

SHARIAH COMMITTEE'S TERMS OF REFERENCE

A. COMPOSITION

The Shariah Committee of Kenanga Investment Bank Berhad ("KIBB" or "the Bank") shall comprise at least three (3) members. The Chairman of the Shariah Committee shall be a member with Shariah background. In the event that 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.

Shariah Committee's qualification:

- a) the person is a Muslim individual;
- b) the person has been assessed to have met the requirements specified in the Bank Negara Malaysia's policy document on Fit and Proper Criteria on a continuous basis; and
- c) the person is either:
 - i) a Shariah qualified person; or
 - ii) an expert who possesses skills, knowledge and experience relevant to support the roles and responsibilities of the Shariah committee.

The Shariah Committee serves the needs of KIBB, Kenanga Investors Berhad ("KIB") and Kenanga Islamic Investors Berhad ("KIIB").

B. SECRETARIAT TO THE SHARIAH COMMITTEE

1. The secretariat has the responsibility to provide operational support for effective functioning of the Shariah committee, which includes:
 - a) coordinating communications and disseminating information among the Shariah committee, the board and senior management;
 - b) performing in-depth research and studies on Shariah issues;
 - c) providing day-to-day advice to relevant parties within KIBB on Shariah matters based on the rulings of the SAC and decisions or advice of the Shariah committee;
 - d) ensuring proper dissemination of decisions or advice of the Shariah committee within KIBB; and

- e) undertaking administrative and secretarial functions to support the Shariah committee.
2. The officers who perform the responsibilities in relation to paragraph B.1 (b) and (c) shall be officers with Shariah qualification.
3. The secretariat has the responsibility to plan and coordinate Shariah committee meetings in a manner that promotes sound decision-making by the Shariah committee.

C. QUORUM

1. The majority of Shariah qualified members shall be present at each meeting. The quorum necessary for the transaction of business of the Shariah Committee shall be two-thirds (2/3) of the Shariah Committee members. A duly convened meeting/video or telephone conferencing call of the Shariah Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Shariah Committee. Nevertheless, attendance of members at a Shariah committee meeting, by way other than physical presence, remains the exception rather than the norm, and is subject to appropriate safeguards to preserve confidentiality of the deliberations.
2. Any decision of the Shariah committee shall be made on the basis of simple majority.
3. The Chairman shall have a casting vote in the event of an equality of vote amongst its members.
4. If a matter to be brought before the Shariah committee gives rise to a conflict of interest to any Shariah committee members, the Shariah committee member/members shall state his/their interest and excuse himself/themselves from the discussion and abstain from voting on that particular matter.

D. FREQUENCY OF MEETINGS

At minimum, the Shariah Committee shall meet every two (2) months to deliberate the Shariah matters relating to KIBB's Islamic banking business. Additional meetings may be convened to attend to urgent matters that require deliberation on Shariah matters.

In the interim period between meetings, if the need arises, issues may be resolved through circular resolution. A circular resolution in writing, stating the reason(s) to arrive at a recommendation or resolution, signed by at least two-thirds (2/3) of the Shariah Committee members, shall be valid and effective as if it had been passed at a meeting duly convened and constituted.

E. ATTENDANCE AT MEETINGS

1. The Shariah Committee members are required to 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. Failure in fulfilling the attendance requirement without reasonable excuse will result in member(s) being disqualified.
2. The Shariah Committee members shall be paid with meeting allowance as stated in their respective letter of offer. In addition, any Shariah Committee member who attend the Board of Directors' meeting of Kenanga Investors Berhad or Kenanga Islamic Investors Berhad respectively, for the purpose of carrying his duty as the Shariah adviser, shall be paid by KIBB an additional RM500 meeting allowance per meeting.

F. MINUTES OF MEETINGS

The minutes of each Shariah Committee's meeting shall be kept and distributed to all Shariah Committee members and tabled at the Board meeting for notation.

G. ROLES AND RESPONSIBILITIES OF THE SHARIAH COMMITTEE

The Shariah Committee is responsible and accountable for all Shariah decisions, opinions and views provided by them. The Shariah Committee shall:

1. Provide Advice to the Board and the Bank

- The Shariah Committee is required to provide a decision or advice to KIBB on the application of any rulings of the SAC or standards on Shariah matters that are applicable to the operations, business, affairs and activities of KIBB;
- provide a decision or advice on matters which require a reference to be made to the SAC;
- providing a decision or advice on the operations, business, affairs and activities of KIBB which may trigger a Shariah non-compliance event;
- deliberate and affirm a Shariah non-compliance finding by any relevant functions;
- endorse a rectification measure to address a Shariah non-compliance event;
- Where the Shariah committee has reason to believe that any Shariah issues or matter may affect the safety and soundness of KIBB, the Shariah committee shall immediately update the board on such matter.

2. Endorse Shariah policies and procedures

- The Shariah Committee is required to endorse Shariah policies and procedures prepared by the Bank and to ensure that the contents do not contain any elements which are not in line with Shariah principles.

3. Endorse and validate relevant documentations

- The Shariah Committee shall ensure that the products of the Bank comply with Shariah principles and shall approve:
 - i. The terms and conditions contained in the proposal forms, contracts, agreements or other legal documentations used in executing the transactions; and
 - ii. The product manual, marketing advertisements, sales illustrations and brochures used to describe the product.

4. Assess work carried out by Shariah review and Shariah audit

- The Shariah Committee shall assess the work carried out by Shariah review and Shariah audit in order to ensure compliance with Shariah matters which forms part of their duties in providing their assessment of Shariah compliance and assurance information in the annual report.

5. Assist related parties on Shariah matters

- The Shariah Committee is expected to provide the necessary assistance to the requesting party such as the Legal Counsel, Auditor or Consultant, Accounting, Risk Management and IT including other Group's subsidiaries so that compliance with Shariah principles can be assured completely.

6. Advise on matters to be referred to the Shariah Advisory Council of BNM ("SAC")

- The Shariah Committee may advise the Bank to consult the SAC on Shariah matters that could not be resolved.

7. Provide Shariah opinions and decisions

- The Shariah Committee is required to provide written Shariah opinions in circumstances where the Bank makes reference to the SAC for further deliberation, or where the Bank submits applications to BNM for new product approval.
- The Shariah committee shall exercise objectivity in coming up with their judgment and be free from associations or circumstances that may impair the exercise of their professional objectivity. In fulfilling their responsibility, the Shariah committee shall ensure that their judgment in arriving at a Shariah decision or advice is not affected by their other professional commitments.

- The Shariah committee shall devote sufficient time to prepare for and attend Shariah committee meetings.
- The Shariah committee shall ensure consistency in providing their views and shall not act in a manner that would undermine the rulings of the SAC or any decisions of the Shariah committee.
- The Shariah committee shall establish a robust methodology to guide its decision-making process. The Shariah committee shall take into account relevant business and risk practices in arriving at a decision or advice.

8. A Shariah committee member shall continuously develop a reasonable understanding of the business and operations of KIBB and keep abreast with relevant market and regulatory developments. The chairman of the Shariah committee shall lead efforts to manage the Shariah committee's developmental plans.

9. In the event that the Shariah committee delegates any of its responsibilities to any persons or functions:

- KIBB shall ensure that the mandate, areas of delegated authority and operating procedures are set out clearly in the Shariah committee's charter and KIBB's internal policies;
- KIBB shall establish reporting arrangements to keep the Shariah committee informed of the work, key deliberations and decisions on the delegated matters;
- the Shariah committee shall remain fully accountable for the decisions and any ensuing implications arising from the delegated responsibility.

10. Access to all information and advice from third party experts

- KIBB shall provide the Shariah committee with access to all information required and ensure that the information provided is timely, accurate, comprehensive and clear.
- KIBB shall provide the Shariah committee with access to advice from third party experts on any matters deliberated by the Shariah committee as and when required, and the cost of such advice shall be borne by KIBB. Prior to requesting such access, the Shariah Committee shall first seek the opinion of experts as available within KIBB Group personnel.

H. CONFLICT OF INTEREST

1. Every Shariah committee member shall disclose the nature and extent of his interest that constitutes or gives rise to a conflict or potential conflict of interest upon the appointment, reappointment or as soon as there is any changes in his circumstances that may affect his status.
2. Any material non-public information related to listed clients of KIBB will be subject to our Group Chinese Wall Policy.