



**BEA 東亞銀行**

**The Bank of East Asia, Limited**

*(Incorporated in Hong Kong with limited liability in 1918)*

(Stock Code: 23)

**TERMS OF REFERENCE**

**OF**

**THE RISK COMMITTEE**

## **1. CONSTITUTION**

The Board of Directors had resolved to establish a committee known as the Risk Committee (the “Committee”) to deal with risk management related issues, in particular strategic issues, of the Bank Group.

The Committee is assisted by the Risk Management Committee, Credit Committee, Asset and Liability Management Committee and Operational Risk Management Committee, to deal with daily management of risk-related issues; and by the Crisis Management Committee to deal with crisis management.

## **2. MEMBERSHIP**

- 2.1 The Chairman and members of the Committee shall be appointed by the Board. All Committee members shall be Directors of the Board and the majority of the Committee members shall be Independent Non-executive Directors of the Bank. The Committee shall be chaired by an Independent Non-executive Director.
- 2.2 The quorum of any Committee meeting shall be three members.
- 2.3 The Company Secretary shall act as the Secretary of the Committee.
- 2.4 The tenure limit of Committee member for serving on the Committee shall be the tenure of office of that member serving as Director on the Board or subject to the decision of the Board from time to time.

## **3. ATTENDANCE AT MEETINGS**

The Co-Chief Executives, Deputy Chief Executives, Group Chief Risk Officer, Group Chief Information Officer, Group Chief Compliance Officer and the Group Chief Auditor shall attend the Committee meeting.

The Committee shall invite appropriate person(s) to attend a meeting whenever it is necessary.

Apart from attending in person, the Committee meeting can be held by way of telephone conferencing, video conferencing or circulation.

#### **4. FREQUENCY OF MEETINGS**

The Committee meeting shall be held on a quarterly basis. The Chairman may convene additional meeting(s) if he considers that one is necessary.

#### **5. AUTHORITIES**

The Committee is authorised by the Board of Directors to deal with the Bank Group's risk management issues of all risks, in particular strategic issues. Types of risks handled by the Committee include but are not limited to the following:-

- (a) Compliance risk
- (b) Credit risk
- (c) Interest rate risk
- (d) Legal risk
- (e) Liquidity risk
- (f) Market risk
- (g) Operational risk
- (h) Reputation risk
- (i) Strategic risk
- (j) Technology risk (including cyber security and e-banking risks)

The Committee may request relevant parties to render assistance in pursuance of its duties.

If deemed necessary, the Committee may delegate authorities within its terms of reference to the relevant parties to carry out the duties.

The Committee is authorised by the Board to obtain independent professional advice, at the Bank's expense, to perform its responsibilities if it considers this necessary. The Committee should be provided with sufficient resources to perform its duties.

## **6. DUTIES**

The major duties of the Committee are to deal with the risk management related issues, in particular strategic issues including:-

- (a) to review and recommend for the Board's approval the Bank Group's risk appetite which shall take into account the Bank Group's strategic objectives, all the relevant risks faced by the Bank Group and the prevailing and prospective market and economic conditions;
- (b) to review and recommend for the Board's approval the Bank Group's risk management strategies taking into consideration the risk appetite and other risk related matters;
- (c) to review and recommend for the Board's approval the Bank Group's risk management framework and risk governance framework including their appropriateness, effectiveness and independence of risk management functions;
- (d) to review and recommend for the Board's approval the Group Risk Management Policy which governs the identification, assessment, monitoring and reporting of the major risks faced by the Bank;
- (e) to review the terms of reference of Risk Committee, Crisis Management Committee, Risk Management Committee, Credit Committee, Asset and Liability Management Committee and Operational Risk Management Committee; and recommend any necessary changes for the Board's approval;
- (f) to review and monitor the Bank Group's risk profiles taking into consideration the Bank's risk appetite and the prevailing and forward-looking aspects of risk exposures;
- (g) to review the robustness of the Bank Group's Internal Capital Adequacy Assessment Process ("ICAAP") and recommend for the Board's approval the capital buffer derived from the ICAAP;
- (h) to review the regulatory updates on risk management related issues and consider their material implications to the Bank's risk appetite and risk profiles;

**6. DUTIES (CONTINUED)**

- (i) to review and discuss, and to bring to the Board's attention, the critical comments of the regulators on the Bank's risk management related issues (including findings in the examinations of the Hong Kong Monetary Authority of "high" severity and those specifically required for reporting to the Board):

where there is a perceived overlap of responsibilities between the Bank's Risk Committee and the Audit Committee, the respective Committee Chairmen shall have the discretion to agree the most appropriate committee to fulfil any obligation as delegated by the Board. An obligation under the terms of reference of the Committee or the Audit Committee will be deemed by the Board to have been fulfilled providing it is dealt with by either the Committee or the Audit Committee;

- (j) to oversee the implementation of risk management policies and the compliance with the respective statutory rules and regulations;
- (k) to review the results of the stress-testing for the major risks and the assessment on the Bank's capability to withstand the stressed conditions particularly in terms of profitability, capital adequacy and liquidity. If considered necessary, appropriate actions shall be taken to mitigate the potential impacts;
- (l) to carry out the duties as set out in the Bank Group's Recovery and Resolution Plan;
- (m) to review and recommend for the Board's approval the annual report of new products approval;
- (n) to review Risk Committee Report as required by the Group Risk Management Policy;
- (o) to report any significant risk management issues to the Board and if deemed appropriate, to suggest further reporting to the Hong Kong Monetary Authority; and
- (p) to undertake other duties as required by the Board.

## **7. REPORTING PROCEDURES**

7.1 The Secretary shall circulate the minutes of the Committee meeting to all members of the Board.

7.2 The Committee shall report regularly to the Board on the significant risk management related issues including:-

- (a) Risk Appetite Statement
- (b) Key Summary of Risk Profiles
- (c) Key Results of Stress-testing
- (d) Annual Report on New Products Approval
- (e) Regulatory Updates (including Basel Committee's papers)
- (f) Risk Management Policies
- (g) Terms of Reference of Risk Committee, Crisis Management Committee, Risk Management Committee, Credit Committee, Asset and Liability Management Committee and Operational Risk Management Committee
- (h) Internal Capital Adequacy Assessment Process ("ICAAP")
- (i) Regulatory Compliance
- (j) Other Significant Risk-related Issues, if any

7.3 Disclosures in Corporate Governance Report in the Annual Report

Disclosures should include the following information:-

- (a) the role and function of the Committee;
- (b) the composition of the Committee (including names of Committee members and identifying the Chairman of the Committee);
- (c) a summary of work performed by the Committee during the year; and
- (d) the number of meetings held by the Committee during the year and the record of attendance of members, by name, at meetings held during the year.

## **8. FREQUENCY OF REVIEW**

The Terms of Reference of the Committee should be reviewed on an annual basis and as required.

9. In the event of a conflict between the Chinese translation and the English text hereof, the English text will prevail.