



## **Risk Committee Terms of Reference**

### **1. Functions**

The Risk Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) of Asia Financial Holdings Limited (the “Company”) to:

- (a) assist the Board to oversee the Company and its subsidiaries (the “Group”) in the establishment and operation of the risk management system;
- (b) review the Group’s risk identification, risk appetite and risk treatment (including allocation of resources) in relation to its business structure and operations;
- (c) oversee the effectiveness of the Group’s risk management framework to identify and deal with financial, operational, legal, regulatory, technology, business, strategic risks and any other material risks faced by the Group;
- (d) consider the emerging risks relating to the Group’s business and strategies to ensure that appropriate arrangements are in place to control and mitigate the risks;
- (e) advise the Board on the appropriateness and effectiveness of risk control, mitigation tools and risk management functions.

### **2. Membership**

- (a) The Committee should have at least three members with the maximum up to five members. The majority of the members should be independent non-executive directors.
- (b) The Board appoints the Chairperson and members of the Committee. The Chairperson shall be a non-executive director.
- (c) The remunerations of the Chairperson and members are determined by the Board.



- (d) The tenure of the members is two years and retiring members are eligible for re-appointments.

### 3. **Authority**

The Committee is authorized by the Board to:

- (a) investigate any activity within its terms of reference;
- (b) obtain at the Group's expense external legal or independent professional advice. Such advisor(s) at the invitation of the Committee may attend the Committee meetings as necessary;
- (c) seek any information from any employee of the Group in order to perform its duties and require all employees to co-operate with any request made by the Committee;
- (d) be provided with sufficient resources to discharge its duties;
- (e) delegate any of its duties as is appropriate to such person(s) as it thinks fit to execute any risk management work.

### 4. **Responsibilities**

The main responsibilities of the Committee are to:

- (a) advise the Board on the Group overall risk appetite, profile, tolerance and risk principle that may be relevant for the Group's risk policy;
- (b) formulate, review, monitor and endorse a set of risk management policy and system for the Board to approve;
- (c) oversee and advise the Board on the current risk exposures of the Group and the future risk strategy;
- (d) review regularly and approve the parameters used in the risk measures and risk methodology adopted;



- (e) review the Group's capability to identify new risk types and ensure that appropriate arrangements are in place to effectively control and mitigate those risks;
- (f) review risk reports on any breaches of risk tolerance and the adequacy of proposed actions to rectify it;
- (g) review the Group's capital adequacy and solvency levels;
- (h) recommend to the Board the appointment and/or removal of the Chief Risk Officer;
- (i) monitor the management's responsiveness to the findings and recommendations of the Chief Risk Officer;
- (j) ensure the Chief Risk Officer shall be given the right of direct access to the Chairman of the Board and to the Committee;
- (k) recommend to the Board any revision or updates to the current risk management system;
- (l) review the effectiveness of the risk management system in use by the Group and report such review in the Company's corporate governance report;
- (m) ascertain that management has performed its duty to have an effective risk management system and report to the Board on matters that the Committee considers significant or beneficial for the management of the Company to discharge the duties in maintaining an effective risk management system.

## **5. Meetings**

- (a) The Committee shall meet at least two times a year and members may request a meeting if they think necessary.
- (b) At least two members of the independent non-executive directors shall constitute a quorum.



- (c) At the invitation of the Committee, the following persons may attend the meetings:
  - (i) the Chief Risk Officer;
  - (ii) members of the management team;
  - (iii) other members of the Board; and
  - (iv) any other person, if necessary.
- (d) The Company Secretary shall be the secretary of the meeting.
- (e) Minutes of the Committee meetings shall be circulated to all members of the Committee and made available upon request to other members of the Board.
- (f) Summary reports on the resolved issues and recommendations should be sent to the Board by the Chairperson of the Committee after each Committee meeting.

## **6. Annual General Meeting**

The Chairperson of the Committee shall attend the Annual General Meeting of the Company and prepare to response to any shareholder's questions on the activities of the Committee.

## **7. Review**

The Board shall periodically review the adequacy of these Terms of Reference and make appropriate amendments, as and when required.

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