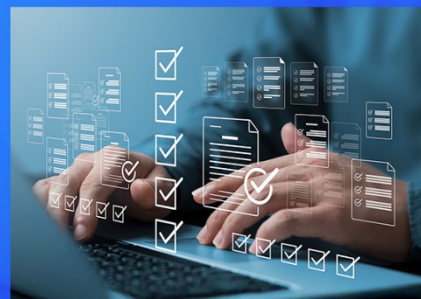


# Enhancing Oversight

Rethinking Risk Management and Internal Control ("RMIC") Review Practices



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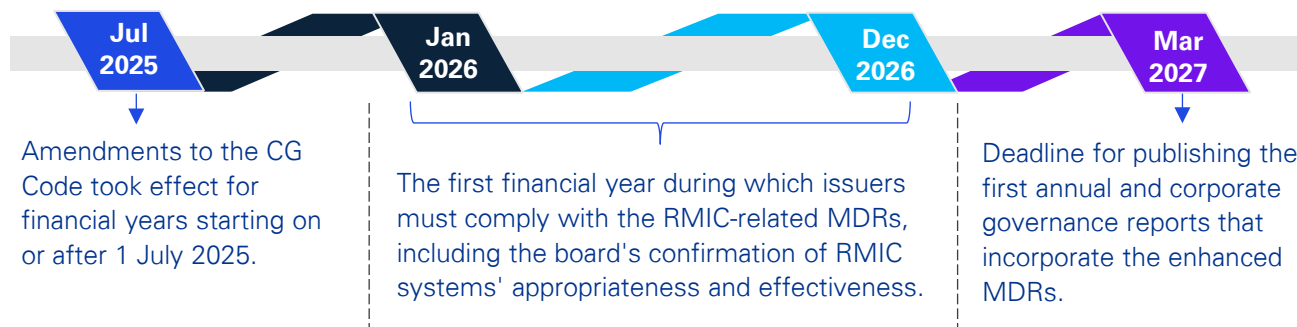
December 2025

## Strengthening corporate governance in evaluating RMIC

The Stock Exchange of Hong Kong Limited (the "HKEX") published its conclusions on the enhancements to the Corporate Governance Code ("CG Code") and the related Listing Rules in December 2024. These enhancements, particularly the Mandatory Disclosure Requirements ("MDRs"), place an increased emphasis on boards to exercise diligent oversight of RMIC systems, including the need to ensure a structured process is in place for evaluating RMIC systems at least annually.

The enhancements to the MDRs became effective for financial years starting on or after 1 July 2025. Issuers now have a narrow window of opportunity to implement the necessary adjustments and enhancements over their review of the RMIC systems in order to ensure the accuracy and completeness of disclosures as required by the enhanced CG Code.

### Example Timeline: Impact of revised CG Code on issuers with 31 December year end



## Key enhancements to MDRs on RMIC

The enhancements to the MDRs require issuers to provide comprehensive information on the appropriateness and effectiveness of their RMIC systems, enhancing the accountability and transparency of boards and management. Key enhancements include requiring Boards to disclose:

### Board's confirmation statement

Boards are required to acknowledge their responsibility and confirm the appropriateness and effectiveness of the RMIC systems

### Information supporting the board's conclusion

Disclose information supporting the board's conclusion, and responsibilities of internal departments and external service providers

### Scope of the review

Should cover all material controls, including financial, operational, and compliance controls – and encompass subsidiaries

### Details of review findings

Disclose significant control failings/ weaknesses identified, along with remedial actions (if applicable)

## Key Questions for a Structured RMIC System Review Process

To ensure a comprehensive annual review of RMIC systems, it is essential to establish a structured and robust process. This process should cover all material aspects, including financial, operational, and compliance controls, across the entire organisation from group level to subsidiaries. Below are key questions for management and the board to consider when assessing the effectiveness of RMIC systems and the review process:

### Review of Risk Management System

Are clear risk appetite and limits established to guide decision-making in alignment with business objectives?

Is the organisation capable of effectively identifying, responding to, and adapting to key risks, including new, emerging, and ESG risks, that might impact the achievement of its business objectives?

Has there been an independent appraisal of risk management systems to periodically benchmark the effectiveness and maturity of enterprise risk management systems, aiming to foster continuous improvement?

### Review of Internal Control System

Are material controls and significant control failings/ weaknesses clearly defined to provide a consistent basis for assessment?

Is a control repository maintained and regularly updated to support ongoing monitoring, assessment, and reporting throughout the organisation?

Are there sufficient **monitoring procedures** in place to evaluate the performance of material controls at least annually?

Have any significant control failings or weaknesses been identified? If so, are the details of these issues disclosed along with any remedial actions taken?

### Common control monitoring procedures:

Control self-assessment ("CSA")

Annual testing of material controls

Internal audit

Management confirmation to the board

## Common challenges on controls

### Risk constantly changing

Control programme is not flexible and sustainable



### Resourcing limitations

Limited availability of resources with the required skills and experience



### Manual processes

Spreadsheets and manual processes are widespread



### Regulatory changes

Existing controls function cannot quickly adapt to new regulations or changing risks



## How can KPMG help?

KPMG provides end-to-end support to help organisations review, develop and maintain robust and structured RMIC systems, implementing best practices, whilst enhancing quality and efficiency. Boards will be able to confidently affirm the appropriateness and effectiveness of these systems, supported by clear steps and evidence. Our services include:

### Advisory Support

#### Formulation of RMIC Review Framework

- Establish clear definitions of material controls and significant control failings/ weaknesses
- Clarify the roles of the three lines of defence during the RMIC review
- Assess and enhance the current RMIC review approach and process

#### Development of Control Repository and CSA Implementation

- Assist in establishing a repository for material controls across the organisation
- Design tailored CSA questionnaires
- Analyse CSA results for reporting
- Conduct regular reviews to update the repository's and CSA questionnaires' comprehensiveness

### Managed Services

#### Controls as a Service with KPMG

- We support the total RMIC lifecycle, including testing, remediation and transformation of the controls environment leveraging our deep regulatory knowledge combined with scalable delivery centres, workflow technology, and AI.

#### Control Testing Execution

Control Test Standards and Methodology

Control Testing Planning

Testing Coordination

Testing Execution and Documentation

Issue Remediation

Follow-up and Closure

Reporting

Control Rationalisation

Framework and Governance, Metrics, Reporting and Insights

Tools and Technology, including Automation and AI

## Contact us



### Alva Lee

Partner, Head of Governance, Risk and Compliance Services  
T: +852 2143 8764  
E: [alva.lee@kpmg.com](mailto:alva.lee@kpmg.com)



### Rupert Chamberlain

Partner, Head of Managed Services  
T: +852 2140 2871  
E: [rupert.chamberlain@kpmg.com](mailto:rupert.chamberlain@kpmg.com)



### Longhui Loo

Partner, Governance, Risk and Compliance Services  
T: +852 3927 4674  
E: [longhui.loo@kpmg.com](mailto:longhui.loo@kpmg.com)



### Candy Wan

Associate Director, Governance, Risk and Compliance Services  
T: +852 2978 8179  
E: [candy.wan@kpmg.com](mailto:candy.wan@kpmg.com)



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