



SHENWAN HONGYUAN (H.K.) LIMITED

申萬宏源(香港)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 218)

TERMS OF REFERENCE OF RISK COMMITTEE

Constitution

1. The Board resolved to establish a Committee of the Board to be known as the Risk Committee (the “Committee”).

Membership

2. Members of the Committee shall be appointed by the Board. The Committee should at least comprise three members, not less than half of whom shall be independent non-executive directors.
3. The Chairman of the Committee shall be an independent non-executive directors and appointed by the Board.

Quorum and Attendance at Meetings

4. Two members of the Committee shall constitute quorum of the Committee. Chief Risk Officer and Head of Compliance shall normally attend meetings. Other Board members shall also have rights of attendance.
5. Risk Management Department shall be the secretary of the Committee.

Frequency of Meetings

6. Meetings shall be held not less than twice a year.

Authority

7. The Committee is authorized by the Board to perform its duties as stipulated in its terms of reference, i.e. this document.
8. The Committee is authorized to seek any information it requires from any employees, and all employees are directed to co-operate with any request made by the Committee.

9. To assist Committee members in discharging their duties, the following procedures for seeking professional advice at the Company's expenses shall be observed:
 - a. The Committee shall submit a request in writing to the Chairman of the Board stating the grounds for seeking the independent professional advice; and
 - b. The Chairman of the Board would approve the request direct. If necessary, the Chairman may convene the board meeting to resolve the matter.
10. To establish sub-committees for specific purposes, such as Risk Management Committee, where necessary.

Duties

11. The duties of the Committee shall be:
 - a. To review the Company's risk management and internal control systems, excluding those related to financial controls and reporting, which are within Audit Committee's scope;
 - b. To review the risk principles and tolerance levels as proposed by Risk Management Committee, and recommend them for the Board to approve where appropriate;
 - c. To discuss the risk management and relevant internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's risk management functions;
 - d. To consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings; and
 - e. To handle other matters as delegated by the Board.

Reporting Procedures

12. The secretary of the Committee shall circulate minutes of the meetings to the Committee members.

February 2019