

*The Terms of Reference is prepared in English. In the event that there is any discrepancy or inconsistency between the English version and the Chinese version, the English version shall prevail.*



**ROYAL DELUXE HOLDINGS LIMITED**

**御佳控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 3789)**

## **RISK COMMITTEE TERMS OF REFERENCE**

The board (the “**Board**”) of directors (the “**Directors**”) of Royal Deluxe Holdings Limited (the “**Company**”, which together with its subsidiaries, the “**Group**”) has established a committee of the Board known as the Risk Committee (the “**Committee**”) with its constitution and particular duties set out below:

### **1 Purpose**

The role of the Committee is to assist the Board in overseeing the effectiveness of the risk management (the “**RM**”) of the Company. It performs its role through:

- 1.1 Overseeing risk appetite and risk tolerance appropriate to each business area;
- 1.2 Considering the risk policy and strategy;
- 1.3 Ensuring that there are adequate enterprise wide processes and systems for identifying and reporting risks and deficiencies, including emerging risks;
- 1.4 Overseeing compliance with the stated risk appetite and policies and procedures related to risk management governance and the risk controls framework;
- 1.5 Monitoring the alignment of the risk framework to the Group’s growth strategy, supporting a culture of risk taking within sound risk governance; and
- 1.6 Having an overview of the key risk issues identified across the organisation and the wider network.

## 2 Authority

- 2.1. The Committee is a committee of the Board from which it derives its authority and to which it regularly reports.
- 2.2. The Committee has delegated authority from the Board in respect of the functions and powers set out in these Terms of Reference.
- 2.3. The Committee has authority to investigate any matter within its Terms of Reference and to obtain such information as it may require from any officer or employee.
- 2.4. When required, the Committee may delegate matters to a panel comprising a minimum of two members of the Committee plus such additional individuals with relevant expertise as deemed appropriate, and subject to Terms of Reference (including protocols for escalation to the Committee) as determined by the Committee.
- 2.5. In addition, the Committee may have delegated authority from the Board for oversight of specified strategic, cultural or transformational projects of the Company.

## 3 Constitution

### 3.1 Chairperson

- 3.1.1 The Chair of the Committee will be a nominated member of the Board (**“Nominated Board Member”**).
- 3.1.2 In the absence of the Chair of the Committee or an appointed deputy, the remaining members of the Committee present shall elect one of themselves to chair the meeting.

## **3.2 Membership**

3.2.1 The Committee shall consist of not less than three members. In addition to the Chairperson, the membership comprises:

- The chairman of the Audit Committee; and
- A Nominated Board Member.

3.2.2 Additional members of the Committee shall be appointed by the Board on the recommendation of the members of the Board.

3.2.3 Members can be co-opted onto the Committee (as determined by the Chair of the Committee) as the need arises to help fulfil the duties and obligations of the Committee. These appointments shall be made by the Board on the recommendation of the Chair of the Committee.

3.2.4 Working groups of the Committee may be established by the Committee for specific tasks and activities, including for analysis, consultations and escalations as appropriate; such groups may be comprised of representatives of the Committee and other individuals with relevant expertise.

3.2.5 Members may be removed from the Committee at any time before the end of their term by the Board.

## **3.3 Duration of appointments**

3.3.1 Unless otherwise determined by the Board, the duration of appointments of members of the Committee and of co-opted members shall be for a period of up to three years which may be extended by the Board.

### **3.4 Secretary**

3.4.1 The Company Secretary or their nominee shall act as secretary (“**Secretary**”) to the Committee and attend all meetings.

3.4.2 The Secretary shall record the proceedings and decisions of the Committee meetings and the minutes shall be circulated to all members and attendees, as appropriate, taking into account any conflicts of interest that may exist.

## **4 Proceedings of Meetings**

### **4.1 Frequency of Meetings**

4.1.1 The Committee shall meet every six months and otherwise as required.

4.1.2 Meetings of the Committee may be called by the Chair of the Committee at any time to consider any matters falling within these Terms of Reference.

### **4.2 Quorum**

4.2.1 Any two members of the Committee may form a quorum.

4.2.2 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

4.2.3 In the event of difficulty in forming a quorum, members of the Board who are not members of the Committee may be co-opted as members for individual meetings.

### **4.3 Attendees**

4.3.1 Only the members of the Committee and other members of the Board have the right to attend meetings of the Committee.

4.3.2 The following will be expected to attend the meetings of the Committee at the invitation of the Chair of the Committee on a regular basis:

- a) An independent non-executive Director;
- b) Chairman of the Audit Committee;
- c) Chief Executive Officer;
- d) Group Financial Controller;
- e) General Manager;
- f) Chief Risk Officer;
- g) Head of Human Resources;
- h) Head of Internal Audit; and
- i) Board Secretary.

4.3.3 Any manager, officer or employee of the Group, who are not member of the Committee shall attend at the request of the Chair of the Committee and they may collectively or individually be requested to withdraw from meetings of the Committee if required to do so by the Chair of the Committee.

## **5 Resolutions**

- 5.1 The Committee shall reach decisions by a simple majority of the members of the Committee voting on the resolutions in question. If the numbers of votes for and against a certain resolution are equal, the Chair of the Committee shall have a casting vote.
- 5.2 Any resolution evidenced in writing or by electronic or voice recognition means, by such member or members of the Committee as would have been necessary to pass such resolution had all members of the Committee been present at a meeting to consider such resolution, shall be valid and effective as if it had been passed at a meeting of the Committee duly convened and held, provided that notice and details of the proposed resolution have been given in advance to each member of the Committee.

## **6 Responsibilities**

The Committee's responsibilities shall be determined by the Board from time to time and, in any event, include the responsibility to:

- 6.1 Advise the Board in relation to its determination of overall risk appetite, tolerance and strategy, taking into account of the Company's values and public interest purpose, as well as the current and prospective regulatory, macroeconomic, technological, environmental and social developments and trends that may be relevant for the Group's risk policies;
- 6.2 Oversee and advise the Board on the current risk exposures of the Company, appropriate determination of risk appetite and future risk strategy, as regards the following risk categories: strategic, operational, financial and compliance, conduct and reputation risks;
- 6.3 Provide advice and assurance to the Board by adopting a holistic and enterprise wide view of the Group and the key risks that it is exposed to, assessing the adequacy and effectiveness of the Group's RM;

- 6.4 Support the Board on overseeing the management of climate risks and providing direction to address the impact of climate change and consider the climate related risks and opportunities in a holistic manner in order to ensure the Group's business decisions are commensurate with the magnitude of climate risks they are exposed to;
- 6.5 Undertake horizon-scanning of the risk landscape, including material risks, reputational impacts arising from the global supply chain and undertake deep-dive reviews into significant risks at the request of the Board or where, in the Committee's view, further scrutiny is required;
- 6.6 Using internal and external sources of assurance to monitor the robustness of the Group's risk management policies and processes, and their fit and purpose when tested against the Company's risk strategy and risk appetite;
- 6.7 Consider and review the prevailing risk culture in the organisation (values, beliefs, knowledge, attitudes and understanding about risk) and maintain oversight of relevant work streams and projects to bring about the desired risk culture;
- 6.8 In relation to risk assessment:
  - 6.8.1 On-going review of the Company's overall risk assessment processes, ensuring both qualitative and quantitative metrics are used;
  - 6.8.2 Review regularly and approve the parameters used in these risk assessment measures and the methodology adopted; and
  - 6.8.3 Set a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance.
- 6.9 Review the Group's capability to identify and manage new risk types;

- 6.10 Advise the Board on proposed strategic transactions including acquisitions or disposals to ensure that due diligence and appraisal of the proposition is undertaken, in particular on risk aspects and implications on the risk appetite and tolerance of the Company, and seeking independent external advice where appropriate and available;
- 6.11 Review reports on any material breaches of risk limits and the adequacy of the proposed remedial action;
- 6.12 Review and approve the statements to be included in the annual report concerning risk management;
- 6.13 Review the integration of risk management and control objectives (and consequences) in the compensation structure of the Group;
- 6.14 Annually review and approve the Committee's objectives, goals and remuneration in relation to risk management;
- 6.15 Consider and approve the remit of all risk and assurance functions and ensure they have adequate resources and appropriate access to information to enable them to perform their respective functions in first, second and third lines of defense effectively and in accordance with the relevant professional standards. The Committee shall also ensure these functions have adequate independence, as applicable, and are free from inappropriate management and other restrictions;
- 6.16 Recommend to the Board the appointment and/or removal of the Chief Risk Officer (the "CRO") and provide input to the evaluation of the CRO's performance, if consider necessary by the Committee;
- 6.17 Review promptly on all reports of the Group relating to the risk management;
- 6.18 Review and monitor management's responsiveness to the findings and/or recommendations of the CRO;



6.19 Consider the major findings of any relevant internal investigations relating to control weaknesses, fraud or misconduct and the management's response (in the absence of management where necessary); and

6.20 Ensure the CRO shall be given the right of unfettered direct access to the chairman of the Board and to the Chair of the Committee.

## **7 Reporting**

7.1 Minutes of each meeting of the Committee will be disclosed at the next meeting of the Board.

7.2 The Chair of the Committee shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

7.3 The Committee shall produce a report of its activities and the Group's risk management and strategy to be included in the annual report.

7.4 The Committee shall work and liaise as necessary with other committees of the Board.

## **8 Governance and Resources**

8.1 The Committee shall, via the Secretary to the Committee, make available to new members of the Committee a suitable induction process and, for existing members, ongoing training as discussed and agreed by the Committee.

8.2 The Committee shall have access to sufficient resources in order to carry out its duties and have the power to engage independent counsel and other professional advisers and to invite them to attend meetings of the Committee.

## **9 Terms of Reference**

9.1 The Committee shall annually review its Terms of Reference and may recommend to the Board any amendments to its Terms of Reference.

Adopted on 23 March 2022