



CORPORATE GOVERNANCE

1. Corporate Governance Practices and Objectives

Ping An OneConnect Bank (Hong Kong) Limited (the “**Bank**”) is fully committed to effective corporate governance in order to safeguard the interest of its stakeholders. The Bank is subject to, and has complied in all material aspects with, the guidelines set out in the Hong Kong Monetary Authority (“**HKMA**”) Supervisory Policy Manual CG-1 Corporate Governance of Locally Incorporated Authorized Institutions during the period from the day it obtained the virtual banking license in May 2019 up to 30 June 2020 (the “**Period**”).

2. The Board and Board Committees

The Board of Directors of the Bank (the “**Board**”) directs the Bank in the conduct of its affairs and ensures that corporate responsibility and ethical standards underpin the conduct of the Bank’s business. The Board provides sound leadership to the senior management of the Bank (“**Senior Management**”) in setting the strategic vision, direction and long-term goals of the Bank and there is appropriate balance between promoting long-term growth and delivering short-term financial gains. The Board bears the ultimate responsibility for the Bank’s governance, strategy, risk management, financial performance and key personnel decisions.

Board meetings are held at least four times a year, with one in each quarter. During the Period, the Board held four meetings.

Board Composition

The Board currently comprises nine members: four Non-Executive Directors, one Executive Director, and four Independent Non-Executive Directors. All Directors possess appropriate experience and competence to discharge their responsibilities effectively.

Chairman

Mr. Yip Dicky Peter (Non-Executive Director)

Vice Chairman

Ms. Chen Rong (Non-Executive Director)

Non-Executive Directors

Ms. Tan Sin Yin

Ms. Ip So Lan

Executive Director

Mr. Fung Yuk Lung (Chief Executive)



Independent Non-Executive Directors

Mr. Yeung Tak Bun

Ms. Tong Mei Kuen Tommei

Mr. Shek Lai Him Abraham

Mr. Song Max

Board Committees

To discharge its responsibilities in specific areas, the Board may delegate authority to specialized Board Committees to contribute more efficiently and effectively to the strategic and operational development of the Bank. The composition, roles and functions of the Board Committees are set out below.

(a) Audit Committee (“**AC**”)

AC comprises three members, of whom one is a Non-Executive Director and two are Independent Non-Executive Directors. AC members collectively possess relevant technical expertise and experience in audit practices, financial reporting and accounting.

Chaired by an Independent Non-Executive Director, AC reviews the Bank’s internal financial controls to identify, assess, manage and monitor financial risks and to review the Bank’s internal control systems. AC also reviews financial reporting and the internal audit function, oversee the work of the external auditors, discusses matters raised by internal auditors and external auditors and ensures that audit recommendations are implemented accordingly.

During the Period, AC held two meetings.

(b) Board Risk Management Committee (“**BRMC**”)

BRMC comprises four members of whom one is a Non-Executive Director and three are Independent Non-Executive Directors. BRMC members collectively possess relevant technical expertise and experience in risk disciplines that are adequate to enable them to discharge their responsibilities effectively.

Chaired by an Independent Non-Executive Director, BRMC exercises oversight on behalf of the Board of the overall risk appetite, risk exposure, risk management strategy and risk culture, makes recommendations to the Board on the Bank’s Risk Appetite Statement and approves on behalf of the Board the Bank’s Internal Capital Adequacy Assessment Process. BRMC reviews the appropriateness, effectiveness and implementation of the Bank’s risk management systems and controls.

During the Period, BRMC held three meetings.



(c) Nomination and Remuneration Committee (“**NRC**”)

NRC comprises three members of whom one is a Non-Executive Director and two are Independent Non-Executive Directors.

Chaired by an Independent Non-Executive Director, NRC identifies individuals suitably qualified to become members of the Board or key Senior Management, and recommends such individuals to the Board. It also reviews the structure, size and composition of the Board and makes recommendations to the Board with regard to any adjustments that are deemed necessary. It is responsible for reviewing the framework and policies for remuneration, determining remuneration packages of all individual Executive Directors and Senior Management. NRC is also responsible for the bank culture aspects in ensuring that the Bank maintains a sound corporate culture that supports prudent risk management and that all levels of staff in the Bank have a strong commitment to achieving high ethical and professional standards and positive customer outcomes.

During the Period, NRC held one meeting.

(d) Strategy Committee (“**SC**”)

SC comprises five members of whom one is the Executive Director, two are Non-Executive Directors and two are Independent Non-Executive Directors.

SC monitors the general industry environment in which the Bank operates and keeps informed in areas essential to making significant contribution to strategy formulation for the Bank. The SC is responsible to make recommendations to the Board in respect of the Bank’s strategic planning process, review the Bank’s strategic plan, monitor the progress and identify strategic possibilities for further development.

During the Period, SC held two meetings.

(e) Group Projects Committee (“**GPC**”)

GPC comprises four members of whom one is the Executive Director, one is Non-Executive Director and two are Senior Management members.

GPC supports the Bank’s near and long term business and operational strategies, sets up and oversees different task forces to tackle specific projects or areas of cooperation with the OneConnect Group and/or the Ping An Group. The GPC discusses, reviews and make recommendations on the Bank’s collaboration on, amongst other things, the business of FinTech solutions development and delivery.

During the Period, GPC held six meetings.

3. Management Level Committees

In addition to the Board level committees, the Board has authorized the Executive Director to set up various management level committees to oversee and implement business strategies, risk management systems and internal controls. Senior Management of the Bank consists of a group of highly competent and experienced individuals responsible and accountable to the Board for the sound and prudent day-to-day management of the Bank in accordance with the business strategy, regulations, risk appetite and policies approved by the Board. The roles, functions and composition of each of the management level committees are set out below.

(a) Management Committee (“**ManCo**”)

ManCo is responsible for overseeing the day-to-day activities of the Bank’s business, developing and implementing business plans, policies and procedures and budgets that have been approved by the Board. ManCo is also responsible for discussing and reviewing recommendations from other management level committees. It is chaired by the Chief Executive, and members are: the Deputy Chief Executives for Business and for Functions respectively, Chief Financial Officer, Chief Risk Officer, Chief Compliance Officer and Chief Information and Operations Officer.

(b) Asset and Liability Committee (“**ALCO**”)

ALCO is responsible for providing risk oversight on capital and liquidity risk by determining the Bank’s approach to balance sheet management. ALCO comprises the Chief Financial Officer as chairman, Chief Executive, Chief Risk Officer as members, and other Senior Management members from the relevant business units and support functions as standing non-voting members.

(c) Compliance Committee (“**ComCo**”)

ComCo oversees the legal, regulatory and compliance matters of the Bank including risks regarding money laundering, terrorist financing and sanctions. Chaired by the Chief Compliance Officer, members of ComCo include Deputy Chief Executives for Business and for Functions respectively, Chief Risk Officer, Chief Information and Operations Officer, Head of Anti-Money Laundering, Money Laundering Reporting Officer, and other Senior Management members from Compliance, Legal, Operations, and Information Technology departments.

(d) Risk Management Committee (“**RMC**”)

RMC supervises the management of the key risks of the Bank at the senior management level and oversees the development and implementation of the risk management framework approved by the Board. RMC comprises the Chief Risk Officer as chairman, Deputy Chief Executives for Business and for Functions respectively, Chief Compliance Officer, Chief Information and Operations Officer, and other Senior Management members from Finance,



Operations, Information Technology, and Risk Management departments as non-voting members.

(e) Technology Committee (“**TechCo**”)

TechCo oversees the effective implementation of information technology strategies and data protection framework of the Bank. TechCo comprises the Chief Information and Operations Officer as chairman, Deputy Chief Executive (Functions), Chief Compliance Officer, Data Protection Officer and Senior Management members from Operations, Information Technology, and Risk as members.

(f) Disciplinary Action Committee (“**DAC**”)

DAC is responsible for dealing with formal complaints concerning allegations of misconduct by employees and make decisions on the type of disciplinary action that it considers appropriate in the circumstances. It is chaired by the Chief Executive, and members include Deputy Chief Executives for Business and for Functions respectively, Chief Compliance Officer and Chief Risk Officer.

4. Risk Appetite Framework

The Risk Appetite Framework (“**RAF**”) of the Bank consists of a Risk Appetite Statement (“**RAS**”), which is the tone set from the Board articulating the risk boundaries that The Bank’s businesses should stay within, and the requirements for its operationalisation. The RAS therefore represents the bottom line for business decisions, to balance return and risk. The Bank’s RAS encompasses the material risk categories including capital adequacy, credit risk, liquidity risk, market risk, interest rate risk, operational risk, technology risk, conduct risk, reputation risk, strategic risk and legal risk. The aim is to control the maximum amount of risks that the Bank is willing to take in pursuing its business objectives.

- i. Implementing necessary policies and controls, drills, proper organisational structure and establishing a desirable culture with individual accountability and strong management oversight.
- ii. Setting up Risk Appetite Thresholds to assist the Board and the Bank’s management to focus attention on areas of heightened concern, thereby deciding if early remedial actions are necessary.
- iii. Taking into account stress scenario(s) in risk assessments in order to identify top and emerging risks relevant to the Bank’s portfolios and operations. The considerations of setting the stress scenario(s) can be changed from time to time and can be varied according to the risk type being evaluated.



To support the operationalisation of the RAS, embed it into business and operational management and to enable pro-active management over the risk profiles against pre-defined targets for the major risk portfolios, the Bank implements the RAS based on the following principles:

An objective depiction of the risk profile with an overview of the major business activities, the key issues and common themes identified across the Bank enables the Board and the Bank's management to more effectively evaluate whether the risk taking is healthy, in line with expectation and acceptable from a forward-looking perspective. Risk profiling requires identifications of key business activities, key risk dimensions, representative metrics and their thresholds relevant for health-checking purpose. The risk profile is regularly monitored, measured against the Bank's risk appetite, and reported to the Board, the BRMC and the relevant management level committee(s) for review.

The Board has ultimate responsibility for the implementation of the RAF, promoting a sound risk culture for the Bank and ensuring that the governance and other key components of the risk management framework are properly established and effectively implemented. The Board is also responsible for approving the RAS, the core policies and thresholds that support its operationalisation, and maintaining consistency between business strategy, risk appetite and the long term goals of the Bank.

5. Bank Culture

The bedrock of the Bank's culture is a set of strong and clearly defined values that are set by the Board, and act as a guide to the Bank's employees in the way they conduct themselves in their daily work.

Team Work

"Teamwork" sets the tone of our collaboration internally and with the OneConnect and Ping An Group by leveraging resources to achieve the Bank's goals and mission in the most effective and efficient way. It also defines the way we connect and work with our partners, customers, clients and other stakeholders in order for all relevant parties to succeed. Our teamwork starts with clearly defined roles within the team in order for everyone to have a clear purpose, and each being accountable for the roles assigned.

Innovation

We aim to foster an atmosphere of creativity, innovation and constructive collaboration to create products and services that will delight our customers. With full respect to compliance requirements and a humble attitude to discover real customer needs, we seek to push the boundaries in business models, partnerships, products and technology, to create simplicity through expertise.



Effective Communication

We encourage open, honest and transparent communication within the Bank and with other stakeholders including our customers, communities and regulators. Effective communication means communicating in a clear, timely, and constructive manner. Open communication avoids conflicts, builds trust and enhances performances.

Strict Compliance

We act with discipline and integrity, and hold ourselves to high ethical standards. We strictly follow, both the spirit and the letter, of all applicable laws, regulations, as well as guidelines and rules from the HKMA.

Customer-Driven

We listen to the needs of our existing and potential customers and clients, and endeavor to provide solutions that best suit their needs. On providing products and services, we deliver what we promise, treat our customers fairly and strive to delight our customers.