

*Dongguan Rural Commercial Bank Co., Ltd. is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking and/or deposit-taking business in Hong Kong.*



**DRC Bank**

**Dongguan Rural Commercial Bank Co., Ltd.\***

**東莞農村商業銀行股份有限公司\***

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock code: 9889)**

## **NOMINATION AND REMUNERATION COMMITTEE OF THE BOARD OF DIRECTORS**

### **Terms of Reference**

#### **Chapter 1 General**

- Clause 1** To regulate the performance appraisal and remuneration management systems of directors and senior management of Dongguan Rural Commercial Bank Co., Ltd. (the “**Bank**”), and to improve the nomination mechanism and corporate governance of the Bank, the Bank has established the nomination and remuneration committee under the Board of Directors (the “**Nomination and Remuneration Committee**”) and formulated these terms of reference in accordance with the applicable laws, regulations, rules and regulatory documents including the Company Law of the People’s Republic of China, the Commercial Banking Law of the People’s Republic of China, the Banking Supervision and Regulatory Law of the People’s Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as well as the articles of association of Dongguan Rural Commercial Bank Co., Ltd. (the “**Articles**”).
- Clause 2** The Nomination and Remuneration Committee is established under the Board of Directors (the “**Board of Directors**”) and is accountable to the Board of Directors. The Nomination and Remuneration Committee shall not directly exercise its functions and powers externally and shall be provided with sufficient resources to perform its duties.

## Chapter 2 Composition

**Clause 3** The Nomination and Remuneration Committee shall consist of three to five committee members who shall be directors with appropriate professional knowledge and experience for the duties of the committee.

Directors nominated by controlling shareholders may not serve as member of the Nomination and Remuneration Committee.

**Clause 4** Members of the Nomination and Remuneration Committee shall be nominated by the chairman of the Board of Directors, more than half of independent directors or one-third of all directors and shall be elected by the Board of Directors.

**Clause 5** The Nomination and Remuneration Committee shall have a chairman who shall be an independent director and responsible for taking charge of the works of the committee. The chairman of the committee shall be elected by the Board of Directors among members of the committee. Independent directors shall constitute the majority of the Nomination and Remuneration Committee.

The chairman of the committee shall convene and preside over the meetings of the committee and shall appoint another member of the committee to perform his/her duties when he/she is unavailable. If the chairman of the committee is unavailable and fails to appoint another committee member to perform his/her duties, any committee member may inform the Board of Directors which shall appoint a committee member to act as the convenor.

**Clause 6** The term of office of the members of the Nomination and Remuneration Committee shall be the same as the term of office of the Board of Directors and may be re-elected upon the expiration of their terms. If any committee member ceases to be a director of the Bank or committee member who is an independent director no longer meets the independence requirement under the Articles, he/she shall automatically be disqualified as a committee member and the Board of Directors shall make up the number of committee members in accordance with Clauses 3-5 above.

Where the number of committee members falls below the minimum requirement due to resignation or removal of committee member or any other reasons, the Board of Directors shall elect new committee member(s) to fill the vacancy(ies) as soon as possible. Before reaching the prescribed number of committee members under these terms of reference, the Nomination and Remuneration Committee shall suspend from exercising the duties and powers stipulated by these terms of reference and such duties and powers shall be exercised by the Board of Directors.

**Clause 7** Any committee member may be replaced in any one of the following circumstances after discussion and approval by the Board of Directors:

- (1) he/she tenders his/her resignation in writing;
- (2) gross misconduct or in violation of the laws, regulations, the Articles and these terms of reference during his/her term of office;
- (3) other circumstances which the Board of Directors considers not suitable to serve as a committee member.

**Clause 8** The office of the Board shall be responsible for general coordination and organisation of committee meetings, etc.

### **Chapter 3 Responsibilities**

**Clause 9** The major responsibilities of the Nomination and Remuneration Committee include:

- (1) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board of Directors annually and make recommendations on any proposed changes to the Board of Directors to complement the Bank's strategy;
- (2) formulating the diversity policy of the Board of Directors and measurable objectives;
- (3) assessing the independence of independent directors;
- (4) formulating the procedure and standard for appointing directors and senior management;
- (5) identifying and recommending individuals suitably qualified to become directors and senior management;
- (6) conducting preliminary assessment on the qualifications and eligibility of directors and senior management and provide recommendations to the Board of Directors;
- (7) making recommendations to the Board of Directors on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the president;

- (8) making recommendations to the Board of Directors on the remuneration policies and structure for all directors and senior management of the Bank and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (9) reviewing the assessment criteria for directors and senior management, conducting assessments and making recommendations;
- (10) making recommendations to the Board of Directors on the remuneration packages of directors and senior management, provided that no director or any of his/her associates is involved in deciding his/her own remuneration) which shall include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and overseeing the implementation of the package;
- (11) considering and approving the employment contracts of executive directors;
- (12) reviewing and approving the remuneration proposals of the management with reference to the corporate goals and objectives determined by the Board of Directors;
- (13) considering salaries paid by comparable banks, time commitment and responsibilities and employment conditions elsewhere in the Group;
- (14) reviewing and approving compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and reasonable and not excessive;
- (15) reviewing and approving compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- (16) reviewing the remuneration management system and policy of the Bank. Remuneration management system includes the basic remuneration system, remuneration management system and other systems within the scope of the Bank's system, but does not include the assessment plan;
- (17) reviewing matters relating to share schemes under the Listing Rules.
- (18) dealing with other matters in relation to the duties of the committee as required by laws and regulations or as delegated by the Board of Directors.

- Clause 10** The proposals and resolutions passed by the Nomination and Remuneration Committee shall, if within the authority of the Board of Directors, be submitted to the Board of Directors in writing for approval together with relevant information. The committee shall cooperate with the board of supervisors on its supervision.
- Clause 11** The Nomination and Remuneration Committee shall communicate with senior management and relevant department heads on matters of the Bank related to the duties of the committee regularly and make suggestions and recommendations.
- Clause 12** Members of the Nomination and Remuneration Committee shall monitor changes in the matters within the responsibilities of the committee and their impacts and shall promptly report to the committee for attention.
- Clause 13** Members of the Nomination and Remuneration Committee shall duly perform their duties and participate in the meetings and activities of the committee. If a committee member fails to attend meetings for two times consecutively and fails to appoint other committee members to attend on his/her behalf, such committee member shall be deemed incompetent in discharging his/her duties and may be removed by the Board of Directors.

#### **Chapter 4 Rules of Meeting and Decision-making**

- Clause 14** Meetings of the Nomination and Remuneration Committee shall be held at least twice a year. The office of the Board of Directors shall notify all members of the Nomination and Remuneration Committee seven days before convening of the meeting, and deliver the meeting materials to each committee member. The meeting shall be presided by the chairman of the committee who may appoint the vice chairman or another committee member to preside the meeting if the chairman is unable to attend the meeting.
- Clause 15** The quorum of a meeting of the Nomination and Remuneration Committee shall be more than two-third of the committee members. Each committee member shall have one vote. A resolution of the meeting shall be passed by more than half of the attending committee members.

- Clause 16** A committee member may attend the meeting in person or appoint another committee member to attend and vote on his/her behalf. A committee member shall only appoint one committee member to act on his/her behalf. The vote shall be invalid if a committee member has appointed two or more committee members to vote.
- A letter of attorney shall be produced to the chairman of the meeting if a committee member appoints another committee member to attend the meeting and vote. The letter of attorney shall specify the authority and subject matters and shall be signed by the appointor. A valid letter of attorney shall be given to the chairman of the meeting prior to the casting of votes.
- A committee member shall be deemed to abstain from voting if he/she fails to attend the meeting in person or appoint another committee member to attend and vote on his/her behalf.
- Clause 17** Relevant staff of the office of the Board of Directors may attend meetings of the committee as observers and other directors, supervisors or senior management of the Bank may also be invited to attend meetings of the committee as observers, if necessary.
- Clause 18** The office of the Board of Directors shall be responsible for the preparatory works of committee meetings and shall provide written materials in relation to the matters to be discussed on the meetings.
- Clause 19** Committee members attending committee meetings shall carefully consider the resolution proposed at meetings and express their opinion in a serious and responsible manner.
- Clause 20** The committee may coordinate committee members and engage relevant personnel of the Bank to conduct special study on certain topic or may engage external organisation to provide opinion on its decision at the expense of the Bank.
- Clause 21** The committee may vote by a show of hands, by poll or by written resolutions.

- Clause 22** An attending committee member may vote for or against a resolution or abstain from voting. A committee member shall choose one of the intents above, and if a committee member makes no choice or makes more than one choice, the chairman of the meeting shall request the committee member to make a choice again and, if such committee member declines to make a choice, he/she shall be considered as abstain from voting. A committee member will be deemed to have abstained from voting if he/she left the meeting venue without making a choice or fails to vote within the voting period.
- Clause 23** Attendees of the meeting who are not committee members may speak at the meeting if so invited but cannot vote.
- Clause 24** After voting by attending committee members, the staff of the office of the Board of Directors shall collect and count the ballots. Where physical meeting is held, the chairman shall announce the voting results immediately; where the meeting is not held physically, the staff of the office of the Board of Directors shall report to the chairman of the voting results and inform all committee members in writing not later than the next day after the voting period.
- Clause 25** If a committee member or his/her close relative or a company controlled by a committee member or his/her close relative or his/her close associate(s) (as defined in the Listing Rules) have direct or indirect interest in a matter to be considered by the meeting, the committee member shall abstain from voting.
- Clause 26** If a committee member has an interest but did not abstain from voting, his/her vote will be invalid. If the invalidation of the vote will change the voting results, the matter shall be voted again. If the new voting result is different with the original result, the original resolution shall be rescinded. If the original resolution has already been implemented, it shall be implemented in accordance with the new resolution.
- Clause 27** If interested committee members are required to abstain from voting, the quorum of the committee meeting shall be no less than two-thirds of the non-interested committee members, and the resolutions shall be passed by more than half of the non-interested committee members.
- Clause 28** If the number of attending committee members is less than the quorum after the abstention of interested committee member(s), the relevant resolution shall be put forward to the Board of Directors for approval.
- Clause 29** The committee meeting minutes or resolutions shall specify the abstention of interested committee member(s).

- Clause 30** The resolutions passed by a committee meeting shall comply with the laws, regulations, the Articles and these terms of reference.
- Clause 31** The office of the Board of Directors shall prepare the minutes of committee meetings. The first draft and final version of the meeting minutes shall be sent to all committee members within a reasonable time after the meeting, with the first draft for comment by committee members. Committee members attending the meeting and the office of the Board of Directors shall sign the final version of the meeting minutes. Attending committee member may require to record in the minutes his/her speeches at the meeting. The minutes shall be kept by the office of the Board of Directors.
- Clause 32** Resolutions passed by and voting results of committee meetings shall be reported to the Board of Directors in writing.
- Clause 33** All attendees shall be obliged to keep confidential all matters discussed at the committee meetings, and shall not disclose any relevant information without authorisation.

## **Chapter 5 Miscellaneous**

- Clause 34** Matters not covered by these terms of reference shall be dealt with in accordance with the applicable laws and regulations, the listing rules of the jurisdictions where the shares of the Bank are listed and the Articles. If these terms of reference contravene any applicable relevant laws and regulations to be promulgated in the future or the legally amended Articles or the Listing Rules, the applicable relevant laws and regulations, the Articles and the Listing Rules shall prevail, and these terms of reference shall be amended immediately and reported to the Board of Directors for approval.
- Clause 35** The Board of Directors shall be responsible for the interpretation of these terms of reference.
- Clause 36** These terms of reference shall be effective from the date on which they are considered and approved by the Board of Directors of the Bank, whereupon superseding the Terms of Reference of the Nomination and Remuneration Committee of the Board of Directors of Dongguan Rural Commercial Bank Co., Ltd. (2021 version) (DongNongYinFa [2021] No.443) at the same time.