

## REMUNERATION COMMITTEE - TERMS OF REFERENCE

### Name

- 1 The Committee shall be called the “Remuneration Committee”.

### Membership

- 2 The Committee shall consist of not less than three members of the Board of Directors of the Bank ("the Board"). Notwithstanding any vacancy in their body, the continuing members of the Committee may act so long as the number of members of the Committee does not fall below two for a period exceeding three months.
- 3 The members and Chairman of the Committee shall be appointed by the Board from time to time. Any member of the Committee may be reappointed by the Board at any time. As determined by the relevant legislation and regulations, the Committee shall comprise a majority of independent directors.
- 4 The Board shall appoint the Chairman of the Committee, who is an independent director. An independent director is one who is independent from management and business relationships. Directors appointed by the controlling shareholder as members of the Committee shall be considered independent if they are deemed to be independent under the relevant guidelines that the controlling shareholder needs to comply.
- 5 Each member of the Committee shall hold office until the next Annual General Meeting following that member’s appointment or re-appointment. The retiring Chairman of the Committee and other members of the Committee shall, subject to the preceding paragraphs, be eligible for re-appointment.
- 6 If a member of the Committee resigns, ceases to be a director or for whatever reason ceases to be a Committee member, the Bank shall notify the Hong Kong Monetary Authority (“HKMA”) of the event within 7 business days after the occurrence of the event.

### Functions

- 6.1 The Committee has responsibility for:
  - recommending to the Board on the Bank’s remuneration system, broad principles & framework, policies, structure and practices.
  - recommending to the Board on the annual overall allocation for salary increments and variable bonus for the Bank and the remuneration packages of the Bank’s Senior Management<sup>1</sup> and the Bank’s Non-executive Directors.
  - approving the remuneration packages of the Top 5 individuals at rank Managing Director & below with the highest variable bonus pay, and the remuneration packages of individual employees at rank Managing Director & below whose duties or activities in the course of their employment involve the assumption of material risk or the taking on of material exposures on behalf of the Bank.

<sup>1</sup> Senior management who are responsible for oversight of the Bank’s bank-wide strategy or activities or those of the Bank’s material business lines including the Chief Executive Officer and Alternate Chief Executives, and all Division Heads.

- 6.2 The Committee delegate(s) the authority for approving the remuneration packages of all other employees to the Chief Executive Officer.
- 6.3 The Committee shall exercise competent and independent judgement on remuneration policies and practices and the incentives thereby created for managing risk, capital and liquidity.
- 6.4 The Committee shall ensure that a regular (at least annually) review of the remuneration system of Bank and its local and overseas subsidiaries that are subject to HKMA's consolidated supervision. The review should be either internally conducted or externally commissioned and is carried out independently of management, and the result is submitted to the HKMA.
- 6.5 The Committee shall, in its deliberations, take into account remuneration principles, practices and standards that may be specified by the HKMA from time to time.
- 7 Every member of the Committee shall have unfettered access to information which the Bank is in possession of or has access to, for the purposes of carrying out the responsibilities of the Committee.

### **Meetings**

- 8 The Committee may meet at any time but at least once in every year together for the despatch of business and adjourn as it may think fit.
- 9 No business shall be transacted at a meeting unless at least two members of the Committee are present, with at least one being an independent director.
- 10 At all meetings of the Committee, the Chairman of the Committee, if present, shall preside. If the Chairman of the Committee is absent, the members present at the meeting shall elect a chairman of the meeting.
- 11 The Committee may regulate its own procedures and in particular the calling of meetings, the notice to be given of such meetings, the voting and proceedings thereat, the keeping of minutes and the custody, production and inspection of such minutes.
- 12 The Head of Human Resources Division or any officer appointed by the Committee shall be the secretary to the Committee (the "Secretary"). The Secretary shall be in attendance and a record of the proceedings shall be kept.

### **Written or Circulating Resolution**

- 13 Any resolution in writing, signed or assented to by a majority of the Committee shall be as effective as a resolution duly passed at a meeting of the Committee and may consist of several documents in the like form, each signed by one or more of the members of the Committee. The expressions "in writing" and "signed" include approval by e-mail or telefax by any such member of the Committee.

**Minutes**

- 14 Copies of the minutes of the meetings of the Committee shall be circulated to all the directors of the Bank as soon as it is practicable to do so, with a copy provided to the Company Secretary of the Bank.

**Amendment**

- 15 The provisions herein are subject to such revisions by way of modification, addition or otherwise as the Board may from time to time consider fit.