satisfying itself that the remuneration framework:

- a) Is clearly aligned with the Company's risk appetite;
- b) Is consistent with and promotes the sound and effective risk management of the Company;
- c) Does not encourage risk-taking that exceeds the level of tolerated risk of the Company; and
- d) Does not encourage the Company to bear any risk that would undermine its ability to comply with any regulatory obligation.

If, in accordance with Section 6.1, the Committee escalates any concern that the application of the HSBC Group's remuneration framework to the Company would prevent compliance with paragraph 5.3.2 (a) through (d) above to the Board and/or relevant committee of the entity with oversight responsibility of the Company (where the Company is not a Principal Subsidiary), the Company shall have the authority to act outside the HSBC Group's remuneration framework to the extent necessary to ensure compliance, only if the Committee cannot reconcile the position after escalating and engaging with the Board and/or relevant committee of the entity with oversight responsibility of the Company, as appropriate.

5.3.3 Reviewing any material matters relating to remuneration that need to be reported to the Board, shareholders and local regulators. This includes the review and approval of:

- a) The content of the Remuneration Report (if any) in the annual report and accounts (or equivalent) of the Company; and
- b) Any material report required by the Company's local regulators on the Company's remuneration approach.

5.3.4 Seeking advice from the Company's Risk Committee (or its Chair if he/she is a member of the Committee) and Chief Risk Officer (or

equivalent) as appropriate, on the alignment of risk and remuneration and, as necessary, any relevant adjustments for risk to be considered in respect of the variable pay pool and remuneration outcomes. In the event of any difference of view, appropriate risk adjustments should be recommended by the Chair of the Committee to the Board or relevant committee of the entity with oversight responsibility of the Company (where the Company is not a Principal Subsidiary) for further consideration.

- 5.4 Undertaking on behalf of the Chair of the Board or the Board itself such other related tasks as the Chair of the Board or the Board itself may from time to time entrust to it.

6. Responsibilities in relation to the HSBC Group Remuneration Committee

6.1 Reporting, Certificates and Assurances (Escalation):

[for any other HSBC Group company that is not a Principal Subsidiary]

6.1.1 To provide annual certification / attestation to the Board and/or relevant committee of the entity with oversight responsibility of the Company (in a form that is consistent with that required by the HSBC Group Remuneration Committee); and

6.1.2 To take action, provide documentation or assurances as requested by the Board and/or relevant committee of the entity with oversight responsibility of the Company including: (i) escalate relevant matters in relation to the application of the HSBC Group's remuneration framework or, as appropriate, any other concern in relation to remuneration matters for the Company and its subsidiaries, (ii) provide copies of minutes or supplemental periodic certifications, (iii) adopting best practice, (iv) sharing information, and (v) interacting with its Chair on a regular basis, in each case as appropriate.

6.2 Reporting to the Board

The Committee will report to the Company's Board on the matters set out in these terms of reference and will provide the Board such additional assurance as it may reasonably require regarding the effectiveness of the Company's remuneration framework.

7. Operation of the Committee

- 7.1 Annual review of terms of reference and committee effectiveness.

7.1.1 The Committee shall review annually its terms of reference and its own effectiveness and recommend to the Board any necessary changes.

7.1.2 Annually, the Committee shall report to the Company's Board and inform the Chair of the board and/or relevant committee of the entity with oversight responsibility of the Company, how the Committee has discharged its responsibilities and will make recommendations on any action(s) needed to resolve concerns or make improvements.

7.1.3 Material deviations from the HSBC Group Core Terms of Reference require the endorsement from *[for any other HSBC Group company that is not a Principal Subsidiary]* the Board or relevant committee of the entity with oversight responsibility of the Company (as and when a material deviation occurs).

7.2 External advisers

The Committee may retain special counsel, advisers, experts, or other consultants from time to time to assist consideration of any other matters which the Committee believes are required of it in keeping with its responsibilities. The Committee may obtain such professional external advice as it shall deem appropriate to take account of relevant experience outside the Company and challenge its analysis and assessment. Any such appointment shall be made through the Company Secretary, who shall be responsible, on behalf of the Committee, for the contractual arrangements and payment of fees by the Company.

7.3 Overlapping responsibilities

Where there is a perceived overlap of responsibilities between the Committee and another committee of the Board, the respective committee Chairs shall have the discretion to agree the most appropriate committee to fulfil any obligation. An obligation under the terms of reference of any committee will be deemed by the Board to have been fulfilled, provided it is dealt with by any other committee.

7.4 Any resolution in writing, signed or assented to by all the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee duly called and constituted. Any such resolution may consist of several documents in the like form each signed by one or more members of the Committee.