

**Terms of Reference of the Remuneration Committee of
Shanghai Commercial Bank Limited**

1 Objective

The Remuneration Committee (the “Committee”), established by the Board of Directors (the “Board”) of Shanghai Commercial Bank Limited (the “Bank”), is responsible for the oversight of and providing advice to the Board on the remuneration system and culture-related activities of the Bank, within the framework of the Bank’s relevant policies, its terms of reference and such other directives as the Board may determine from time to time.

2 Composition

- 2.1 The Chairman and members of the Committee shall be appointed by the Board. All Committee members shall be Independent Non-executive Directors and/or Non-executive Directors.
- 2.2 The Committee shall consist of not less than three members, the majority of whom shall be Independent Non-executive Directors.
- 2.3 The Committee shall be chaired by an Independent Non-executive Director.
- 2.4 The tenure limit of Committee member for serving on the Committee shall be the tenure of office of that member serving as Director on the Board or subject to the decision of the Board from time to time.

3 Secretary

The Corporate Secretary of the Bank shall be the secretary to the Committee.



4 Attendance at meetings

- 4.1 The Chairman may invite other persons, including other Directors who are not Committee members, senior management and other staff of the Bank, and/or external advisors to attend all or part of the Committee meetings from time to time upon such conditions as are deemed necessary and desirable.
- 4.2 All Committee members should be prepared to attend all meetings in person save in exceptional circumstances with reasons being provided and documented, then the concerned Committee member may consider taking part by means of telephone, videoconferencing or any other electronic means. In the event that a Committee member is not able to attend the meeting via any means, he/she may submit written views on items to be discussed ahead of the meeting.
- 4.3 A member's attendance by means of telephone, videoconferencing or any other electronic means is deemed as attendance at the physical meeting and shall be entitled to vote and be counted in a quorum accordingly.

5 Frequency of meetings and quorum

- 5.1 The Committee shall meet at least once a year or more frequently as the Chairman of the Committee may determine.
- 5.2 The quorum for any Committee meeting shall be two members, of whom at least one shall be an Independent Non-executive Director.

6 Proceedings of Meetings

- 6.1 The meetings and proceedings of the Committee shall be governed by the provisions for regulating the meetings of the Board as stipulated in the Articles of Association of the Bank insofar as those provisions are applicable and are not replaced by any regulations imposed on the



Committee by the Board.

- 6.2 Only the Chairman and members of the Committee shall be entitled to vote at the Committee meetings.
- 6.3 Questions arising at any meeting of the Committee shall be decided by a majority of votes, and in the case of equality of votes, the Chairman shall have a second or casting vote, and this power shall be exercised at the Chairman's own discretion.
- 6.4 A written resolution signed by all 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 authorized by the Board to undertake its responsibility for the design and operation of the remuneration system and driving culture reform related activities, and to seek any information it reasonably requires from any employee and direct all employees to co-operate in providing the requested information.
- 7.2 The Committee shall be provided with sufficient resources to perform its duties. It is authorized by the Board to obtain independent professional advice at the Bank's expense to deal with any matter as it shall deem appropriate and within its terms of reference.

8 Duties and responsibilities

The duties and responsibilities of the Committee are:

- 8.1 to oversee the formulation and implementation of a sound remuneration policy, systems and related control process, and to ensure the remuneration system is appropriate and consistent with the Bank's culture, long-term business and risk appetite, performance and control environment, its adherence to the best practices and applicable legal and



- regulatory requirements, and the decisions relating to remuneration policies and arrangements should be made in the best interests of the Bank and independent of the management;
- 8.2 to review the adequacy and effectiveness of and endorse any material changes to the Remuneration Policy and the remuneration structure of the Bank whenever necessary and at least annually, and propose any changes to the Board for its consideration. The Chief Executive, Chief Risk Officer, representatives of the Human Resources Division, Finance Division, Internal Audit Department, Legal & Compliance Division and/or any other divisions/departments of the Bank may be called upon to advise on the latest regulatory requirements and market practices, the evaluation of incentives created by the remuneration system and other recommendations as appropriate;
 - 8.3 to approve any immaterial changes to the Remuneration Policy;
 - 8.4 to review and make recommendations to the Board on the remuneration packages of all Directors, Chief Executive, Senior Management and Key Personnel (as defined in the prevailing Remuneration Policy) of the Bank with reference to the Bank's financial condition and future prospect, talent retention, succession planning, salaries paid by comparable companies, employment conditions, time commitment and responsibilities of the Directors, Chief Executive, Senior Management and Key Personnel, etc. The highest paid staff members of the Bank shall be highlighted to the Board for attention;
 - 8.5 to review and make recommendations to the Board on the compensation payable to Directors, Chief Executive, Senior Management and Key Personnel (as defined in the prevailing Remuneration Policy) in connection with any loss or termination of their office or appointment, or dismissal or removal for misconduct to ensure that the compensation is consistent with the relevant contractual terms and is otherwise fair and not excessive;



- 8.6 to review and make recommendations on the variable remuneration deferral scheme (including the proportion of variable remuneration subject to deferral arrangements, the deferral period and the minimum deferral threshold) applicable to Chief Executive, Senior Management and Key Personnel to ensure that due recognition is appropriate and aligned with long-term value creation and the time horizons of risk so determined;
- 8.7 to work closely with other committees of the Board, including but not limited to Risk Committee and Audit Committee, in evaluating incentives created by the remuneration system of the Bank. Where necessary, it may seek advice on remuneration related matters from external consultants;
- 8.8 to ensure a regular (at least annual) review, either internally conducted or externally commissioned, on the Bank's remuneration system and its operation is carried out independently of the Human Resources Division. The review shall include an assessment of consistency with the relevant guidelines issued by the Hong Kong Monetary Authority (the "HKMA") and the result of which shall be submitted to the HKMA;
- 8.9 to ensure that no Director, Chief Executive or any of their associates is involved in deciding their own remuneration;
- 8.10 to review and make recommendations to the Board on culture-related matters of the Bank which include but not limited to, (i) approving, reviewing and assessing, at least annually, the adequacy of any statement setting out the Bank's culture and behavioral standards, (ii) monitoring the implementation of relative policies, guidelines and procedures (including training) with such statement and standards coded therein, and (iii) reviewing and confirming, at least annually, the effectiveness of the overall culture enhancement initiatives pursued by the Bank and the results from the relevant assessment and feedback mechanisms (including whistleblowing channel), assisted by Internal Audit Department of the Bank; and



8.11 to form, appoint and delegate the Bank Culture Task Force for the planning and implementation of bank culture enhancement initiatives, to establish professional and ethical values, proper staff attitude and behaviours that promote prudent risk-taking and fair treatment of customers. Members of the Bank Culture Task Force include representatives from Divisions of Human Resources, Risk Management, Legal & Compliance, Information Technology & Operations and Corporate Communications Department.

9 Reporting procedures

9.1 The Committee shall report regularly to the Board on its decisions and recommendations.

9.2 Minutes of the Committee meetings shall be sent to all Committee members for comment before finalized for records.

10 Frequency of review

These Terms of Reference shall be reviewed at least annually and as required.