

HSBC AMANAH MALAYSIA BERHAD (“the Bank”)

BOARD CHARTER

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 take into account the legitimate interests of shareholders, depositors and other relevant stakeholders. The Board should play a leading role in establishing 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 Board’s responsibilities include, but are not limited to:

- (i) setting and overseeing the objectives of the Bank and the strategies for achieving those objectives;
- (ii) overseeing and reviewing the implementation of the Bank’s governance framework and internal control framework;
- (iii) overseeing the selection, performance, remuneration and succession plans of the Chief Executive Officer (“CEO”), control function heads and other members of the senior management;
- (iv) setting corporate culture, values and standards;
- (v) ensuring a suitable and transparent corporate structure within the Bank which reinforces ethical, prudent and professional behaviour;
- (vi) ensuring effective audit functions;
- (vii) ensuring an appropriate degree of transparency in respect of the structure, operation and risk management of the Bank;
- (viii) promoting Shariah compliance in accordance with Bank Negara Malaysia (“BNM”) policy document on Shariah Governance Framework 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; and
- (xi) promoting timely and effective communication between the Bank and BNM on matters affecting or that may affect the safety and soundness of the Bank

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 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 Group-wide 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 be to protect the interest of the Bank which it serves. As such, the Board should ensure that the decisions of the holding company 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 Articles of Association, the following items specifically require Board approval:

- (i) strategic plans, operating plans, risk appetite, performance targets and other initiatives which would, singularly or cumulatively, have a material impact on the Bank's risk profile;
- (ii) the establishment of effective procedures for monitoring and control of operations including internal procedures for audit, risk and compliance;
- (iii) recovery plan of the Bank;
- (iv) remuneration policy of the Bank and the remuneration for each Director, member of senior management and other material risk takers;
- (v) the authority or the delegation of authority to approve credit, market risk limits, acquisition, disposal, investment, capital expenditure or realisation or creation of a new venture;
- (vi) appointments or removals to the positions of Chairman, Director, Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Operating Officer, Corporation Secretary, and other members of senior management and Shariah Committee;
- (vii) appointment and reappointment of Shariah Committee members, subject to BNM's approval; and
- (viii) any substantial change in the policies established from time to time by the Board for balance sheet management including capital adequacy, liquidity, maturity structure of assets and liabilities, interest rate and exchange rate risks and asset concentration.

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 ("HBM").

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 Articles of Association.
- 4.2 The Board may delegate certain authorities to the Chief Executive Officer, Chief Risk Officer and other persons, with powers of sub-delegation.
- 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 Articles of Association 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

The approved terms of reference of these committees are as set out in **Appendix 1-4** of this Board of Directors Terms of Reference.

- 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 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 of the Bank.

6. COMPOSITION

6.1 The Board should have the appropriate balance of skills, experience, independence and knowledge of the Bank's operations to enable it to discharge its duties and responsibilities effectively.

6.2 The Board should be of sufficient size that the requirements of the business can be met and that changes to the Board's composition can be managed without undue disruption.

6.3 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.

6.4 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. The Nominations and Remuneration Committee leads the process for Board appointments and for identifying and nominating candidates as Directors. As part of the appointment process, the Corporation Secretary will obtain confirmations from each prospective Director that he/she is able to commit sufficient time and effort to fulfill their responsibilities effectively.

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 Articles of Association. 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 It is expected that non-executive Directors will typically serve two three-year terms and subject to rigorous review, may serve an additional three year term at the invitation of the Board. Thereafter, a non-executive Director may serve further one-year term at the invitation of the Board. 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 and management, and between the executive Directors and non-executive Directors; and
- (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.

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; and
- (iii) leading and chairing the Executive Committee

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 by way of physical presence especially where major issues are to be discussed.

8.2 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.

- 8.3 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.
- 8.4 Non-executive Directors 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. The minutes must indicate whether any Director abstained from voting or excused himself from deliberating on a particular matter.
- 9.2 The Corporation 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 Corporation 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 Corporation 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. In addition to presentations at Board meetings, non-executive Directors will be given the opportunity to undertake business awareness and other training and development activities. The Corporation Secretary will regularly distribute details of these activities. Executive Directors have access to the Bank's internal training resources and may request additional support as required from the Corporation Secretary.
- 10.2 An induction programme, tailored to individual needs, shall be arranged for each new Director by the Corporation Secretary.

11. BOARD PERFORMANCE EVALUATION

The Board shall undertake annual assessments of its effectiveness and the contribution made by each individual Director to the effectiveness of the Board. The performance assessment shall include governance practices and procedures to determine any improvements that may be needed. The Corporation Secretary shall be responsible for facilitating the Board's annual performance evaluation. The Corporation 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 Corporation 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 ARTICLES OF ASSOCIATION

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

HSBC AMANAH MALAYSIA BERHAD (“HSBC Amanah”)

**SHARIAH COMMITTEE
TERMS OF REFERENCE**

1. Membership

- 1.1 The Shariah Committee shall consist of at least five (5) members who must be individuals appointed upon recommendation of the HSBC Amanah’s Nomination and Remuneration Committee and approval of the HSBC Amanah’s Board of Directors (“the Board”) and only after obtaining prior written approval of Bank Negara Malaysia. The tenure of the appointment shall be valid for a renewable term of up two (2) years.

2. Meetings, Quorum and Decision Making

- 2.1 The Shariah Committee should hold meetings at least once in every two (2) months and whenever required, and should report regularly to the Board.
- 2.2 The minimum quorum for every Shariah Committee meeting is two-third with majority of attending members must be with Shariah background.
- 2.3 At all meetings of the Shariah Committee, the Chairman of the Committee with qualified Shariah background, 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 among themselves to become the alternate Chairman to preside over the meeting. The alternate Chairman shall be a member with qualified Shariah background.
- 2.5 Notwithstanding the clauses 2.3 and 2.4, and considering the current composition of the Shariah Committee, all three (3) members with the Shariah background must attend all the meetings.
- 2.6 Decisions shall be made on the basis of two-third of the members present, with majority of the two-third votes shall be members with Shariah background.

3. Objectives

- 3.1 The primary objective of the Shariah Committee is to ensure that HSBC Amanah is operated and managed in accordance with the Shariah¹ through performing its responsibilities set out below.

¹ Compliance with Shariah is interpreted in accordance with Islamic Financial Services Act (IFSA) 2013.

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 make decisions on Shariah matters in an independent and objective manner without undue influence or duress and to be responsible and accountable for the Shariah decisions, opinions and views;
- b. 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;
- c. to attend all the Board and/or Board Committee's meeting whenever required and accordingly update the Board on any pertinent Shariah matters relating to HSBC Amanah;
- d. to endorse Shariah policies and procedures prepared by HSBC Amanah to ensure that the contents are Shariah compliant;
- e. to approve the product structures and transactions that are being managed, executed and entered into by HSBC Amanah ;
- f. to endorse and validate the following documentations including but not limited to:
 - 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;
- g. to assess the work carried out by Shariah Review and Shariah Audit functions;
- h. 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;
- i. 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;
- j. to provide written Shariah opinions if HSBC Amanah makes a reference to the Shariah Advisory Council of Bank Negara Malaysia for further deliberation or in the event HSBC Amanah submits an application to Bank Negara Malaysia / Securities Commission for approval on any new product / transaction.
- k. to ratify the list of approved matters prepared by the Shariah Department that the operations and business activities of HSBC Amanah are in compliance with Shariah;
- l. to provide Shariah compliant endorsement in the annual financial statement of HSBC Amanah, supported by the Annual Shariah Committee Report;

- m. to provide consultation to the Audit Committee in the course of the Audit Committee in determining the deliverables of the Shariah audit function;
- n. 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
- o. if the Shariah Committee has a reasonable ground to believe that HSBC Amanah is involved in Shariah non-compliant activities, the Shariah Committee shall inform the Board and to advise, propose or rectify as necessary to ensure its conformity to Shariah requirements at all times. 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 Bank Negara Malaysia of the same.

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 shall be exercised in ensuring Shariah compliance.

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 person is disqualified from being appointed or elected, reappointed or re-elected, accepting any appointment or election, or holding office, as a chairman, director, chief executive officer or senior officer of an institution if:
 - a. He 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.

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:

- 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. an employee of HSBC Amanah or any of its related companies for the current or the last financial year;
- b. a member of Shariah Advisory Council of Bank Negara Malaysia; and
- c. another Shariah Committee member who is currently serving another Islamic financial institutions, of the same industry.

9. Recommendations

9.1 Where, in the course of meeting its objectives and performing its obligations, the Shariah Committee discovers an issue of concern or for which there is scope for improvement, it shall make recommendations to the Board on action needed to address the issue or to make improvements.

9.2 Any changes to these Terms of Reference must be recommended to the Board.

10. Law and Guidelines

10.1 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 Bank Negara Malaysia 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.

10.2 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 (“the Bank”)

**AUDIT COMMITTEE
TERMS OF REFERENCE**

Membership

The Committee shall comprise not less than three (3) independent non-executive directors.

The Chairman of the Committee shall be an independent non-executive appointed by the Board. Members of the Committee and the Chairman shall be appointed subject to endorsement by HSBC Bank Malaysia Berhad (“HBMY”) Audit Committee.

The Board may from time to time appoint¹ to the Committee additional members it has determined to be independent.

The Committee may invite any director, executive, external 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 attainment of its objective.

Meetings and Quorum

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 four times each year.

The quorum for meetings shall be two (2) independent non-executive directors.

Objective

The Committee shall be accountable to the Board and shall have non-executive responsibility for oversight of and advice to the Board on matters relating to financial reporting.

Responsibilities of the Committee

Without limiting the generality of the Committee’s objective, the Committee shall have the following non-executive responsibilities, powers, authorities and discretion.

1. To monitor the integrity of the financial statements of the Bank, and any formal announcements relating to the Bank’s financial performance or supplementary regulatory information, reviewing significant financial reporting judgments contained in them. In reviewing the Bank’s financial statements before submission to the Board, the Committee shall focus particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;

- (iii) significant adjustments resulting from audit;
- (iv) the going concern assumptions and any qualifications;
- (v) compliance with accounting standards;
- (vi) compliance with applicable legal requirements in relation to financial reporting;
- (vii) regulatory guidance on disclosure of areas of special interest;
- (viii) comment letters from appropriate regulatory authorities; and
- (ix) matters drawn to the attention of the Committee by the Bank's external auditor.

In regard to the above:

- (i) members of the Committee shall liaise with the Board, members of senior management, the external auditor and Head of Internal Audit; and
 - (ii) the Committee shall consider any significant or unusual items that are, or may need to be, highlighted in the annual report and accounts and shall give due consideration to any matters raised by staff responsible for the accounting and financial reporting function, Head of Internal Audit, Head of Regulatory Compliance or external auditor.
 - (ii) the Committee shall ensure that the accounts are prepared and published in a timely and accurate manner with frequent reviews of the adequacy of provisions against contingencies and bad and doubtful debts.
2. To review the Bank's financial and accounting policies and practices, and support the Board in ensuring that there is a reliable and transparent financial reporting process within the Bank.
 3. To review and discuss with management the effectiveness of the Bank's internal control systems relating to financial reporting and, where appropriate, to endorse the content of the statement relating to internal controls over financial reporting in the annual report for submission to the Board including Shariah compliance.
 4. To monitor and review the effectiveness of the internal audit function, consider the major findings of internal investigations and management's response, and ensure that the internal audit function is adequately resourced, has appropriate standing within the Bank and is free from constraint by management or other restrictions. Where applicable, the Committee shall recommend to the Board the appointment and removal of the Head of Internal Audit.

In overseeing the effectiveness of the internal audit function, the Committee must include the following -

- (a) reviewing and approving the audit scope, procedures and frequency;
- (b) reviewing key audit reports and ensuring that senior management is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by the internal audit and other control functions;
- (c) noting significant disagreements between the Head of Internal Audit and the rest of the senior management team, irrespective of whether these have been resolved, in order to identify any impact the disagreements may have on the audit process or findings; and
- (d) establishing a mechanism to assess the performance and effectiveness of the internal audit function.

5. To satisfy itself that there is appropriate co-ordination between the internal and external auditors.
6. To make recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and shall be directly responsible for the approval of the remuneration and terms of engagement of the external auditor.
7. To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements and reports from the external auditors on their own policies and procedures regarding independence and quality control and to oversee the appropriate rotation of audit partners with the external auditor.
8. To implement the HSBC Group² policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; where required under that policy to approve in advance any non-audit services provided by the external auditor that are not prohibited by the Sarbanes-Oxley Act of 2002 (in amounts to be pre-determined by the HSBC Group Audit Committee) and the fees for any such services; to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and make recommendations as to the steps to be taken.

For this purpose "external auditor" shall include any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as part of the audit firm nationally or internationally.

9. To review the external auditor's annual report on the progress of the audit, its management letter, any material queries raised by the external auditor to the management in respect of the accounting records, financial accounts or systems of control and in each case, responses from management., Any material issues arising which relate to the management of risk or internal controls (other than internal financial controls) shall be referred to the Risk Committee as appropriate.
10. To require a timely response to be provided to the financial reporting and related control issues raised in the external auditor's management letter.
11. To discuss with the external auditor their general approach, nature and scope of their audit and reporting obligations before the audit commences including, in particular, the nature of any significant unresolved accounting and auditing problems and reservations arising from their interim reviews and final audits, major judgmental areas (including all critical accounting policies and practices used by the Bank and changes thereto), all alternative accounting treatments that have been discussed with management together with the potential ramifications of using those alternatives, the nature of any significant adjustments, the going concern assumption, compliance with accounting standards and legal requirements, reclassifications or additional disclosures proposed by the external auditor which are significant or which may in the future become material, the nature and impact of any material changes in accounting policies

and practices, any written communications provided by the external auditor to management and any other matters the external auditor may wish to discuss (in the absence of management where necessary).

12. To review and discuss the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget and succession planning for key roles throughout the function.
13. To consider any findings of major investigations of internal control over financial reporting matters as delegated by the Board or on the Committee's initiative and assess management's response.
14. To receive an annual report, and other reports from time to time as may be required by applicable laws and regulations, from the Chief Executive Officer and Chief Financial Officer to the effect that such persons have disclosed to the Committee and to the external auditor all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which could adversely affect the Bank'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 Bank's internal controls over financial reporting.
15. To provide to the Board such assurances as it may reasonably require regarding compliance by the Bank, its subsidiaries and those of its associates for which it provides management services with all supervisory and other regulations to which they are subject.
16. To provide to the Board such additional assurance as it may reasonably require regarding the reliability of financial information submitted to it.
17. To receive from the Regulatory Compliance function reports on the treatment of substantiated complaints regarding accounting, internal accounting controls or auditing matters received through the HSBC Confidential (or such other system as the HSBC Group Audit Committee may approve) for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
18. To report any significant actual, suspected or alleged fraud (involving misconduct or unethical behaviour related to financial reporting) or misrepresentation of assets, which has not been included in a report submitted by management to the Committee, to the non-executive committee responsible for oversight of risk established within the Bank's Holding Company within the HSBC Group².
19. To agree with the Board the Bank's policy for the employment of former employees of the external auditor, within the terms of the HSBC Group's² policy.
20. To review and update the Board on any related party transactions.
21. To monitor compliance with the Board's conflicts of interest policy.
22. To review the accuracy and adequacy of the corporate governance disclosures and interim financial reports in relation to the preparation of financial statements.

23. To review third-party opinions on the design and effectiveness of the financial institution's internal control framework.
24. The Committee shall meet alone with the external auditor and with the Head of Internal Audit at least once each year to ensure that there are no unresolved issues or concerns.
25. Where applicable to review the composition, powers, duties and responsibilities of subsidiaries' non-executive audit committee. The HSBC Group Audit Committee will review the core terms of reference for adoption by such committees and approve material deviations from such core terms.
26. To undertake or consider on behalf of the Chairman or the Board such other related tasks or topics as the Chairman or the Board may from time to time entrust to it.
27. To report to the Board on the matters set out in these terms of reference.
28. To provide half-yearly certificates to the HSBC Group Audit Committee, or to any audit committee of an immediate holding company in the form required by the HSBC Group Audit Committee. Such certificates to include a statement that the members of the Committee are independent.
29. To investigate any matter within these terms of reference, to have full access to and co-operation by management and to have full and unrestricted access to information.
30. The Committee may consider any matter relating to, and may request any information as it considers appropriate, from risk committee or any other committee which has responsibility for the oversight of risk within the Bank.
31. Where there is a perceived overlap of responsibilities between the Bank's Audit Committee and the Risk Committee, the respective Committee Chairmen shall have the discretion to agree the most appropriate Committee to fulfill any obligation. An obligation under the terms of reference of the Bank's Audit Committee or the Risk Committee will be deemed by the Board to have been fulfilled providing it is dealt with by either the Committee.
32. Where the Committee's monitoring and review activities reveal cause for concern or scope for improvement, it shall make recommendations to the Board on action needed to address the issue or to make improvements and, where necessary, shall report any such concerns to the HSBC Group Audit Committee and/or HSBC Group Risk Committee as appropriate; or to any audit and/or risk committee of an immediate holding company as appropriate.
33. The Committee may appoint, employ or retain such professional advisors as the Committee may consider appropriate. Any such appointment shall be made through the Secretary to the Committee, who shall be responsible for the contractual arrangements and payment of fees by the Bank on behalf of the Committee.

34. 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.
35. The Committee shall review annually the Committee's terms of reference and its own effectiveness and recommend to the Board any necessary changes.

Notes

1. *Appointments shall be subject to the endorsement by the HBMV Audit Committee, which will be satisfied that there are no circumstances which compromise the individual's independence.*
2. *In the context on these terms of reference, "HSBC Group" means HSBC Holdings plc and its subsidiaries For the purpose of clause 18 of the terms of reference, the Bank's "Holding Company" means HBMV which is directly a holding company of HSBC Amanah Malaysia Berhad.*

HSBC AMANAH MALAYSIA BERHAD (“the Bank”)

RISK COMMITTEE
TERMS OF REFERENCE

Membership

The Committee shall comprise not less than three (3) independent non-executive directors.

The Chairman of the Committee shall be an independent non-executive director appointed by the Board. Members of the Committee and the Chairman shall be subject to endorsement by HSBC Bank Malaysia Berhad (“HBMY”) Risk Committee.

The Board may from time to time appoint¹ to the Committee additional members it has determined to be independent.

The Committee may invite any director, executive 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 attainment of its objective.

Meetings and Quorum

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 four times each year.

The quorum for meetings shall be two (2) independent non-executive directors.

Objective

The Committee shall be accountable to the Board and shall have non-executive responsibility for oversight of and advice to the Board on matters relating to high level risk related matters and risk governance.

Responsibilities of the Committee

Without limiting the generality of the Committee’s objective, the Committee shall have the following non-executive responsibilities, powers, authorities and discretion:

1. To oversee and advise the Board on all high level risk related matters 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.

In providing such oversight and preparing advice to the Board, the Committee shall oversee (i) current and forward-looking risk exposures; (ii) the Bank’s risk appetite and future risk strategy, including capital and liquidity management strategy; and (iii) management of risk within the Bank.

2. To advise the Board on risk appetite and tolerance in determining strategy.

In preparing advice to the Board on risk appetite and tolerance the Committee shall (i) satisfy itself that risk appetite conforms to the Bank's strategy; (ii) seek such assurance as it may deem appropriate and take into account the current and prospective macroeconomic and financial environment, draw on financial stability assessments published by authoritative sources that may be relevant; (iii) review and approve the methodology used in establishing the Bank's risk appetite including risk asset ratios, limits on exposures and concentrations, leverage ratios, economic capital ratios and stress and scenario testing; and (iv) review the results of appropriate stress and scenario testing.

3. To advise the Board on alignment of remuneration with risk appetite.

In assisting the implementation of a sound remuneration system, the Committee shall 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 Remuneration Committee.

4. To consider and advise the Board on the risks associated with proposed strategic acquisitions or disposals as requested from time to time by any Director in consultation with the Chairman of the Committee. In preparing such advice, the Committee shall satisfy itself that a due diligence appraisal of the proposition is undertaken, focusing in particular on risk aspects and implications for the risk appetite and tolerance of the HSBC Group², drawing on independent external advice where appropriate and available, before the Board takes a decision whether to proceed.
5. To require regular risk management reports from management which:
 - (i) enable the Committee to assess the risks involved in the Group's² business and how they are controlled and monitored by management; and
 - (ii) give clear, explicit and dedicated focus to current and forward-looking aspects of risk exposure which may require a complex assessment of the Group's² vulnerability to hitherto unknown or unidentified risks.
6. To review the effectiveness of the Bank's risk management framework and internal control systems (other than internal financial control systems). In undertaking this responsibility, the Committee shall:
 - (i) satisfy itself that there are adequate procedures for monitoring in a sufficiently timely and accurate manner, large exposures or risk types whose relevance may become of critical importance;
 - (ii) satisfy itself that there are adequate procedures in place for requiring compliance with HSBC Group² policies;
 - (iii) consider any material findings from regulatory reviews and interactions with regulators in relation to risk governance or risk assessment or management process;
 - (iv) discuss the internal control systems with management and satisfy itself that management has discharged its duty to have an effective internal control system.

The HBMY Audit Committee shall have primary responsibility in this regard in relation to internal financial controls;

- (v) satisfy itself that the risk management function is adequately resourced (including taking into account qualifications and experience of staff and training programmes and budget), has appropriate standing within Bank and is free from constraint by management or other restrictions; and
- (vi) seek assurance from internal audit that internal control processes for risk management are adequate for the strategy determined by the Board.

7. Where applicable, the Committee shall approve the appointment and removal of the Chief Risk Officer.

The Committee shall seek such assurance as it may deem appropriate that the Chief Risk Officer:

- (i) participates in the risk management and oversight process at the highest level on an enterprise-wide basis;
- (ii) has satisfied himself or herself that risk originators in the business units are aware of and aligned with the Bank's risk appetite;
- (iii) has a status of total independence from individual business units;
- (iv) reports to the Committee alongside an internal functional reporting line to the Asia Pacific Chief Risk Officer;
- (v) cannot be removed from office without the prior agreement of the Board²; and
- (vi) has direct access to the chairman of the Committee in the event of need.

8. To seek to embed and maintain throughout the Bank a supportive culture in relation to the management of risk and maintenance of internal controls alongside prescribed rules and procedures.

9. To review any issue which arises from any report from internal audit, the external auditor's annual report on the progress of the external audit, the management letter from the external auditor, any queries raised by the external auditor to management or, in each case, responses from management, which relates to the management of risk or internal control and has been referred to the Committee by the Audit Committee or the Committee to consider.

10. To require a timely response to be provided by management on material issues relating to the management of risk or internal control (other than internal financial control) raised in the external auditor's management letter which are considered by the Committee.

11. To review and endorse the content of the statements made in relation to internal controls (other than internal financial controls) in the annual report and accounts for submission to the Board.
12. Where applicable, to (i) review at least annually the terms of reference for the executive risk management meetings; and (ii) to review the minutes of such meetings and such further information as the executive risk management meeting may request from time to time.
13. To provide to the Board such additional assurance as it may reasonable require regarding the reliability of risk information submitted to it.
14. The Committee shall meet alone with Head of Internal Audit at least once a year to ensure that there are no issues or concerns.
15. Where applicable, to review the composition, powers, duties and responsibilities of subsidiary companies' risk committees. The HSBC Group Risk Committee will review the core terms of reference for adoption by such committees and approve material deviations from such core terms.
16. To undertake or consider on behalf of the Chairman or the Board such other related tasks or topics as the Chairman or the Board may from to time entrust to it.
17. To report to the Board on the matters set out in these terms of reference.
18. To provide half-yearly certificates to the HSBC Group Risk Committee, or to any risk committee of an immediate holding company in the form required by the HSBC Group Risk Committee. Such certificates are to include a statement that the members of the Committee are independent.
19. 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 Bank's integrated risk management framework. The systematic approach of managing Shariah non-compliance risks should include but is not limited to the following:
 - (i) ensures executions of business and operations that are in accordance with Shariah principles;
 - (ii) reviews 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) measures the potential impact of such Shariah non-compliance risks to the Bank based on historical and actual de-recognition of income derived from Shariah non-compliant incidents;
 - (v) monitors 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) provides 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.

20. The Committee may consider any matter relating to, and may request any information as it considers appropriate, from Audit Committee, or any other committee which has responsibility for the oversight of risk within the Bank.
21. Where there is a perceived overlap of responsibilities between the Bank's Risk Committee and the Audit Committee, the respective Committee Chairmen shall have the discretion to agree the most appropriate Committee to fulfill any obligation. An obligation under the terms of reference of the Bank's Risk Committee or the Audit Committee will be deemed by the Board to have been fulfilled providing it is dealt with by either of the Committees].
22. Where the Committee's monitoring and review activities reveal cause for concern or scope for improvement, it shall make recommendations to the Board on action needed to address the issue or to make improvements and shall report any such concerns to the HSBC Group Audit Committee and/or HSBC Group Risk Committee as appropriate; or to any audit and/or risk committee of an intermediate holding company as appropriate.
23. The Committee may appoint, employ or retain such professional advisors as the Committee may consider appropriate. In particular, the Committee shall consider whether external advice on risk matters should be taken to challenge analysis undertaken and assessments made by the Committee and the risk management function, for example an external advisor might be asked for input on the stress and scenario testing of a business strategy. Any such appointment shall be made through the Secretary to the Committee, who shall be responsible for the contractual arrangements and payment of fees by the Bank on behalf of the Committee.
24. The Committee shall review annually the Committee's terms of reference and its own effectiveness and recommend to the Board, any necessary changes.
25. 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.

Notes

1. *Appointments shall be subject to the endorsement of HBMV Risk Committee, who has to be satisfied that there are no circumstances which compromise the individual's independence.*
2. *In the context of a subsidiary bank, "HSBC Group" means HSBC Holdings plc and its subsidiaries.*

NOMINATIONS AND REMUNERATION COMMITTEE
TERMS OF REFERENCE

Membership

The Committee shall comprise not less than three (3) independent non-executive directors.

The Chairman of the Committee shall be an independent non-executive director.

The Chairman and members of the Committee shall be appointed by the Board of the Bank (the 'Board').

Attendance

Only Committee members have the right to attend committee meetings.

The Committee may invite any director, executive 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 attainment of its objective.

The Bank's Chief Risk Officer will attend meetings as required to present reports on the implications of the Group's remuneration policy on risk and risk management and to validate and assess risk adjustment data.

Meetings and Quorum

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.

The quorum for meetings shall be two (2) independent non-executive directors.

The Secretary of the Committee is the Bank's Corporation Secretary.

Objective

The Committee is responsible for the following:

- (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 Chief Executive Officer ("CEO") of the parent company i.e. HSBC Bank Malaysia Berhad ("HBMY") and the approval of Bank Negara Malaysia ("BNM").

- (ii) supporting the Board in carrying out its functions concerning senior management appointments or 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) reviewing whether HSBC's Group remuneration policy, as approved by the Group Remuneration Committee and the shareholders of HSBC Holdings plc in general meetings, complies with all relevant local regulations and is appropriate to attract, retain and motivate directors and senior management of the quality required to run the Bank successfully.

Responsibilities of the Committee

Without limiting the generality of the Committee's purpose, the Committee shall have the following responsibilities, powers, authorities and discretion.

Key responsibilities in relation to Nominations

1. The Committee shall make recommendations to the Board concerning:
 - 1.1 the appointment and reappointment by the Board of both executive directors and non-executive directors;
 - 1.2 suitable candidate for the role of chairman of the Board;
 - 1.3 the re-election by shareholders of directors retiring by rotation;
 - 1.4 membership of Board Committees;
 - 1.5 the appointment and reappointment of Chief Executive Officer ("CEO") and other key senior officers; and
 - 1.6 the appointment and reappointment of Shariah Committee members.
2. The Committee shall:
 - 2.1 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;
 - 2.2 give full consideration to succession planning for directors in the course of its work, taking into account the challenges and opportunities facing the Bank, and what skills and expertise are therefore needed on the Board in the future;
 - 2.3 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:
 - 2.3.1 use such method or methods to facilitate the search as it may deem appropriate;

- 2.3.2 consider candidates from a wide range of backgrounds;
- 2.3.3 consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position; and
- 2.3.4 have due regard for the benefits of diversity on the board, including gender;
- 2.3.5 assess the candidate to determine that he/she is not disqualified under Section 68(1) of the Financial Services Act 2013 and meets Bank Negara Malaysia (“BNM”) requirements, including the fit and proper requirements in regard to board appointments; and
- 2.3.6 take into account any supervisory concerns that may be highlighted by BNM that require specific expertise on the board;
- 2.4 review annually the time commitment required from non-executive directors, taking into account the findings of performance evaluations;
- 2.5 ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them;
- 2.6 ensure that the directors, CEO, Corporation Secretary or other key senior officers are not disqualified under Section 68(1) of the Islamic Financial Services Act 2013 and that they continue to comply with BNM requirements, including the fit and proper requirements;
- 2.7 carry out annual board evaluations to objectively assess the performance and effectiveness of the board, board committees and individual directors;
- 2.8 review and monitor the training and development of directors; and
- 2.9 oversee the appointment, succession planning and performance evaluation of senior management.

Key responsibilities in relation to Remuneration

1. The Committee is to consider remuneration matters for the Bank and its subsidiaries (if any) in the context of the Group’s remuneration policy and to provide advice to the Board and the Group Remuneration Committee on the remuneration policy and structure relevant to the Bank based on the regulatory context and market conditions.

The Committee is to support the Board in actively overseeing the design and operation of the Bank’s remuneration system.

2. The Committee is to review performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time, and to consider the relevant issues, if any, that were taken into account by the Group Remuneration Committee in agreeing remuneration funding and proposals relevant to the Bank so as to complete the annual pay review process of the Bank;
3. The non-executive directors may require a separate briefing on the remuneration of specific individuals of the Bank and provide their input as appropriate;
4. The Committee is to discuss any significant concerns with the Board for escalation, if appropriate, to the Group Remuneration Committee;
5. The Committee is to undertake on behalf of the Chairman of the Bank or the Board such other related tasks as the Chairman of the Bank or the Board may from time to time entrust to it;

6. The Committee is to periodically review the remuneration of directors on the board, particularly on whether remuneration remains appropriate to each director's contribution, taking into account the level of expertise, commitment and responsibilities undertaken.
7. The Committee is:
 - 7.1 to propose the fees for directors for approval by the Board and the shareholders, and the Group and/or regional remuneration committee(s), if required; and
 - 7.2 to propose the remuneration for each member of senior management and other material risk taker for approval by the Board.
8. In respect of regulatory, risk and audit, the Committee is:
 - 8.1 to review any matters relating to remuneration that need to be reported to shareholders and regulators, and assessing that there are effective safeguards in place to ensure that remuneration policies are clearly aligned with the Bank's risk appetite and the regulatory and other legislative requirements that the Bank is required to comply with. This includes the review and approval of:
 - (i) the content of the Remuneration Report (if any) in the annual report and accounts for submission to the Board as a whole; and
 - (ii) any statement required by the Bank's regulators from the Committee on the Bank's remuneration policy.
 - 8.2 to seek confirmation from the Bank's Risk Committee or Chief Risk Officer, as appropriate, that risk appetite was aligned with performance objectives set in the context of incentive packages and that any relevant adjustments for risk were applied when considering performance objectives or actual performance. In the event of any difference of view, appropriate risk adjustments should be proposed by the Chairman of the Bank on behalf of the Board to the Group Remuneration Committee for further consideration.

Operation of the Committee

The Committee shall, other than in the exercise of discretion by the Committee based upon the framework previously agreed by the Group Remuneration Committee and endorsed by shareholders, report, without delay, to the Group Remuneration Committee any significant breach of law or regulations or any breach of the Group's remuneration policy that has been brought to the attention of the Committee, and to provide such certification as may be required by the Group Remuneration Committee.

The Committee may appoint, employ or retain such professional advisers as the Committee may consider appropriate. Any such appointment shall be made through the Secretary to the Committee, who shall be responsible for the contractual arrangements and payment of fees by the Bank on behalf of the Committee.

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.

The Committee shall review annually the Committee's terms of reference and its own effectiveness and recommend any necessary changes for approval of the Board and in the case of any material deviation from the core terms of reference for subsidiary remuneration committees, approval of the Group Remuneration Committee.