

# **PUBLIC BANK (HONG KONG) LIMITED**

## **Risk Management Committee**

### **Terms of Reference**

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#### **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  
(Chairman/Non-Executive Director)
- 3) Mr. Lim Chao Li  
(Independent Non-Executive Director)
- 4) Ms. Phe Kheng Peng  
(Independent Non-Executive Director)

#### In Attendance

- 1) Head of Risk Management
- 2) Head of Compliance

## By Invitation

- 1) 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**

To constitute a quorum, at least half of the members must be present, and more than 50% shall be independent directors including the Committee Chairman.

### **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 to the Bank;
  - 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 that the Bank's corporate objectives are supported by a sound risk strategy and an effective risk management framework that are appropriate to the nature, size and complexity of its activities.

- ii) 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, climate risk management and compliance risk management.
- iii) 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 of Directors for noting subsequently.
- iv) 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.
- v) To provide effective oversight on senior management's actions having considered the Board of Directors' approved risk appetite, risk strategy and policies.
- vi) To review and oversee 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.
- vii) To review emerging risks and results of comprehensive risk assessment.
- viii) To evaluate risks under stress test scenarios.
- ix) To provide effective oversight that infrastructure, resources and systems had put in place for compliance assessment and risk management i.e. overseeing 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.
- x) To provide effective oversight on the cultivation of a proactive risk management culture so that risk management process are applied in the day-to-day business and activities.

- xi) 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.
- xii) To review and approve the compliance plan and be satisfied that the compliance function is adequately resourced and has appropriate standing within the Bank.
- xiii) To provide oversight on the overall compliance with applicable laws and regulations, pertinent internal polices and approved regulatory limits.
- xiv) To review the updates on regulatory trends and requirements.
- xv) To approve the appointment, resignation or dismissal of the Head of Compliance and Head of Risk Management, and evaluate their performance and remuneration.
- xvi) 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.
- xvii) To provide effective oversight on the suitability of the Public Bank Berhad Group's approaches and methodologies prior to adoption, having regard to the context of the local environment and operations of the Bank.
- xviii) 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.
- xix) 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.

- xx) 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.
- xxi) To approve policies and methodologies in assessing the compliance profile.
- xxii) To review and concur with the revision of the compliance policy and to oversee its implementation.
- xxiii) To establish policy(ies) and system(s) that promote and support anti-corruption laws and regulations.

## 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 be satisfied 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 authorised by the Board of Directors.

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