

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

**1 Objective**

The Nomination and Remuneration Committee (the “Committee”), established by the Board of Directors (the “Board”) of Shanghai Commercial Bank Limited (the “Bank”), is responsible for identifying and selecting suitably qualified and experienced candidate(s) for recommendation to the Board on the appointment or re-appointment of directors and succession planning for directors, including the Chair and Deputy Chair of the Board, the Chief Executive and Alternate Chief Executives. The Committee is also responsible for the oversight of and providing advice to the Board on plans for management succession, the remuneration system and culture-related activities of the Bank, within the framework of the Bank’s policies, its terms of reference and such other directives as the Board may determine from time to time.

**2 Composition**

- 2.1 The Chair 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 Committee as a whole should possess sufficient expertise and experience to form an independent judgement on the suitability of the Remuneration Policy of the Bank and its implications for risk and risk management.

2.5 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 unless otherwise decided by the Board.

### **3 Secretary**

The Corporate Secretary (or designee) of the Bank shall be the secretary to the Committee.

### **4 Attendance at meetings**

4.1 The Chair 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 where the concerned Committee member may be allowed to attend and participate in a meeting 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 twice a year or more frequently as the Chair of the Committee may determine.
- 5.2 A majority of members who are Independent Non-executive Directors and including the Chair are required for a quorum at any meeting.
- 5.3 If the Chair of the Committee is not present at a Committee meeting, he/she shall delegate a member who is also an Independent Non-executive Director of the Bank to be the Chair of such meeting.

## **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 Chair 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 Chair shall have a second or casting vote, and this power shall be exercised at the Chair'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 deal with any matter within its terms of reference 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 consult Chief Risk Officer and designated representative in charge of risk management issues, independent of the relevant divisions/departments, to obtain input on how compensation relates to risk at various levels of the Bank.
- 7.3 The Committee is authorized by the Board to obtain independent professional advice, at the Bank's expense, to perform its responsibilities as it shall deem appropriate, and such advice shall be commissioned by, and provided directly to, the Chair of the Committee independently of the management.

## 8 Duties and responsibilities

The duties and responsibilities of the Committee are:

### *On Nomination*

- 8.1 to review the structure, size and composition (including the skills, knowledge and experience) of the Board and Board-level committees at least annually, assist the Board in maintaining a board skills matrix, and make recommendations on any proposed changes (including but not limited to the creations or abolition of committees for the oversight of certain major functional areas) to the Board to complement the Bank's business strategy;
- 8.2 to review the implementation and effectiveness of the Bank's guiding principles on Board diversity at least on an annual basis;
- 8.3 to assess the independence of Independent Non-executive Directors and to ensure objectivity and independence in the selection process for Directors and senior management of the Bank;
- 8.4 to conduct regular evaluation of the performance of the Board and Board-level committees and the coordination between them, and of each individual Director, Chief Executive ("CE") and Alternate Chief Executives ("ACEs") to ascertain their ongoing suitability and appropriateness taking into account their time commitment, past performance, potential conflicts of interest and etc., at least on an annual basis or when appropriate, in order to (i) make recommendations to the Board in promoting the efficiency and effectiveness of the functioning of the Board and Board-level committees and suggested remedial actions if there are concerns about

- the ongoing suitability of each individual Director/CE/ACEs.; (ii) review issues related to directors' training and etc.; and (iii) submit affirmation to the regulator on the performance evaluation of each individual Director/CE/ACEs;
- 8.5 to identify and select individuals suitably qualified for appointment, re-appointment and succession as Directors, including the Chair and Deputy Chair of the Board, and as Chief Executive and Alternate Chief Executives with reference to the prevailing Nomination Procedures of the Bank and having considered that the Board is not dominated by one individual or small group of individuals in a manner that is detrimental to the interests of the Bank as a whole, and to make recommendations to the Board;
- 8.6 to undertake adequate due diligence in respect of the proposed individuals to become Directors, Chief Executive (“CE”) and Alternate Chief Executives (“ACEs”), with due regard of the individuals’ time commitment to the role and any potential conflicts of interests identified;
- 8.7 to review the Nomination Procedures as appropriate, and make recommendations on the changes to the Board if any;
- 8.8 to advise on and ensure appropriate succession plans for senior management are in place;
- 8.9 to review the Corporate Grade and Job Title structures to be adopted by the Bank as recommended by Human Resources Division for approval by the Board;

- 8.10 to review the related employees list and the senior management organization structure of the Bank on a regular basis and to approve the creations or abolition of Divisions established under the Chief Executive;
- 8.11 to review and consider (i) the appointments, promotions and removals, as well as employment extension beyond the stipulated retirement age and for a term of 6 months or more of the senior management, key personnel and senior staff of the Bank with corporate ranking grades of E25 and above as recommended by Human Resources Division and the Chief Executive, and (ii) the appointment or termination of the Chief Financial Controller and/or Chief Auditor as recommended by the Audit Committee, and make recommendations to the Board for approval;
- 8.12 to consider, endorse/approve the “Policy on Management Succession” as appropriate; and attend to the matters as prescribed under the “Policy on Management Succession” and other prevailing guidelines;

#### *On Remuneration*

- 8.13 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;

- 8.14 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;
- 8.15 to approve any immaterial changes to the Remuneration Policy;
- 8.16 to approve bonus pool and across-the-board pay adjustments, except individual pay adjustments for employees (other than Senior Management and Key Personnel (as defined in the prevailing Remuneration Policy) of the Bank) be approved by the Chief Executive who is empowered to exercise the delegated authority at his/her discretion;
- 8.17 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;

- 8.18 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 fair and not excessive;
- 8.19 to review and make recommendations, where appropriate, at least annually, on the variable remuneration deferral scheme (including the proportion of variable remuneration subject to deferral arrangements, the vesting period, vesting conditions 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;
- 8.20 to work closely with other committees of the Board, including but not limited to Risk Committee and Audit Committee, to have the ability to consult the risk control functions in evaluating incentives created by the remuneration system of the Bank;
- 8.21 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;

8.22 to ensure that no Director, Chief Executive or any of their associates is involved in deciding their own remuneration;

*On Bank Culture*

8.23 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, policies, practices and disclosure on corporate governance, (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;

8.24 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, and Corporate Communications & Marketing; and

8.25 to consider other topics, as defined and assigned to the Committee by the Board.

## **9 Reporting procedures**

9.1 The Committee shall report regularly to the Board on its decisions and recommendations as well as any material issues in relation to the remuneration system of the Bank.

9.2 Minutes of the Committee meetings shall be sent to all members of the Board.

## **10 Frequency of review**

These Terms of Reference shall be reviewed by the Committee at least annually and as and when required, and the Committee shall recommend to the Board the changes, if any, for approval.