

Dah Sing Financial Holdings Limited

Nomination and Remuneration Committee - Terms of Reference

1. Constitution

- 1.1 The Nomination and Remuneration Committee (the "Committee or NRC") is established by the Board of Directors of Dah Sing Financial Holdings Limited (the "Company") as a Committee of the Board. The Committee is responsible to oversee remuneration matters of the Company and its subsidiaries (the "Group"), and also to nominate or review and endorse the nomination for appointment as Non-Executive Directors (including Independent Non-Executive Directors), Executive Directors and Alternate Directors and to review and endorse the nomination for appointment as Senior Management to the Board of the Company.

2. Objectives

- 2.1 The Committee shall review the structure, size, composition and diversity of the Board of the Company and its committees at least annually and make recommendations on any proposed changes to the Board to complement the corporate strategy of the Group. The Committee shall also regularly review the efficiency and effectiveness of the functioning of the Board of the Company and its committees, particularly in respect of the composition of Board and committee members.
- 2.2 The Committee shall nominate or review and endorse the nomination for appointment as Non-Executive Directors (including Independent Non-Executive Directors), Executive Directors and Alternate Directors and shall review and endorse the nomination for appointment as Senior Management to the Board of the Company to ensure that the individuals appointed to the Board or key management positions are competent, and can contribute to the Company and discharge their responsibilities in the interests of shareholders and depositors, and for the sound development of the Group. The appointment and re-appointment of the Directors and Senior Management of the Boards of the Company's subsidiaries are not within the duties of the Committee.
- 2.3 The Committee is delegated with the authority of the Board of the Company to approve the succession planning policy for Board members and Senior Management. The Committee shall make recommendations to the Board of the Company on succession planning for Directors and Senior Management, in particular the Chairman and the Chief Executive.
- 2.4 The Committee shall assist the Board of the Company in discharging their responsibility for the design and operation of the Company's and its subsidiaries' remuneration systems. The Committee shall review and make recommendations in respect of the Group's remuneration policy and practices to the Board and ensure that the policy is in line with the Group's business needs, culture, strategy, objectives, risk appetite and control environment, market situations and also consistent with the principles set out in the relevant legal and regulatory requirements applicable to employees' remuneration. The Committee may delegate the related responsibilities and authorities to the Company's Management as appropriate.

- 2.5 The Committee is delegated with the responsibility of the Board of the Company to determine the specific remuneration packages of the Company's Senior Management so as to:
- (a) Ensure that Senior Management members are fairly rewarded for their individual contributions to the overall performance of the Company and their remuneration packages are consistent with the Group's remuneration policy;
 - (b) Provide the oversight mechanism on the determination of the remuneration of Senior Management, which is set by a committee taking into consideration the recommendations of Management and all relevant factors relating to the Group's performance including risk taking and measurement, and performance measurement of individual Senior Management members, and in making its determination, the Committee has no personal interest in the outcome of its decision; and
 - (c) Provide a sound basis of accountability and independence to be demonstrated to shareholders and regulators, as the Committee is not controlled by the Company's Management.
- 2.6 The Committee shall ensure that at least on an annual basis, a review of the Group's remuneration system and its operation is conducted independently of Management.
- 2.7 The Committee shall advise and assist the Board of the Company in discharging its culture reform and related responsibilities.
- 2.8 For the purposes of this document:
- (a) Senior Management of the Company are Executive Directors of the Company, and those senior executives who, not being Executive Directors of the Company, have group management roles and responsibilities or are designated as members of senior management by either the Chairman or Chief Executive of the Company;
 - (b) Remuneration package includes basic salary, allowances, variable payments, guaranteed minimum bonus, deferred remuneration, compensation payments and payment to prospective employees; and
 - (c) For those senior executives who are classified as Senior Management under the Group Remuneration Policy of Dah Sing Banking Group Limited and/ or Remuneration Policy of Dah Sing Bank, Limited, their remuneration packages are reviewed, endorsed and approved according to these two policies of the Company's subsidiaries. Therefore, sections 2.5(b), 11.1 (j)-(n) and 13.1 of this document are not applicable to them.

3. Membership

- 3.1 The membership of the Committee shall comprise of at least three Directors of the Company, a majority of the members must be Independent Non-executive Directors.
- 3.2 The membership of the Committee is appointed by the Board and the Board shall determine the tenure of each member upon appointment.

- 3.3 The Board should appoint the Chairman of the Committee and determine his or her period of office. The Chairman of the Committee must be an Independent Non-executive Director.

4. Frequency of Meetings

- 4.1 The Committee shall meet at least twice a year and at such other times as the Committee deems appropriate.

5. Notice of Meetings

- 5.1 Meetings of the Committee shall be called by the Chairman of the Committee, or at the request of the Chairman of the Board.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, should be forwarded to each member of the Committee, and any other person required to attend, at least 5 working days prior to the date of the meeting of the Committee.

6. Attendance at Meetings

- 6.1 No one other than the Chairman and members of the Committee is entitled to attend and vote at a meeting of the Committee.
- 6.2 The Committee may invite any senior executives of the Company to attend all or part of the Committee's proceedings.
- 6.3 The Committee may invite any Director of the Company or any external advisor and consultant, to attend all or part of the Committee's proceedings.
- 6.4 No members or attendees at the meeting shall be involved in any decisions as to his or her own remuneration.

7. Secretary

- 7.1 The Committee Secretary shall be the Head of Human Resources Division of the Group or such other person appointed by the Committee.

8. Proceedings of Meetings

- 8.1 The quorum for meeting of the Committee shall be two, of whom at least one shall be an Independent Non-executive Director. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested or exercisable by the Committee.
- 8.2 All or any of the members of the Committee may participate in a meeting of the Committee by means of telephone conference or any communication equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote and be counted in a quorum accordingly.

8.3 An Independent Non-Executive Director shall submit written views on items to be discussed ahead of the meeting in case he or she is not able to attend the meeting via any means.

9. Minutes of Meetings

9.1 The Secretary of the Committee shall minute the proceedings, deliberations and resolutions of all Committee meetings, including the names of those present and in attendance.

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

10. Authority

10.1 The Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it reasonably requires from any member of the Group. All members of the Group are directed to co-operate with any reasonable request made by the Committee.

10.2 The Committee is authorized by the Board to obtain, in connection with its duties, and at the Company's expense, any outside legal or other independent professional advice it considers to be necessary, including the advice of independent remuneration consultants. The professional remuneration related advice from external advisers is commissioned by, and provided directly to the Chairman of the Board or the Committee where appropriate.

11. Duties

11.1 The duties of the Committee include the following:

- (a) to review the structure, size, composition and diversity (including but not limited to gender, age, ethnicity and cultural, educational background and professional experience, skills, knowledge and length of service) of the Board of the Company and its committees at least annually and make recommendations on any proposed changes to the Board to complement the corporate strategy of the Group, and to regularly review the efficiency and effectiveness of the functioning of the Board of the Company and its committees, particularly in respect of the composition of Board and committee members, and domination by any individual or group of individuals in the Board which is detrimental to the interest of the Company;
- (b) to ensure objectivity and independence in the selection process for Board members and Senior Management of the Company, and to review if the individuals nominated as Directors are suitably qualified taking into account the selection criteria set out in the Policy on Director Nomination and the number of listed company directorship they hold;
- (c) to nominate, make recommendations or endorsement to the Board on the appointment and re-appointment of individuals for directorships and Senior Management of the Company;

- (d) to assess the independence of Independent Non-Executive Directors;
- (e) to review the Policy on Director Nomination, as appropriate; and make necessary disclosure of the Policy on Director Nomination and its review in the corporate governance report to be included in the annual report of the Company;
- (f) to approve the succession planning policy for the Board members and Senior Management of the Company;
- (g) to make recommendations to the Board of the Company on succession planning for Directors and Senior Management, in particular the Chairman and the Chief Executive;
- (h) to review the Board Diversity Policy, at least annually; and review the measurable objectives that the Board has set for implementing the Board Diversity Policy, and the progress on achieving the objectives; and make necessary disclosure of the Board Diversity Policy and its review in the corporate governance report to be included in the annual report of the Company;
- (i) to make recommendations to the Board on the Group's remuneration policy and on the establishment of a set of formal and transparent procedures for developing such policy, and to ensure that the policy is in line with the Group's business needs, culture, strategy, objectives, risk appetite and control environment, market situations and also consistent with the principles set out in the relevant legal and regulatory requirements applicable to employees' remuneration;
- (j) to exercise judgment on remuneration policies & practices and the incentives thereby created for managing business growth, risk, capital and liquidity. The Committee should evaluate any practices by which remuneration is paid for potential future revenues where its timing and likelihood remain uncertain, and the need to exercise proper regard for potential risk outcomes in the future as a result of business or strategic decisions made by Management or individual Senior Management members, and work closely with other committees of the Board of the Company in the evaluation as appropriate;
- (k) to have the delegated responsibility of the Board of Company to determine the specific remuneration packages of the Chairman, the Chief Executive, Senior Management and Non-executive Directors of the Company. The Committee will consider the recommendations of Management and factors such as the Group's remuneration policy, culture, strategy, objectives, risk appetite, performance and control environment, relevant legal and regulatory requirements, pay levels and practices of comparable companies, individual's contribution, employment conditions elsewhere in the Group and desirability of performance-based remuneration;
- (l) to review and approve early payment of deferred remuneration to Senior Management prior to the original vesting time period, and ensure that proper documentation of rationale and justifications for such early payment is maintained;
- (m) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

- (n) to review and approve the compensation payable to Senior Management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with the Group's remuneration policy, relevant contractual terms and legal & regulatory requirements and that such compensation is otherwise fair and not excessive for the Company;
- (o) to review and approve compensation arrangements relating to dismissal or removal of Directors and Senior Management for misconduct to ensure that such arrangements are determined in accordance with the Group's remuneration policy and applicable internal guideline, relevant contractual terms and legal & regulatory requirements and that any compensation payment to be paid is reasonable and appropriate;
- (p) to ensure that no Director or any of his associates is involved in deciding his own remuneration;

Note: The Committee shall advise shareholders on how to vote with respect to any service contracts of directors that require shareholders' approval under rule 13.68 of the Listing Rules.

- (q) to exercise all the powers as delegated by the Board in relation to the operation of any share and incentive plans, including the review of granting of share awards and options, determination and review of vesting period and vesting conditions of share awards, options and other deferred remuneration, and the exercise of any discretions on behalf of the Board allowed under the rules of the plans, and any material amendments to the rules of the plans not requiring the approval of shareholders;

Note: Pursuant to rule 17.04 of the Listing Rules, each grant of options to a Director, Chief Executive or substantial shareholder of a listed company, or any of their respective associates must be approved by Independent Non-executive Directors of the listed company. If not all Independent Non-executive Directors are members of the Committee, separate approval by all Independent Non-executive Directors for each grant to such individuals has to be sought.

- (r) to ensure that proper review of the Company's remuneration system and its operation, is conducted at least once a year independent of Management. The Committee shall work closely with other relevant committees & the Company's Board and report any material issues in relation to the Company's remuneration system to the Board;
- (s) to ensure that regular internal monitoring is conducted for ensuring the Company's processes for compliance with its Group remuneration policy are being consistently followed;
- (t) to review the effectiveness of the overall culture enhancement initiatives pursued by the Company, and provide the Committee's view;
- (u) to approve, review and assess, at least annually, the adequacy of any relevant statement which sets out the culture and behavioural standards of the Company, including receiving update on translating such statement into policies and procedures; and
- (v) the Committee shall consider such other topics as it is directed by the Board.

12. Nomination Determination

- 12.1 A proposal for the appointment of any new Director or Senior Management of the Company will be reviewed and endorsed by the Committee. As a general rule, candidates to be selected and recommended are experienced and qualified individuals with appropriate credential, functional expertise and track record, and are individuals who are generally considered of high calibre and capability that could make contribution to the Group, and can properly discharge their responsibilities.
- 12.2 All candidates must be able to meet the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules (regarding authorized representative and directors) providing for the general principles and qualifications as to the roles and responsibilities, and the key qualities of directors of companies listed on the main board of the Hong Kong Stock Exchange. In addition, proposed directors must be assessed by the relevant regulatory authorities as appropriate, and are able to meet the standards of these authorities applicable to directors of an authorised or licensed institution.
- 12.3 A candidate who is to be appointed as an Independent Non-Executive Director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

13. Remuneration Determination

- 13.1 The remuneration packages of the Chairman, the Chief Executive, Directors and Senior Management shall be determined and reviewed annually (unless exceptional circumstances apply) in the following manner:
- (a) Remuneration packages of the Chairman, the Chief Executive and individual Executive Directors shall be determined by the Committee taking into consideration the recommendations of Management and factors such as the Group's remuneration policy, culture, strategy, objectives, risk appetite, performance and control environment, relevant legal and regulatory requirements, pay levels and practices of comparable companies and individual's contribution. The above position holders have no involvement in making decision in respect of their own remuneration packages. The Chairman of the Company may make recommendations for the remuneration packages of other Executive Directors but will not be involved in the decision making for their remuneration packages.
 - (b) Remuneration packages of Senior Management shall be subject to the approval of the Committee following a recommendation to the Committee by the Chairman of the Company. The above position holders have no involvement in making decision in respect of their own remuneration packages.
 - (c) The remuneration packages of Non-Executive Directors shall be approved by the Committee, having regard to the recommendation from the Chairman of the Company.
- 13.2 Approval for deferred remuneration is also subject to the respective scheme rules, which are separately set out in other documents forming part of the overall framework of the Group's remuneration system. The Committee and the Board of the Company are required to make reference to such scheme rules, and make recommendations or decisions accordingly. Any major amendments relating to share option scheme or share award scheme, subject to scheme rules and regulatory requirements, could require the approval of shareholders of the Company in general meeting.

14. Reporting Procedures

14.1 The Committee shall report regularly to the Board on its findings, decisions and recommendations, such as by circulation of meeting minutes to the full board of the Company.

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May 2022