

# Terms of Reference of the Nomination and Remuneration Committee under the Board of Directors of Huishang Bank Corporation Limited

## Chapter 1 General Provisions

**Article 1** These Terms of Reference are hereby formulated in accordance with the “Corporate Governance Standards for Banking and Insurance Institutions”, the “Articles of Association of Huishang Bank Corporation Limited” (the “**Articles**”), the “Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited” (the “**Hong Kong Listing Rules**”) and other relevant rules and regulations to regulate the activities of the Nomination and Remuneration Committee under the Board of Directors of Huishang Bank Corporation Limited (the “**Bank**”), to standardize working procedures, to establish and improve the management system for the nomination and election, evaluation and remuneration of directors and senior management members of the Bank, and to promote the sound, stable and sustainable development of the Bank.

**Article 2** The Nomination and Remuneration Committee (the “**Committee**”) is a specialized working body established by the Board of Directors of the Bank pursuant to the Articles. The Committee provides its professional advice to the Board within the scope of its duties or make decisions on professional matters as authorized by the Board of Directors, formulates the procedures and criteria for the selection and appointment of directors and senior management members, conducts preliminary review on the qualifications and conditions of directors and senior management members, and makes recommendations to the Board of Directors. It shall also be in charge of preparing the evaluation and remuneration plans for directors and senior management members, making recommendations regarding the evaluation and remuneration plans to the Board of Directors, and supervising the implementation of these plans.

If a proposal to be decided on by the Board of Directors falls within the scope of duties of the Committee, such proposal shall be first submitted to the Committee for consideration, and the Committee shall put forward its deliberation opinions.

Except as authorized by the Board of Directors according to law, the deliberation opinions of the Committee shall not supersede the voting opinions of the Board of Directors.

## Chapter 2 Composition of the Committee

**Article 3** The Committee shall comprise of at least three (3) directors, a majority of whom shall be independent directors, and none of whom shall be directors nominated by the controlling shareholder.

**Article 4** Members of the Committee shall be nominated by the chairman of the Board of Directors and finalized upon consideration and approval by the Board of Directors.

**Article 5** The Committee shall have one (1) chairman, who shall be served by an independent director and shall preside over the operation of the Committee. The chairman shall be elected by more than half of all the members of the Committee and the decision shall be finalized upon consideration and approval by the Board of Directors. If the chairman is unable to perform his/her duties, he/she shall appoint a member to perform the duties on his/her behalf. If the chairman fails to do so, more than half of the members shall jointly elect a member to perform the duties of the chairman on his/her behalf.

The major responsibilities of the chairman shall include:

- (1) to preside over the meetings of the Committee to ensure effective operation of the Committee and performance of its duties;
- (2) to determine the agenda of the meeting of the Committee;
- (3) to ensure a clear and explicit conclusion is made in connection with the resolution considered by the Committee;
- (4) to propose to convene a meeting of the Committee;
- (5) to represent the Committee to report its work to the Board of Directors;
- (6) to perform other duties specified in laws, regulations, rules, normative documents, regulatory rules of the jurisdiction where the shares of the Bank are listed, the Articles, and these Terms of Reference.

**Article 6** The term of office of the members of the Committee shall coincide with that of directors on the Board of Directors. If any member of the Committee ceases to be a director during the term, he/she will automatically be disqualified from serving as a member of the Committee. The Board of Directors shall appoint the necessary number of members pursuant to the Articles and these Terms of Reference to substitute for those disqualified, and the term of office of such members shall expire on expiry of the term of office of the then incumbent members of the Committee.

**Article 7** A working group is established under the Committee, which is responsible for the daily work-related liaison, organizing meetings, preparing meeting minutes, gathering information and conducting relevant studies. The tasks of the working group are led and coordinated by the Office of the Board of Directors, with assistance from the HR department. The group also works closely with relevant functional departments.

**Chapter 3 Principal Duties**

**Article 8** The Committee shall perform the following duties:

- (1) to formulate the procedures and selection criteria for the selection process of directors and members of the senior management, and to make recommendations to the Board of Directors;
- (2) to conduct preliminary review of the qualifications of candidates of directors and members of the senior management, and to make recommendations to the Board of Directors;
- (3) to make recommendations to the Board of Directors on the structure, number, size and composition of the Board of Directors (including their skills, knowledge and experience), based on the business operations, asset scale and equity structure of the Bank;

- (4) to identify candidates who are qualified to serve as directors and members of the senior management, and to establish a reserve mechanism of key personnel;
- (5) to assess the independence of the independent directors;
- (6) to formulate appraisal criteria for directors and members of the senior management, to organize regular performance appraisals for directors and members of the senior management, and to submit the appraisal results to the Board of Directors;
- (7) to review the basic remuneration system of all employees of the Bank, to prepare plans on the appraisal and remuneration for directors and members of the senior management, to make recommendations to the Board of Directors, and to monitor the implementation of such plans;
- (8) to make recommendations to the Board of Directors for implementing the remuneration plans of executive directors and members of the senior management;
- (9) to review compensation payable to executive directors and members of the senior management for any loss or termination of office or appointment, and to make recommendations to the Board of Directors;
- (10) to review compensation arrangements relating to dismissal or removal of directors for misconduct, and to make recommendations to the Board of Directors;
- (11) to ensure that no director or any of their associates (within the meaning of Hong Kong Listing Rules) is involved in deciding their own performance appraisal and remuneration, except for the self-assessment aspect of their performance evaluation;
- (12) to carry out any other matters required under laws, regulations and other normative documents;
- (13) to carry out any other matter as authorized by the Board of Directors.

**Article 9** Proposed candidates for directors shall be reviewed by the Board of Directors before appointment through election at a shareholders' general meeting. Proposed candidates for members of the senior management shall be reviewed and then appointed by the Board of Directors.

**Article 10** The remuneration plan for the directors shall be submitted to the Board of Directors for approval and may only be implemented upon approval by a shareholders' general meeting. The remuneration plan for the members of the senior management may only be implemented upon submission and approval by the Board of Directors.

**Article 11** The Committee shall formulate and, where appropriate, review the Board Diversity Policy, and annually disclose the relevant policy or summaries in the Corporate Governance Report.

## Chapter 4 Procedures and Rules for Meetings

**Article 12** The working group of the Committee shall undertake the preliminary preparatory work such as collecting and consolidating materials to be considered by the Committee, proposing time, venue, convening method and agenda of the meeting, and submit them to the chairman of the Committee for decision-making.

**Article 13** The Committee reports to the Board of Directors and may submit proposals to the Board of Directors based on business needs.

The resolutions and the voting results of a meeting of the Committee held in connection with matters subject to decision by the Committee as authorized by the Board of Directors shall be reported to the Board of Directors in writing.

In addition to such matters subject to decision by the Committee as authorized by the Board of Directors, the Committee shall, within the scope of its duties, discuss the proposals to be decided on by the Board of Directors and shall submit the results and opinions of the discussion to the Board of Directors for its consideration, decision-making and reference.

**Article 14** The Committee shall formulate annual work plans. It shall convene committee meetings regularly each year, and convene extraordinary meetings in a timely manner if necessary.

The Board of Directors, the chairman of the Board of Directors, the chairman of the Committee or more than half of the members of the Committee may propose to convene a meeting of the Committee according to regulatory requirements and business needs.

A notice of a committee meeting shall be given to all members of the Committee five (5) days before the committee meeting is held. If any particular of a meeting, such as its time and venue, need to be changed or if any proposal to be considered at a meeting needs to be added, altered or canceled, a written notice of such change shall be issued three (3) days prior to the scheduled date of such meeting, detailing the situation and the relevant contents and materials of the new proposal. If any such change is to be made within three (3) days prior to such scheduled date, the date of the meeting shall be postponed accordingly unless otherwise agreed upon by all members of the Committee.

Where a meeting of the Committee has to be convened as soon as practicable in case of emergency, the notice of such meeting is not subject to the above timeframe.

The notice of a meeting shall specify when, where and how the meeting is held, the agenda of the meeting, matters to be discussed and relevant details, and the issuance date of the notice.

The notice of a meeting shall be delivered by hand, via fax, by post or via e-mail.

**Article 15** Any meeting of the Committee shall only be held with the presence of more than half of the member of the Committee. Members shall attend meetings of the Committee in person and express clear opinions on the matters under consideration. If any member of the Committee is unable to attend the committee meeting in person for any reason, he/she shall state the reasons in writing and execute a power of attorney to authorize another member to attend such meeting on his/her behalf, which shall specify the authorization.

**Article 16** Each member of the Committee shall be entitled to one (1) vote. Resolutions at a meeting of the Committee shall be subject to the votes of more than half of all members of the Committee.

**Article 17** Voting at meetings of the Committee shall be by way of open ballot voting, and the resolutions of the meetings may be made by two methods, including voting on physical meetings and by circulating written resolutions.

“Physical meetings” refer to meetings held by means of on-site, video, telephone, etc., which ensure immediate communication and discussion among participants; and “circulating written resolutions” refers to the meeting method in which resolutions are made by separate service or circulation for consideration.

**Article 18** A member of the Committee shall abstain from a meeting of the Committee if any matter to be discussed at such meeting relates to that particular member of the Committee.

**Article 19** The Committee shall keep records, resolutions or minutes of all committee meetings. Members of the Committee present at a committee meeting shall sign on the resolutions or the minutes of the committee meeting to assume their respective legal liability. The records, resolutions or minutes of the committee meetings shall be kept by the Office of the Board of Directors of the Bank.

**Article 20** The resolutions passed at meetings of the Committee and the voting results shall be reported to the Board of Directors in writing, and shall be kept by the Office of the Board of Directors. A copy of the same documents shall be submitted to the Board of Supervisors at the same time.

**Article 21** Members of the working group of the Committee may attend the meeting of a Committee without voting rights, and directors, supervisors and members of the senior management of the Bank may be invited to attend the meeting of the Committee without voting rights when **necessary**.

**Article 22** The Committee may engage intermediate agencies to provide professional advice to assist its decision making, and fees so incurred shall be borne by the Bank.

**Article 23** Members of the Committee shall provide independent opinions to the Board of Directors or shareholders’ general meetings in relation to the following matters:

- (1) nomination and removal of directors;
- (2) the appointment or dismissal of members of the senior management;
- (3) remuneration of directors and members of the senior management of the Bank.

**Article 24** The convening procedures, voting methods and resolutions passed at a meeting of the Committee must comply with the relevant laws, regulations, the Articles, and these Terms of Reference. For matters not covered herein regarding the meeting process of the Committee, it is advisable to refer to the Rules of Procedure of the Board of Directors of the Bank.

**Article 25** All persons present at a meeting of the Committee shall be obliged to keep confidential all the confidential matters discussed at such meeting and shall not disclose relevant information without authorization.

## **Chapter 5 Supplementary Provisions**

**Article 26** With respect to any matter not covered in these Terms of Reference, or any conflict between these Terms of Reference, on one hand, and provisions under any laws, administrative regulations, departmental rules, rules of the securities regulatory authorities of the jurisdictions in which the Bank's shares are listed or the Articles, as promulgated or amended after these Terms of Reference come into force, on the other hand, relevant national laws, administrative regulations, departmental rules, rules of the securities regulatory authorities of the jurisdictions in which the Bank's shares are listed or the Articles (as applicable) shall prevail.

**Article 27** The Board of Directors has the power to interpret and to amend these Terms of Reference.

**Article 28** These Terms of Reference shall become effective upon consideration and approval by the Board of Directors. Once these Terms of Reference become effective, the original Terms of Reference of the Nomination and Remuneration Committee of the Bank shall automatically become null and void.