

RISK MANAGEMENT COMMITTEE – TERMS OF REFERENCE

Name

- 1 The Committee shall be called the “Risk Management Committee”.

Membership

- 2 The Committee shall consist of not less than three members of the board of directors of the Bank ("the Board"). Notwithstanding any vacancy in their body, the continuing members of the Committee may act so long as the number of members of the Committee does not fall below two for a period exceeding three months.
- 3 The members and Chairman of the Committee shall be appointed by the Board from time to time and shall be directors whose nominations for such appointment have been reviewed by the Nomination Committee. Any member of the Committee may be reappointed by the Board at any time provided the nomination for such reappointment has been reviewed by the Nomination Committee. As determined by the relevant legislation and regulations, the Committee shall comprise at least three members of the Board and a majority of the members of the Committee shall be independent non-executive directors. The Chairman of the Committee should be an independent non-executive director with background in accounting, banking or other relevant financial industry or expertise in risk management. Members of the Committee should collectively possess relevant technical expertise and experience in risk disciplines that are adequate to enable them to discharge their responsibilities effectively.
- 4 Each member of the Committee shall hold office until the next Annual General Meeting following that member’s appointment or re-appointment. The retiring Chairman and other members of the Committee shall, subject to the preceding paragraphs, be eligible for re-appointment.
- 5 If a member of the Committee resigns, ceases to be a director or for whatever reason ceases to be a Committee member, the Bank shall notify the Hong Kong Monetary Authority of the event within 7 business days after the occurrence of the event.

Functions

- 6 The Committee shall oversee the risk management of the Bank as follows:
 - 6.1 review the overall risk management philosophy, in line with the overall corporate strategy as set and approved by the Board.
 - 6.2 review, advise and recommend for the Board’s approval the overall risk tolerance and risk appetite of the Bank;
 - 6.3 oversee the implementation of the risk management guidelines and policies by the Bank and review management’s performance accordingly;

- 6.4 oversee the establishment and operation of an independent risk management system for identifying, measuring, monitoring, controlling and reporting risk of the Bank on an enterprise-basis, including ensuring the adequacy and effectiveness of the overall risk management framework and practices for material risks such as credit, market, interest rate, liquidity, operational, reputation, conduct, legal, fiduciary, regulatory and compliance (including money laundering and terrorism financing), technology (including but not limited to cyber security, as well as risks arising from e-banking, digital banking and data management), strategic, environmental (including climate), social and governance (ESG) risk;
 - 6.5 formulate strategy in relation to infrastructure, resources and systems for risk management;
 - 6.6 ensure that the staff members of the Bank responsible for implementing risk management systems and controls perform those duties independently of the Bank's risk taking activities, and there are adequate resources with appropriate number of experienced and qualified employees to perform their duties objectively;
 - 6.7 review risk management reports to monitor and control risk exposures;
 - 6.8 cultivate a strong risk culture that promotes risk awareness and management, and encourages open communication and challenge with regard to risk-taking across the Bank;
 - 6.9 review, endorse and approve risk management frameworks and major risk-related policies, guidelines and methodologies of the Bank;
 - 6.10 oversee and challenge the design and result of stress testing and scenario analyses for major risk exposures of the Bank;
 - 6.11 examine, without prejudice to the tasks of the Remuneration Committee, whether incentives created by the remuneration system are aligned with the Bank's risk culture and risk appetite, and whether remuneration awards appropriately reflect risk-taking and risk outcomes;
 - 6.12 undertake other functions as defined by the Board from time to time.
- 7 The Committee shall oversee conduct and culture matters of the Bank. The Committee should have a regular process to review and confirm the effectiveness of the overall culture enhancement initiatives pursued by the Bank as follows:
- 7.1 Oversee efforts to build and maintain a strong and responsible organization culture firmly founded on LIFRR core values and the spirit of long-term thinking;
[LIFRR refers to Lasting Value, Integrity, Forward-looking, Respect and Responsibility.]
 - 7.2 review and assess the state and implementation of the Bank's ethics, culture and conduct programmes and initiatives in line with regulatory policies, guidelines and expectations, including matters relating to fair dealing with customers and avoidance of mis-selling;

- 7.3 oversee the periodic review of frameworks, policies and guidelines pertaining to ethics, culture and conduct, including the employees' code of conduct and ethics, to ensure they remain adequate, relevant and up to date;
 - 7.4 oversee the establishment of programmes and initiatives, including management committees, to ensure the desired behaviours are encouraged within the organisation in respect of ethics, culture and conduct;
 - 7.5 review communications to stakeholders on core values, desired behaviours, ethics, culture and conduct to ensure communications are aligned with the committee's intention and direction;
 - 7.6 periodically assess the effectiveness of the Bank's culture and conduct programmes and initiatives, including commissioning for culture and conduct pulse checks to be done as and when the committee deems appropriate;
 - 7.7 discuss best practices, local developments and international standards relating to ethics, culture and conduct and assess if practices, where relevant, should be adopted by the Bank;
 - 7.8 Approve, review and assess, at least annually, the adequacy of any relevant statement which set out the Bank's culture and behavioural standards; and
 - 7.9 Seek to ensure that such statement is translated into policies and procedures (including training) that are relevant to the day-to-day work of different levels of staff.
- 8 The Committee shall have unfettered access to information which the Bank is in possession of or has access to, for the purposes of carrying out the responsibilities of the Committee.
 - 9 The independence of the risk management function shall be maintained by:
 - 9.1 the Board approving the appointment, remuneration, resignation or dismissal of the Chief Risk Officer of the Bank; and
 - 9.2 the Chief Risk Officer having a direct reporting line to the Committee and the right to seek information and explanations from senior management.
 - 10 The Committee shall maintain regular communication with the Bank's risk management function and Chief Risk Officer of the Bank. Where necessary, it should have access to external expert advice.
 - 11 The Committee shall review and update its Terms of Reference and recommend any changes to the Board.

Meetings

- 12 The Committee may meet at any time but no less than four times a year.
- 13 No business shall be transacted at a meeting unless at least two members of the Committee are present.
- 14 At all meetings of the Committee, the Chairman of the Committee, if present, shall preside. If the Chairman of the Committee is absent, the members present at the meeting shall elect a chairman of the meeting.
- 15 The Committee may regulate its own procedures and in particular the calling of meetings, the notice to be given of such meetings, the voting and proceedings thereat, the keeping of minutes and the custody, production and inspection of such minutes.
- 16 A Secretary of the Bank and/or any officer appointed by the Committee, shall be the secretary to the Committee (the "Secretary"). The Secretary shall be in attendance and a record of the proceedings shall be kept.

Written or Circulating Resolution

- 17 Any resolution in writing, signed or assented to by a majority of the Committee shall be as effective as a resolution duly passed at a meeting of the Committee and may consist of several documents in the like form, each signed by one or more of the members of the Committee. The expressions "in writing" and "signed" include approval by e-mail or any form of electronic communication approved by the Committee.

Minutes

- 18 Copies of the minutes of the meetings of the Committee shall be circulated to all the directors of the Bank as soon as it is practicable to do so, with a copy provided to the Company Secretary of the Bank.

Amendments

- 19 The provisions herein are subject to such revisions by way of modification, addition or otherwise as the Board may from time to time consider fit.