



**Terms of Reference of the Risk Committee of**  
**Shanghai Commercial Bank Limited**

**1 Objective**

The Risk Committee (the “Committee”), established by the Board of Directors (the “Board”) of Shanghai Commercial Bank Limited (the “Bank”), is responsible for assisting the Board in ensuring adequate oversight of bank-wide risks, and advising the Board on high-level risk related matters, risk management strategies and risk governance of the Bank, within the framework of the Bank’s policies, its terms of reference and such other directives as the Board may determine from time to time.

**2 Composition**

- 2.1 The Chair and members of the Committee shall be appointed by the Board. All Committee members shall be Independent Non-executive Directors and/or Non-executive Directors.
- 2.2 The Committee shall consist of not less than three members, the majority of whom shall be Independent Non-executive Directors.
- 2.3 The Committee shall be chaired by an Independent Non-executive Director with a background in accounting, banking or other relevant financial industry or expertise in risk management, and not being Chair of the Board or of any other committees of the Bank.
- 2.4 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.
- 2.5 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 unless otherwise decided by the Board.

### **3 Secretary**

The Corporate Secretary of the Bank shall be the secretary to the Committee.

### **4 Attendance at meetings**

4.1 The Chief Risk Officer, the Chief of Legal & Compliance and the Chief Financial Controller shall attend the Committee meetings. In the absence of any of the members named in this section, the designee(s) as invited by the Chair of the Committee shall attend the meeting.

4.2 The Chair may invite other persons, including other Directors who are not Committee members, senior management and other staff of the Bank, and/or external advisors, to attend all or part of the Committee meetings from time to time upon such conditions as are deemed necessary and desirable.

4.3 All Committee members should be prepared to attend all meetings in person save in exceptional circumstances with reasons being provided and documented where the concerned Committee member may be allowed to attend and participate in a meeting by means of telephone, videoconferencing or any other electronic means. In the event that a Committee member is not able to attend the meeting via any means, he/she may submit written views on items to be discussed ahead of the meeting.

4.4 A member's attendance by means of telephone, videoconferencing or any other electronic means is deemed as attendance at the physical meeting and shall be entitled to vote and be counted in a quorum accordingly.

### **5 Frequency of meetings and quorum**



- 5.1 The Committee shall meet at least 4 times a year at approximately quarterly intervals or more frequently as the Chair of the Committee may determine.
- 5.2 A majority of members who are Independent Non-executive Directors and including the Chair are required for a quorum at any meeting.
- 5.3 If the Chair of the Committee is not present at a Committee meeting, he/she shall delegate a member who is also an Independent Non-executive Director of the Bank to be the Chair of such meeting.

## **6 Proceedings of Meetings**

- 6.1 The meetings and proceedings of the Committee shall be governed by the provisions for regulating the meetings of the Board as stipulated in the Articles of Association of the Bank insofar as those provisions are applicable and are not replaced by any regulations imposed on the Committee by the Board.
- 6.2 Only the Chair and members of the Committee shall be entitled to vote at the Committee meetings.
- 6.3 Questions arising at any meeting of the Committee shall be decided by a majority of votes, and in the case of equality of votes, the Chair shall have a second or casting vote, and this power shall be exercised at the Chair's own discretion.
- 6.4 A written resolution signed by all the Committee members shall be as valid and effectual as a resolution passed at a meeting of the Committee duly convened and held.

## **7 Authority**

- 7.1 The Committee is authorized by the Board to oversee and review the Bank's risk management framework through acting within its terms of



reference for a strong risk culture.

- 7.2 The Committee may request relevant parties to render assistance in pursuance of its duties, and may delegate its authority and duties within its terms of reference to the relevant parties in carrying out the duties and roles as deemed necessary and appropriate.
- 7.3 The Committee shall be provided with sufficient resources to perform its duties. It is authorized by the Board to obtain external legal or other independent professional advice at the Bank's expense to discharge its responsibilities as deemed appropriate.

## **8 Duties and Responsibilities**

The duties and responsibilities of the Committee are:

- 8.1 to oversee and review various aspects of risk management on a holistic basis, and review regularly periodic reports and updates on the risk culture, risk management activities and the major risk exposures of the Bank including but not limited to credit risk and counterparty credit risk, market risk, operational risk, interest rate risk, liquidity risk, legal, compliance and regulatory risk, strategic risk, reputation risk, technology risk (including information security risk, cyber security risk and e-banking risk), climate-related risks and any other material risks to which the Bank may be exposed from time to time;
- 8.2 to review and recommend for the Board's approval on the risk management framework and strategy of the Bank, covering its risk profile, limits, tolerance and risk appetite (including the Risk Appetite Statement);
- 8.3 to review and assess regularly the adequacy, appropriateness and effectiveness of the Bank's risk management framework and systems, business continuity planning, including policies in identifying, measuring, evaluating, monitoring, reporting and controlling or mitigating major and/or material risks faced by the Bank, and ensure that they are being



- effectively implemented and maintained by the management of the Bank;
- 8.4 to review and endorse/approve the Bank's Stress Testing Policy and policies/frameworks for the management of risks, according to the endorsement/approval authority set out therein;
  - 8.5 to review significant breaches of the Bank's risk limits;
  - 8.6 to review applications for sizable loans and other forms of credit facilities (including connected lending transactions) in accordance with the relevant credit policies and guidelines of the Bank;
  - 8.7 to review the terms of reference of the Committee and senior management-level committees established under the Board, including Asset and Liability Committee, Credit Committee and Compliance and Operational Risk Management Committee, and recommend any necessary changes for the Board's approval;
  - 8.8 to ensure appropriate infrastructure, resources and systems are in place for risk management;
  - 8.9 to 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;
  - 8.10 to regularly communicate with the Chief Risk Officer and designated representatives in charge of risk management issues at least once a year, in the absence of executive Board members and other senior management;
  - 8.11 to review and discuss material regulatory requirements and/or comments of the regulators on risk management related issues concerning the Bank, and ensure appropriate follow-up actions have been taken and in a timely manner to address the requirements and/or control deficiencies as identified by the regulators;
  - 8.12 to ensure the robustness and effectiveness of the climate risk management of the Bank, including endorsing the Climate Risk Management



- Framework and the climate risk appetite;
- 8.13 to review the robustness of the Bank's Internal Capital Adequacy Assessment Process ("ICAAP") and the capital planning on an annual basis and approve the methodology used in the ICAAP;
  - 8.14 to oversee and challenge the design of stress testing and scenario analyses, review the results of stress testing for the major risk exposures of the Bank and the assessment on the capability to withstand the stressed conditions in terms of profitability, capital adequacy and liquidity, and initiate/endorse appropriate actions to be taken by the management to mitigate the potential impacts, if necessary;
  - 8.15 to oversee the recovery/resolution planning of the Bank, including without limitation performing the duties as set out in the Recovery/Resolution Plan of the Bank;
  - 8.16 to review and approve the operational resilience framework of the Bank and oversee its implementation;
  - 8.17 to receive and review independent security assessment reports on the emerging and existing e-banking services of the Bank, and progress reports on Regtech development on a half-yearly basis;
  - 8.18 to review reports from the senior management-level committees established under the Board, including the Asset and Liability Committee, Credit Committee and Compliance and Operational Risk Management Committee;
  - 8.19 to review and advise the Board and/or the Nomination and Remuneration Committee on alignment of remuneration with the Bank's risk culture and risk appetite; and
  - 8.20 to work closely with the Nomination and Remuneration Committee on matters in relation to the remuneration system of the Bank, and to consider other topics, as defined and assigned to the Committee by the Board.



## **9 Reporting procedures**

- 9.1 The Committee shall report regularly to the Board on its decisions and recommendations, and at least on a half-yearly basis on salient matters handled by the Committee.
- 9.2 Minutes of the Committee meetings shall be sent to all members of the Board.

## **10 Frequency of review**

These Terms of Reference shall be reviewed by the Committee at least annually and as and when required, and the Committee shall recommend to the Board the changes, if any, for approval.