

PUBLIC BANK (HONG KONG) LIMITED

Risk Management Committee

Terms of Reference

1. Composition

- i) The Committee, being a Board Committee shall be appointed by the Board of Directors and shall consist of not less than three (3) members, all of whom shall be non-executive directors. The majority of the Committee members shall be independent directors.
- ii) The Chairman of the Committee shall be appointed by the Board of Directors and shall be an independent non-executive director with a background in accounting, banking or other relevant financial industry or expertise in risk management. The Chairman of the Committee should not be the chairman of the Board of Directors or any other committees. In the absence of the Chairman of the Committee, the directors present shall elect one of themselves to chair the meeting.

2. Members of Risk Management Committee

- 1) Mr. Lee Chin Guan - Committee Chairman
(Independent Non-Executive Director)
- 2) Mr. Lai Wan
(Co-Chairman/Independent Non-Executive Director)
- 3) Mr. Tang Wing Chew
(Independent Non-Executive Director)
- 4) Mr. Quah Poh Keat
(Non-Executive Director)
- 5) Dato' Chang Kat Kiam
(Non-Executive Director)

In Attendance

- 1) Vacant
(Head of Risk Management)
- 2) Mr. Cho Yuk Chuen, Gavin
(Head of Compliance)

By Invitation

- 1) Mr. Lam Kwan Sing, Alfred
(Head of Internal Audit)

3. **Secretary**

Head of Risk Management (in his absence, the Company Secretary) will act as the Secretary of the Committee.

4. **Quorum**

A quorum shall consist of three (3) members and shall comprise a minimum of two (2) independent directors.

5. **Authority**

- i) The authority of the Committee is delegated by the Board of Directors.
- ii) To enable the Committee to carry out its duties and responsibilities, the Committee is authorised to
 - Have full and unrestricted access to any information and documents pertaining;
 - Seek any information relevant to its activities from employees;
 - To seek independent skilled professional third party views or advice on matters within its purview;
 - Have sufficient support and be provided with appropriate resources to investigate any matter within the Committee's mandate; and

- Request the attendance of any employee at meetings of the Committee, as and when required.

6. **Functions**

- i) To oversee the overall management of all risks covering market risk management, liquidity risk management, credit risk management, operational risk management, cyber security risk management and compliance risk management.
- ii) To review and approve major risk related policies and major risk tolerance limits which have potential material impact on risk profile and financial position at bank-wide level, and to table to the Board for noting subsequently.
- iii) To review and assess adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively.
- iv) To oversee senior management's actions to ensure consistency with the risk strategy and policies approved by the Board of Directors including the risk appetite.
- v) To review and ensure management's periodic reports on risk exposure, risk portfolio composition and risk management activities are effective for reporting risk developments to the Board of Directors and senior management.
- vi) To review emerging risks and results of comprehensive risk assessment.
- vii) To evaluate risks under stress test scenarios.
- viii) To ensure infrastructure, resources and systems are in place for compliance assessment and risk management i.e. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the risk taking activities and is reinforced with an effective compliance function and subjected to an independent internal audit review.
- ix) To ensure cultivation of a proactive risk management culture so that risk management process are applied in the day-to-day business and activities.

- x) To note, review and discuss reports of Assets and Liabilities Management Committee (ALCO), Credit Risk Management Committee (CRMC), Operational Risk Management Committee (ORMC), Anti-Money Laundering and Counter-Terrorist Financing (AML) and Compliance Committee, Internal Capital Adequacy Assessment Process and Risk Management Working Group, and compliance reports.
- xi) To review and approve the compliance plan and ensure that the compliance function is adequately resourced and has appropriate standing within the Bank.
- xii) To provide oversight on the overall compliance with applicable laws and regulations, pertinent internal policies and approved regulatory limits.
- xiii) To review the updates on regulatory trends and requirements.
- xiv) To approve the appointment, resignation or dismissal of the Head of Compliance and Head of Risk Management, and evaluate their performance and remuneration.
- xv) To understand the Bank's operational and organisational structure and the risks it poses and is satisfied that it is not overly complex or opaque such that it hampers effective risk management.
- xvi) To ensure the suitability of the Public Bank Berhad group approaches and methodologies prior to adoption, having regard to the context of the local environment and operations of the Bank.
- xvii) To escalate to the Public Bank Berhad's Risk Management Committee views of any material risks in the Bank and issues that might affect the Public Bank Berhad Group.
- xviii) To support the Board of Directors in its implementation of a sound remuneration system by examining whether the incentives provided by the remuneration system takes into consideration risks, capital, liquidity and the likelihood of earnings without prejudice to the tasks of the Nomination and Remuneration Committee.

- xix) To coordinate with Audit Committee to understand how the internal audit work plan and compliance work plan are aligned with the risks that have been identified so as to obtain assurance that the identified risks are managed in an integrated manner.
- xx) To approve policies and methodologies in assessing the compliance profile.
- xxi) To review and concur with the revision of the compliance policy and to oversee its implementation.

7. Frequency of Meetings

6 times a year or as and when needed.

8. Reporting Procedures

The minutes of the Risk Management Committee shall be tabled to the Board for noting and discussion.

9. Accountability

The Board of Directors has overall responsibilities for the design and development of the risk management framework and to ensure that the framework is effective for controlling risk-taking activities and in line with the approved risk appetite.

The Committee supports the Board of Directors in carrying out its risk management roles and responsibilities as delegated and authorized by the Board of Directors.