

BOARD RISK MANAGEMENT COMMITTEE TERMS OF REFERENCE

CONSTITUTION

The BRMC 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. Ensure Management meets the expectations on risk management as set out in the Policy Document on Risk Governance.
3. Oversee Management's implementation of compliance risk management.
4. Promote the adoption of sound corporate governance principles as set out in the Policy Document on Corporate Governance within the Bank.
5. Consider ESG issues when reviewing risk management policies, as well as oversee progress against goals and targets for addressing climate related issues.

COMPOSITION

1. The BRMC 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 BRMC.

SECRETARY

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

TERMS OF REFERENCE

Risk Management

1. To review Management's activities in managing principal risks which includes (but are not limited to) capital adequacy, credit risk, market risk, liquidity risk, rate of return risk in the banking book, operational risk, Shariah Non-Compliance risk, technology risk, compliance risk, and ESG risk. The BRMC's holistic oversight of risk management and internal control is supplemented by reviews of risk management related matters submitted to the BITC, and the NRC.
2. To review Management's reporting to the Board on measures taken to:
 - a) Identify and examine principal risks faced by the Bank.
 - b) Implement appropriate systems and internal controls to manage these risks.

Risk Management cont'd

3. To review Management's major risk management strategies, policies and risk tolerance for the Board's approval.
4. To review Management's overall framework on the ICAAP, annual risk appetite and Capital Management Plan for the Board's approval.
5. To review Management's development and effective implementation of the ICAAP.
6. To review Management's periodic reports on risk appetite, risk exposure, risk portfolio composition, stress testing and risk management activities.
7. To review Management's stress testing governance including the evaluation of the capital stress test scenarios, parameters, key assumptions, climate risk pathways and results.
8. To review the adequacy and effectiveness of Management's internal controls and risk management process.
9. To review the adequacy of risk management policies and frameworks in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively.
10. To review risk management function's infrastructure, resources and systems and to ensure the staff responsible for implementing risk management systems perform those duties independently of the Bank's risk-taking activities.
11. To receive and review reports from pertinent management committees.
12. To review Management's implementation of risk management as set out in BNM's Policy Documents on Risk Governance, Corporate Governance and Shariah Governance.
13. To review and advise on the appointment, remuneration, removal and redeployment of the CRO.
14. To engage privately with the CRO on a regular basis (and in any case at least twice annually) to provide the opportunity for the CRO to discuss issues faced by the risk management function.
15. To review Management's implementation of the remuneration system and incentives provided by the remuneration system which take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the NRC.
16. To review the sustainability statement and value-based intermediation reporting and/or report disclosure of the Bank.
17. Other risk management functions as may be determined and agreed upon by the BRMC and the Board.

Connected Party Transactions and Conflict of Interest Situations

1. To review and update the Board on any connected party transactions that may arise within the Bank, in relation to the Board's consideration of (i) ratification of management approvals for low-value personal consumption credits to connected parties, which approving authority is delegated to management; and (ii) approvals for credit requests, other than for low-value personal consumption, to connected parties.
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 conflict.

Compliance

1. To assist the Board in the oversight of the management of compliance risk (includes regulatory compliance risk, financial crime risk, and bribery and corruption risk) by:
 - a) reviewing compliance policies and overseeing management's implementation of the same;
 - b) reviewing the establishment of the compliance function and the position of the CCO to ensure the compliance function and CCO has appropriate standing, authority and independence;
 - c) discussing and deliberating compliance issues regularly and ensuring such issues are resolved effectively and expeditiously;
 - d) reviewing annually the effectiveness of the Bank's overall management of compliance risk, having regard to the assessments of Senior Management and internal audit and interactions with the CCO;
 - e) overseeing the Management's implementation of the principles set out in the Policy Document on Fair Treatment of Financial Consumers, including to promote the adoption of a sound corporate culture within the Bank which reinforces ethical, prudent and professional conduct and behaviour; and
 - f) updating the Board on all compliance matters, including providing its views on (a) to (e) above.
2. In relation to the role of the CCO, support the Board in meeting the expectations on compliance management as set out in BNM Policy Document on Compliance by:
 - a) reviewing and advising on the appointment, remuneration, removal and redeployment of the Head of Compliance-i;
 - b) ensuring that the CCO has sufficient stature to allow for effective engagement with the CEO and other members of Senior Management;
 - c) engaging privately with the CCO on a regular basis (and in any case at least twice annually) to provide the opportunity for the CCO to discuss issues faced by the compliance function;
 - d) ensuring that the CCO is supported with sufficient resources including competent officers, to perform his/her duties effectively; and

Compliance cont'd

- e) where the CCO also carries out responsibilities in respect of other control functions, the BRMC shall be satisfied that a sound overall control environment will not be compromised by the combination of responsibilities performed by the CCO.
- 3. Other compliance functions as may be determined and agreed upon by the BRMC and the Board.

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 BRMC 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 in this respect all employees are directed to co-operate with any request made by the BRMC, including but not limited to providing the BRMC with sufficient support and resources required to investigate any matter within the mandates of the BRMC; and
- 3. obtain independent legal or other professional advice if it considers necessary.

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

MEETINGS

The BRMC shall meet at least six (6) times in each financial year and additional meetings may be called at any time as and when necessary.

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

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

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

Questions arising at any BRMC meeting shall be decided by a majority of votes. In case of equality of votes, the BRMC 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 BRMC Chairman shall not have a casting vote and the question arising at the BRMC meeting shall be referred to the Board for approval.

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

DEFINITIONS

“BRMC”	means HLISB’s Board Risk Management Committee
“Bank” or “HLISB”	means Hong Leong Islamic Bank Berhad
“BNM”	means Bank Negara Malaysia
“Board”	means HLISB’s Board of Directors
“BITC”	means Board Information and Technology Committee
“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
“ESG”	means Environmental, Social and Governance
“HLB”	means Hong Leong Bank Berhad
“HLFG”	means Hong Leong Financial Group Berhad
“ICAAP”	means Internal Capital Adequacy Assessment Process
“NRC”	means Nomination and Remuneration Committee
“Policy Document”	means the policy document 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

Terms of Reference Owner	Group Company Secretary
Responsible Persons	BRMC
Version No. and Date Approved	Version 1: First approved on 28 November 2025.
Summary of Revisions	Not Applicable
Effective Date	1 December 2025
Next Review Date	November 2026
Relevant Legislation	(a) BNM Policy Document on Compliance (b) BNM Policy Document on Corporate Governance (c) BNM Policy Document on Risk Governance
Related Policies and Procedures	(a) HLISB Directors' Conflict of Interest Policy
Reviewed and Concurred By	CEO, HLISB
Endorsed By	BRMC
Approved By	Board of Directors