

# **Zuoli Kechuang Micro-finance Company Limited\***

## **Terms of Reference for the Remuneration and Appraisal Committee of the Board of Directors**

(These terms of reference were approved at the fourth meeting of the first Board of Directors of Zuoli Kechuang Micro-finance Company Limited on 29 May 2014 and were amended at the sixth meeting of the first Board of Directors of Zuoli Kechuang Micro-finance Company Limited on 16 August 2014 and the tenth meeting of the third Board of Directors of Zuoli Kechuang Micro-finance Company Limited on 28 October 2022)

### **CHAPTER 1 GENERAL PROVISIONS**

**Article 1** To further establish a sound appraisal and remuneration management system of Directors, Supervisors and senior management of Zuoli Kechuang Micro-finance Company Limited (hereinafter referred to as the “Company”) and to improve the corporate governance structure, in accordance with the Company Law of the People’s Republic of China, the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Listing Rules”), the Articles of Association of Zuoli Kechuang Micro-finance Company Limited (hereinafter referred to as the “Articles of Association”) and other relevant provisions, the Board of Directors of the Company has established the Remuneration and Appraisal Committee and formulated these terms of reference.

**Article 2** The Remuneration and Appraisal Committee is a specialized working body established under the Board of Directors, primarily responsible for formulating the appraisal standards for Directors, Supervisors and senior management of the Company and conducting appraisal; formulating and reviewing the remuneration policies and proposals of Directors, Supervisors and senior management of the Company.

**Article 3** Directors mentioned in these terms of reference refer to the Directors receiving remuneration from the Company and the senior management refers to the general manager, deputy general manager, financial executive officer and secretary of the Board appointed by the Board of Directors as well as other senior management nominated by the Articles of Association or the Board of Directors.

**Article 4** The Remuneration and Appraisal Committee is led by the Board of Directors to carry out work and perform duties faithfully, loyally and diligently in the best interest of the Company and all shareholders.

### **CHAPTER 2 COMPOSITION**

**Article 5** The Remuneration and Appraisal Committee shall comprise at least three Directors, and the number of members shall always be an odd number. More than half of the members shall be independent non-executive Directors. Members of the Remuneration and Appraisal Committee shall be nominated by the Chairman of the Board or more than half of the independent non-executive Directors or one third of all Directors, and shall be elected by the Board of Directors.

\* For identification purposes only

**Article 6** The Remuneration and Appraisal Committee shall have one chairman who shall be an independent non-executive Director and be responsible for leading the work of the Committee. The chairman shall be elected by the Board of Directors.

**Article 7** The term of office of the Remuneration and Appraisal Committee shall be consistent with that of the Board. A member may seek re-election upon expiry of his/her term. During his/her term of office, if any member ceases to be the Director of the Company or any committee member as an independent non-executive Director loses his/her independence as required under the Articles of Association and the Listing Rules, his/her membership in the Committee shall lapse automatically. A member of the Remuneration and Appraisal Committee may submit his/her resignation report in writing to the Board prior to the expiry of his/her term of office to resign from his/her existing position. The resignation report shall specify the reasons for resignation and matters which need to be brought to the attention of the Board of the Company as necessary. Upon the loss of qualification or permission to resign, the position(s) vacated by such member(s) of the Remuneration and Appraisal Committee shall be filled by the Board according to the relevant laws, regulations, normative documents and provisions of Articles 5 to 6 in the above.

**Article 8** The Remuneration and Appraisal Committee may establish a working unit as a daily administrative body. The working unit is led by the office and shall be primarily responsible for the timely contact and communication between the Remuneration and Appraisal Committee and the Company, collecting and organizing relevant information, preparing for and organizing meetings of the Remuneration and Appraisal Committee and performing specific tasks assigned by the Remuneration and Appraisal Committee.

### **CHAPTER 3 TERMS OF REFERENCE**

**Article 9** The primary duties and authorities of the Remuneration and Appraisal Committee include:

- (1) the Committee has the right to request data and information from the management of the Company, subordinate units or staff under the circumstances which are related to its duties and authorities in order to perform its duties;
- (2) to make recommendations to the Board on the Company's remuneration policy and structure for all Directors, Supervisors and senior management, and on the establishment of a formal and transparent procedure for formulating remuneration policy;
- (3) to review and approve the management's remuneration proposals based on the corporate goals and objectives set out by the Board;
- (4) to make recommendations to the Board on the remuneration packages of individual executive Directors, Supervisors and senior management which include benefits in kind, pension and compensation payments (including any compensation payable for loss or termination of office or appointment);

- (5) the Committee shall consult the Chairman of the Board or the general manager about the recommendations on the remuneration of other executive Directors. If necessary, the Remuneration and Appraisal Committee shall seek independent professional advice;
- (6) to make recommendations to the Board on the remuneration of non-executive Directors;
- (7) to consider salaries paid by comparable companies, time commitment and responsibilities and employment terms of other positions of the Company;
- (8) to review and approve compensation payable to executive Directors, Supervisors and senior management for any loss or termination of office or appointment to ensure that it is consistent with relevant contract terms; in case of any inconsistency, such compensation shall be fair, reasonable and not excessive;
- (9) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with relevant contract terms; in case of any inconsistency, such compensation shall be proper and reasonable;
- (10) to ensure that no Director or any of his/her associates (as defined in the Listing Rules) is involved in determining his/her own remuneration; and that the remuneration of non-executive Directors who are also members of the Remuneration and Appraisal Committee shall be determined by other members of the Committee;
- (11) to examine the performance of duties of the Directors and senior management of the Company, appraise their annual performance and formulate annual bonus plan which shall be submitted to the Board of Directors for approval;
- (12) to supervise the implementation of the remuneration system of the Company
- (13) to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules; and;
- (14) other matters authorized by the Board of Directors.

**Article 10** Any remuneration plan of the Directors or Supervisors of the Company proposed by the Remuneration and Appraisal Committee shall be submitted to the Board for consent and, if appropriate, shall be presented to the shareholders' general meeting for consideration and approval prior to implementation. Any proposal of remuneration distribution plan for senior management officers of the Company shall be submitted to the Board of Directors for approval. The Board of Directors has the right to veto remuneration plans or proposals that are detrimental to the interests of the shareholders.

In accordance with the Listing Rules, the above service contracts of Directors or Supervisors which require the approval of shareholders include:

- (1) service contracts with a term of more than three years; or
- (2) contracts which may not be terminated by the Company unless a more than one year's notice is given or a compensation or other payments amounting to more than one year's emoluments are made.

The Remuneration and Appraisal Committee shall advise on Directors or Supervisors' service contracts which require the approval of shareholders, and notify shareholders that whether relevant contract terms are fair and reasonable, whether such contracts are in the interest of the Company and its shareholders as a whole, and shall advise procedures for shareholders (except for shareholders who are Directors or Supervisors having material interest in such service contracts as well as associates thereof) to vote.

**Article 11** The Remuneration and Appraisal Committee shall make available its terms of reference explaining its role and the authority delegated to it by the Board by including them on the Stock Exchange of Hong Kong Limited's website and the Company's website.

#### **CHAPTER 4 RULES OF PROCEDURES**

**Article 12** The working unit under the Remuneration and Appraisal Committee shall be responsible for the preliminary preparation work for meetings of the Remuneration and Appraisal Committee and gathering information from relevant departments regarding:

- (1) progress of fulfilment by the Company of the key financial indicators and operation objectives.
- (2) scope of work of each Supervisors and senior management of the Company and performance of his/her main duties.
- (3) fulfillment of the targets involved in the work performance appraisal system of Directors, Supervisors and senior management.
- (4) operation performance driven by the business initiatives and profit-making ability of Directors and senior management.
- (5) the relevant estimating basis in relation to the Company's remuneration distribution plan and the way of distribution based on the performance of the Company.

**Article 13** The procedures for appraising the Directors, Supervisors and senior management by the Remuneration and Appraisal Committee are as follows:

- (1) The Directors and senior management of the Company shall report their work and provide self-appraisals to the Remuneration and Appraisal Committee of the Board;
- (2) The Remuneration and Appraisal Committee shall carry out performance appraisal of the Directors and senior management according to the performance appraisal criteria and procedures;
- (3) A proposal on the amounts of remuneration and means of incentive for the Directors and senior management based on the results of work performance appraisal and the remuneration distribution policies shall be made and reported to the Board of the Company for approval; and

(4) The performance appraisal for Supervisors shall be made by the Board of Supervisors in accordance with the relevant provisions of the Company. The appraisal results shall be submitted to the Remuneration and Appraisal Committee for making its recommendations on the remuneration and reward methods.

## **CHAPTER 5 RULES OF PROCEDURES FOR MEETINGS**

**Article 14** The Remuneration and Appraisal Committee shall hold at least one meeting each year, and a notice of meeting shall be given to all members seven days prior to the meeting. The meeting shall be chaired by the chairman, and the chairman, if unable to attend, may appoint another member to preside over the meeting.

**Article 15** The extraordinary meeting shall be convened and presided by its chairman when necessary or proposed by the Chairman of the Board or general manager. More than two (or two) Committee members may jointly propose to the chairman for holding an extraordinary meeting, and shall propose the subject matters of the meeting in writing. The chairman shall summon the Committee meeting upon receiving the proposal, and a written notice calling a meeting shall be sent to all Committee members three days before convening the meeting.

**Article 16** Meetings of the Remuneration and Appraisal Committee shall be held with the presence of more than two thirds of its members. Each member shall be entitled to one vote. Resolutions of a meeting must be adopted by the affirmative votes of more than half of all members.

Votes shall be taken by a show of hands or on a poll at the meetings of the Remuneration and Appraisal Committee. Extraordinary meetings may also be convened in the form of on-site meeting or vote by communications.

**Article 17** The Remuneration and Appraisal Committee may invite other Directors, Supervisors and senior management of the Company to attend such meetings if necessary.

**Article 18** The Remuneration and Appraisal Committee shall be provided with sufficient resources to perform its duties. If necessary, the Remuneration and Appraisal Committee may engage an intermediary agency to provide professional advice on its decision-making, with relevant expenses borne by the Company.

**Article 19** When the Remuneration and Appraisal Committee discusses any matter relating to its Committee members, the members involved shall abstain from such meeting.

**Article 20** The remuneration policies and distribution plans passed at the meetings of the Remuneration and Appraisal Committee shall comply with relevant laws, regulations and the requirements of the Articles of Association.

**Article 21** Minutes shall be taken on all meetings of the Remuneration and Appraisal Committee and signed by each attending member and the recorder of minutes. All meeting minutes shall be kept by the secretary of the Board of Directors.

**Article 22** Opinions formed and poll results adopted at the meetings of the Remuneration and Appraisal Committee shall be reported to the Company's Board of Directors for approval.

**Article 23** Members present at the meetings shall have an obligation to keep all matters discussed in such meetings confidential, and shall not disclose the relevant information without authorization.

## **CHAPTER 6 SUPPLEMENTARY PROVISIONS**

**Article 24** These terms of reference shall become effective after consideration and approval by the Board of Directors and on the date of listing of the overseas-listed foreign shares (H shares) under the Company's initial public offering on the Stock Exchange of Hong Kong Limited, replacing any previous terms of reference.

**Article 25** Any matters not covered by these terms of reference shall be implemented in accordance with relevant national laws and regulations, the Articles of Association and the requirements of the securities regulatory authorities in the place where the Company's shares are listed. If these terms of reference contravene any laws and regulations to be issued in the future by the State, the Articles of Association legally modified and the relevant requirements of the securities regulatory authorities in the place where the Company's shares are listed, the relevant national laws and regulation, Articles of Association and the relevant requirements of the securities regulatory authorities in the place where the Company's shares are listed shall prevail, and these terms of reference shall be amended immediately and reported to the Board of Directors for approval.

**Article 26** The authority of interpretation of these terms of reference shall be vested in the Board of Directors of the Company.

**Article 27** These terms of reference are available in both English and Chinese. If there is any discrepancy between English version and Chinese version, the Chinese version shall prevail.

**Zuoli Kechuang Micro-finance Company Limited**  
28 October 2022