

## **BOARD AUDIT COMMITTEE TERMS OF REFERENCE**

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## CONSTITUTION

The BAC is established to support the Board in discharging the following responsibilities:

1. Oversee management's implementation of the Bank's governance framework and internal control framework/policies.
2. Oversee that management has a reliable and transparent financial reporting process within the Bank by providing independent oversight of internal and external audit functions.

## COMPOSITION

1. The BAC shall:-
  - a) have at least three directors;
  - b) comprise only non-executive directors, with a majority of them being independent directors;
  - c) be chaired by an independent director who is not the Chairman of the Board; and
  - d) comprise directors who have the skills, knowledge and experience relevant to the responsibilities of the BAC.
2. A former partner of the external auditor of the Bank shall not serve or be appointed as a member of the BAC until at least three (3) years after:-
  - a) he/she ceases to be an officer or partner of that audit firm; or
  - b) the audit firm last served as an external auditor of the Bank.

## SECRETARY

The Secretary(ies) to the BAC are the Company Secretary(ies) of the Bank.

## TERMS OF REFERENCE

### External Audit

1. To make recommendations to the Board on the appointment, re-appointment, removal and remuneration of the external auditor.
2. To review the terms of engagement and the audit plan prior to engaging the external auditor and/or re-appointment of the external auditor.
3. To monitor and assess the independence of the external auditor, including by approving the provision of non-audit services by the external auditor.
4. To monitor and assess the effectiveness of the external audit, including the review of the assistance given by the officers of the Bank to the external auditor.

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**External Audit cont'd**

5. To maintain regular, timely, open and honest communication with the external auditor, and requiring the external auditor to report to the BAC on significant matters.
6. To review the report of the external auditor, including any significant matters, and to ensure that management has taken the necessary corrective actions in a timely manner to address the external audit findings and recommendations.
7. To review third-party opinions on the design and effectiveness of the Bank's internal control framework.

**Financial Reporting**

1. To review the accuracy and adequacy of the chairman's statement (if any) in the directors' report, and corporate governance disclosures of the Bank.
2. To review the interim financial reports and annual financial statements of the Bank before submission to the Board, focusing particularly on: -
  - a) changes in or implementation of significant accounting policies and practices;
  - b) significant matters highlighted including financial reporting issues, material judgements made by management, material and unusual events or transactions, and how these matters are addressed;
  - c) material adjustments arising from the audit;
  - d) the going concern assumptions; and
  - e) compliance with accounting standards and other legal requirements.
3. To be informed on updates relating to the Bank's tax affairs, management of tax compliance risk and on tax matters that may have a material impact to the Bank.

**Related Party Transactions and Conflict of Interest Situations**

1. To review and update the Board on any related party transactions that may arise within the Bank.
2. To monitor compliance with the Board's conflict of interest policy, review conflict of interest situation that arose, persist or may arise within the Bank, and the measures taken to resolve, eliminate or mitigate such conflicts.

**Whistleblowing**

The BAC oversees the implementation and effectiveness of the Bank's Whistleblowing Policy and exercises and carries out the responsibilities as set out under the Whistleblowing Policy.

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**Internal Audit**

1. To ensure that the internal audit function is functionally placed under the authority and supervision of the BAC.
2. To review and approve the adequacy of the internal audit mandate, scope, procedures, frequency and plan and assess the internal audit's capacity to perform audits in highly technical areas, such as in information technology related audits.
3. To assess the performance and effectiveness of the internal audit function by an established mechanism to satisfy itself that the internal audit function is effective.
4. To review the adequacy and effectiveness of internal controls and risk management processes.
5. To review reports and significant findings of internal audit function, including any findings of internal investigations, and to ensure that Management has taken the necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, Shariah requirements, policies and other problems identified by the internal audit and other control functions.
6. To review reports and findings issued by regulatory authorities, and to check that management has taken the necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, Shariah requirements, policies and other problems identified by the regulatory authorities.
7. To support the Board in meeting the expectations on internal audit function as set out in BNM's Guidelines on Internal Audit Function of Licensed Institutions.
8. To decide on the appointment, remuneration, appraisal, transfer and dismissal of the Head of Shariah Audit, and/or to provide oversight on the adequacy of resources and remuneration of the internal auditors. This includes a regular review to determine whether the internal audit function has appropriate standing to undertake its activities independently and objectively.
9. To engage privately with the CIA on a regular basis (and in any case at least twice annually) to provide the opportunity for the CIA to discuss issues faced by the internal audit function.
10. To review the Audit Charter and recommend for Board approval.
11. To review any significant disagreements between the CIA and any member(s) of the Senior Management team where such disagreements may have adverse impact on the audit process or findings, and to recommend resolutions of such disagreement if they remain unresolved within a reasonable period of time.
12. To ensure that GIA has an appropriate internal policy that addresses situations of bias/threat to objectivity, for example, where an internal employee transfer to GIA division will not be allowed to audit an area of operations which the auditor previously worked in, for a period of at least 12 months from joining GIA.
13. To ensure that the terms and scope of the engagement, the working arrangements with the internal auditors and reporting requirements are clearly established when engaging external experts, where the internal audit function lacks the expertise needed to perform the audit of specialized areas.
14. Other internal audit functions as may be determined and agreed upon by the BAC and the Board.

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**Group Governance**

1. HLFG as an apex entity has overall responsibility for ensuring the –
  - (a) establishment and operation of a clear governance structure within the Group; and
  - (b) implementation of prudential standards in a manner providing sufficient coverage of material risks arising from the activities of the Group.
2. Subject to relevant regulatory requirements, HLISB shall provide relevant information to HLFG on matters which present material risks to itself or the HLFG Group as a whole, and consider the remedial or corrective actions recommended by HLFG to address such materials risks.
3. HLFG Board's responsibility is to promote the adoption of sound corporate governance principles throughout the Group.
4. HLFG's audit, risk and compliance functions may propose objectives, strategies, plans, governance framework and policies for adoption and implementation throughout the Group. Upon receipt of such proposal(s) from HLFG, the Board and Senior Management of HLISB must assess and validate that the objectives, strategies, plans, governance framework and policies set at HLFG level are fully consistent with the regulatory obligations and the prudential management of HLISB, and ensure that entity specific risks are adequately addressed in the implementation of Group-wide policies.

**AUTHORITY**

The BAC is authorised by the Board to:

1. review any activity of the Bank within its Terms of Reference;
2. seek any information it requires from any Director or member of Senior Management and all employees are directed to co-operate with any request made by the BAC, including but not limited to providing the BAC with sufficient support and resources required to investigate any matter within the mandates of the BAC; and
3. obtain independent legal or other professional advice if it considers necessary.

The Board remains fully accountable for any authority delegated to the BAC.

**MEETINGS**

The BAC shall meet at least six (6) times in each financial year and additional meetings may be called at any time as and when necessary. All meetings to review the interim financial reports and annual financial statements are held prior to such interim financial reports and annual financial statements being presented to the Board for approval.

The GMD/CEO of HLB, CEO of HLISB, CIA, CRO, CFO, CCO, CSO, employees and external auditors are invited to attend the BAC meetings, whenever required.

At least twice a year, the BAC will have separate sessions with the external auditors without the presence of Executive Directors and Management.

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**MEETINGS CONT'D**

Issues raised, discussions, deliberations, decisions and conclusions made at the BAC meetings are recorded in the minutes of the BAC meetings. A BAC member who has or potentially has, directly or indirectly, an interest in a material transaction or material arrangement or conflict of interest situation shall not be present at the BAC meeting when the material transaction or material arrangement or conflict of interest situation is being deliberated by the BAC. The interested BAC member may be counted in the quorum present at the BAC meeting.

Two (2) members of the BAC, who shall be independent, shall constitute a quorum and majority of the members present must be independent directors. No business shall be transacted at any BAC meeting unless a quorum is present at the commencement of the meeting and when conducting the business of the meeting.

Questions arising at any BAC meeting shall be decided by a majority of votes. In case of equality of votes, the BAC Chairman shall have a casting vote except when only two (2) members are competent to vote on the question at issue in which event the BAC Chairman shall not have a casting vote and the question arising at the BAC meeting shall be referred to the Board for approval.

After each meeting, the BAC shall report and update the Board on significant issues and concerns discussed during the BAC meetings and where appropriate, make the necessary recommendations to the Board.

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**DEFINITIONS**

“BAC”	means HLISB’s Board Audit Committee
“Bank” or “HLISB”	means Hong Leong Islamic Bank Berhad
“BNM”	means Bank Negara Malaysia
“Board”	means HLISB’s Board of Directors
“CCO”	means the Chief Compliance Officer of HLB and the Head of Compliance-i of HLISB
“CEO”	means the Chief Executive Officer of HLISB
“CFO”	means the Chief Financial Officer of HLB and the Head of Finance of HLISB
“CIA”	means the Chief Internal Auditor of HLB and the Head of Shariah Audit of HLISB
“CRO”	means the Chief Risk Officer of HLISB
“CSO”	means the Chief Shariah Officer of HLISB or any equivalent position
“GIA”	means Group Internal Audit
“GMD/CEO”	means Group Managing Director and Chief Executive Officer of HLB
“HLB”	means Hong Leong Bank Berhad
“HLFG”	means Hong Leong Financial Group Berhad
“Policy Document”	means the policy documents published by BNM
“Senior Management”	means the Chief Executive Officer and other Senior Officers of the Bank as determined by the Chief Executive Officer from time to time.

**Terms of Reference Document Information**

<b>Terms of Reference Owner</b>	Group Company Secretary
<b>Responsible Persons</b>	BAC
<b>Version No. and Date Approved</b>	Version 1: First approved on 28 November 2025.
<b>Summary of Revisions</b>	Not Applicable
<b>Effective Date</b>	1 December 2025
<b>Next Review Date</b>	November 2026
<b>Relevant Legislation</b>	(a) Guidelines on Internal Audit Function of Licensed Institutions (b) BNM Policy Document on External Auditor (c) BNM Policy Document on Compliance (d) BNM Policy Document on Corporate Governance (e) BNM Policy Document on Recovery Planning (f) Malaysian Code on Corporate Governance 2021
<b>Related Policies and Procedures</b>	(a) HLISB Directors' Conflict of Interest Policy (b) Hong Leong Bank Group Whistleblowing Policy (c) HLB Whistleblowing Standard Operating Procedures
<b>Reviewed and Concurred By</b>	CEO, HLISB
<b>Endorsed By</b>	BAC
<b>Approved By</b>	Board of Directors