

# **CHONG HING BANK LIMITED**

## **(the “Bank”)**

### **Terms of Reference of Nomination and Remuneration Committee**

#### **1. Constitution**

The Nomination and Remuneration Committee (the “Committee”) was established by resolutions of the Board of Directors of the Bank (the “Board”) responsible for reviewing and making recommendations to the Board on the structure, size and composition of the Board and its Board committees, overseeing the identification and assessment of potential candidates for the Board of the Bank and its subsidiaries (the “Bank Group”), where appropriate; formulating policy and structure for Directors, Senior Management, Key Personnel and Risk Control Personnel of the Bank Group and other remuneration related matters.

#### **2. Membership**

2.1 Chairman and members of the Committee shall be appointed by the Board from time to time and shall consist of not less than three members, a majority of whom shall be Independent Non-Executive Directors.

2.2 The Committee Chairman shall be an Independent Non-Executive Director.

#### **3. Secretary**

The Head of Human Resources Division of the Bank shall be the secretary of the Committee; the Company Secretary of the Bank shall be the deputy secretary of the Committee.

#### **4. Attendance at Meetings**

4.1 The Committee may invite executive or any person who is responsible for risk control function to present reports on the implications of the remuneration policy on risk and risk management and to validate and assess risk adjustment data.

4.2 The Committee may invite any persons (including Directors, senior management and external advisers) to attend all or part of the Committee meetings from time to time upon such conditions as the Committee members consider desirable. However, only the Committee members shall be entitled to vote at the Committee meetings.

#### **5. Frequency of Meetings and Quorum**

5.1 The Committee shall meet no less than twice a year and at such other times as the Chairman of the Committee may determine.

5.2 The quorum for meetings of the Committee shall be three members, one of whom should be the Chairman of the Committee, unless he or she is unable to attend due to exceptional circumstances, majority of whom should be Independent Non-Executive Directors.

## **6. Proceedings of Meetings**

- 6.1 Meetings and proceedings of the Committee shall be governed by the provisions for regulating the meetings and proceedings of the Board as stipulated in the Bank's Articles of Association for the time being in force so far as the same are applicable thereto and are not replaced by any regulations imposed by the Board.
- 6.2 Questions arising at any meetings of the Committee shall be decided by a majority of votes, and in case of an equality of votes, the Chairman of the meeting shall have a second or casting vote.
- 6.3 A written resolution signed or approved by a majority of the Committee members shall be as valid and effectual as a resolution passed at a meeting of the Committee duly convened and held.

## **7. Authority**

- 7.1 The Committee is authorised by the Board to investigate any activity within these terms of reference. The Committee is authorised to obtain any information required from any employee of the Bank Group and all such employees are directed to co-operate with any reasonable request made by the Committee.
- 7.2 The Committee shall be provided with sufficient resources to perform its duties. The Committee may obtain professional advice from external consultants at the Bank's expense to discharge its responsibilities as it shall deem appropriate. Upon completing relevant procedures and obtaining approval from the Board, the professional advice should be commissioned by, and provided directly to the Chairman of the Committee independently of management.

## **8. Duties and Responsibilities**

The Committee shall have the following duties, responsibilities and discretion:

- 8.1 to review annually the structure, size, composition (including tenure, skills, knowledge and experience) and diversity of the Board and its Board committees and make recommendations on any proposed changes to the Board to support and facilitate implementation of the Bank's corporate strategy;
- 8.2 to review the efficiency and effectiveness of the functioning of the Board and its Board committees on an annual basis;
- 8.3 to assess annually the past performance and ongoing suitability of each Director (including Chief Executive serving as Executive Director) taking into account the Director's time commitment to the business of the Bank as well as any potential conflicts of interest arising, and provide advice to the Board;
- 8.4 to participate in the identification of individuals suitably qualified to become Directors or take up designated Senior Management or Key Personnel positions, and select or make recommendations to the Board, on a need basis, on the selection of individuals nominated for directorships, designated Senior Management or Key Personnel positions based on the role and its responsibilities, the required knowledge, experience and competence;

- 8.5 to make recommendations to the Board, on a need basis, on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive, designated Senior Management and Key Personnel;
- 8.6 to assess the independence of the Bank's Independent Non-Executive Directors;
- 8.7 to ensure objectivity and independence in the selection process of Board members, designated Senior Management and Key Personnel;
- 8.8 to review annually (or on a need basis) the succession policy of Senior Management and Key Personnel, and make recommendations to the Board;
- 8.9 to make recommendations to the Board on the remuneration policy, structure and practices of the Bank Group, including the terms of bonus plans, long-term incentive plans (if any), for Directors, Senior Management, Key Personnel, Risk Control Personnel, Groups of employees and all employees of the Bank Group; and to formulate a formal and transparent procedure for developing policy on such remuneration as the Committee may consider appropriate;
- 8.10 to exercise competent and independent judgement on the Bank Group's remuneration policy and practices thereby created for managing risk, capital and liquidity; and to carefully evaluate any arrangements and practices by which remuneration and compensation are paid for potential future revenues whose timing and likelihood remain uncertain by ensuring that such arrangements and practices are consistent with the Bank Group's financial condition and future prospect, the Supervisory Policy Manual and any legal or regulatory requirements applicable to employees' remuneration that may evolve over time;
- 8.11 to review annually (or on a need basis) and ensure the adequacy and effectiveness of the Remuneration Policy of the Bank Group in the context of consistent and effective risk management to ensure that the Remuneration Policy is appropriate and in line with the Bank Group's corporate culture, risk appetite, risk culture, long-term interests, performance and control environment;
- 8.12 to review and approve the vesting arrangement of the deferred discretionary remuneration (including early payment prior to the vesting schedule) of those employees concerned of the Bank Group;
- 8.13 to review and make recommendations to the Board on the remuneration packages of Directors, Senior Management and Key Personnel of the Bank Group by reference to its corporate goals and objectives resolved by the Board from time to time. In doing so, when exercising its discretion over the performance-based remuneration, the Committee should consider relevant qualitative and quantitative factors (e.g. risks controls and compliance), salaries paid by comparable companies, employment conditions, time commitment and responsibilities of the Directors, Senior Management and Key Personnel;
- 8.14 to review the appropriateness of the annual objective setting for individual Senior Management and Key Personnel of the Bank Group;

- 8.15 to review proposals or policies for new or amended severance for the Bank Group, and to ensure that any severance pay, which is in addition to the prevailing legal requirements, shall be related to performance achieved over time and designed in a way that does not reward failure;
- 8.16 to ensure an annual review (independent of management) of the Bank Group's remuneration system and its operation, including an assessment of consistency with any prevailing guideline and the result of the annual review will be submitted to the Hong Kong Monetary Authority ("HKMA");
- 8.17 to review and approve any statements required by the Bank Group's regulators from the Committee on the Remuneration Policy from time to time;
- 8.18 to consult the Chairman of the Board about the remuneration proposals for Executive Directors;
- 8.19 to seek advice from other Board committees and the employees who are responsible for risk control functions, as appropriate, on the alignment of risk appetite with performance objectives set in the context of incentive packages, if any, and on whether any adjustments for risk need to be applied when considering performance objectives or actual performance. In the event of any difference of view, appropriate risk adjustments should be decided by the Board;
- 8.20 to review and make recommendations to the Board on the compensation payable to Directors, Senior Management and Key Personnel in connection with any loss or termination of their office or appointment, or dismissal or removal for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that such compensation payment shall be fair and not excessive for the Bank Group, and is consistent with the spirit and principle of the Supervisory Policy Manual and other relevant rules or regulatory requirements that may evolve over time;
- 8.21 to ensure that no Director, Senior Management, Key Personnel or Risk Control Personnel is involved in deciding his / her own remuneration;
- 8.22 to advise and assist the Board in discharging its responsibilities for the Bank's corporate culture-related matters;
- 8.23 to review and assess, at least annually, the adequacy and appropriateness of any relevant statement which sets out the Bank's corporate culture and ethical behavioural standards, and seek to ensure that the Bank's corporate culture is translated into policies and procedures (including training) that are relevant to the day-to-day work of different levels of staff;
- 8.24 to review, at least annually, the results from the relevant mechanisms for assessing the staff's actual behaviours and providing feedback;
- 8.25 to review and endorse the content of the Remuneration Report (if any) in the annual report and accounts for submission to the Board as a whole; and
- 8.26 to review annually (or on a need basis) the Committee's own effectiveness and terms of reference and recommend to the Board any necessary changes.

## **9. Reporting Procedures**

- 9.1 Minutes of the Committee meetings shall be circulated to the Board at regular Board meetings. Minutes of the Committee meetings should be kept by the Company Secretary. Within a reasonable time after the Committee meetings, draft and final version of minutes of such meetings should be sent to all Committee members for their comment and records respectively.
- 9.2 The Committee should report to the Board on a regular basis on its decisions, recommendations and any material issues in relation to the Bank Group's remuneration system.
- 9.3 The Bank shall disclose to the HKMA any information as required pursuant to any guidelines or rules imposed by the HKMA from time to time as applicable to the Remuneration Policy and practices of the Bank Group.

## **10. Effective Date and Amendments**

- 10.1 These Terms of Reference shall come into effect on the date when it is approved by the Board.
- 10.2 Any amendments to these Terms of Reference shall be recommended by the Committee and come into effect on the date when they are approved by the Board.

### **Notes:**

- 1. "Directors" refers to Executive Directors and Non-Executive Directors (including Independent Non-Executive Directors) of the Bank Group.
- 2. "Senior Management", "Key Personnel", "Risk Control Personnel" and "Groups of employees" refer to those defined by the Remuneration Policy of the Bank as amended from time to time.
- 3. "remuneration packages" include fixed remuneration, variable remuneration, benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of office or appointment.
- 4. "Supervisory Policy Manual" refers to HKMA's Supervisory Policy Manual CG-1 "Corporate Governance of Locally Incorporated Authorized Institutions", CG-5 "Guideline on a Sound Remuneration System" and any other applicable modules.

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