

# **BOC HONG KONG (HOLDINGS) LIMITED**

## **Mandate of the Nomination and Remuneration Committee**

### **1. Purpose**

1.1 The Nomination and Remuneration Committee (the “Committee”) is a standing committee of the Board of Directors (the “Board”). The purpose of the Committee is to assist the Board in fulfilling its oversight responsibility for BOC Hong Kong (Holdings) Limited (the “Company”), Bank of China (Hong Kong) Limited (the “Bank”) and its subsidiaries (together, the “Group”) relating to:

- the human resources strategy, remuneration strategy and incentive framework of the Group.
- the identification, nomination and appointment of directors, board committee members and certain senior management under the Board’s direct management as defined by the Board from time to time (defined as “Senior Management”).
- ensuring that directors and Board Committee members have the skills, experience and knowledge to fulfil their duties on an on-going basis.
- setting the remuneration of directors, board committee members, Senior Management and Key Personnel.
- promoting the effectiveness of the Board and Board Committees by organising annual self-assessment of the Board and Board Committees.
- accessing the ongoing suitability of relevant board members by organising annual individual evaluation of the Directors.

The role of the Committee is one of oversight. Subject to the provisions of this Mandate and subject to the strategies and policies as approved by the Board or the Committee (as the case may be), the Chief Executive has the overall accountability in the appointment, removal, remuneration and appraisal of the Bank’s staff as part of his management responsibility.

### **2. Roles and Responsibilities**

#### **2.1 Overall Human Resources and Remuneration Strategy**

2.1.1 The Committee is responsible for reviewing and recommending for the approval of the Board on the overall human resources and remuneration strategies for the Group, across the following areas:

- recruitment, development and training of staff, to ensure the level and skills of staff are sufficient to meet the business needs of the Group into the future.

- performance appraisal approaches and processes to ensure that appropriate performance is encouraged and rewarded, and inadequate performance is rectified and improved.
- remuneration and incentive strategies and policies, including long term incentive programmes and other benefits, to encourage good performance and to help align the interests of staff with those of shareholders.

2.1.2 The Committee is responsible for monitoring at a high-level the implementation of the Group's strategies on human resources and remuneration and ensuring that the policies based on these strategies and their implementation are legal, fair, reasonable and are in accordance with the strategies formulated pursuant to 2.2.1.

2.1.3 The Committee shall encourage the Management to establish a human resources and remuneration culture which is in compliance with the overall strategy of the Group and which supports fulfilment of the Group's vision, mission and value.

## **2.2 Procedures for nomination and appointment of Directors and Senior Management**

2.2.1 The Committee shall review and approve the development and maintenance of procedures for identifying, nominating and appointing directors and Board Committee members, and Senior Management as defined by the Board from time to time.

### **Board and Board Committees**

2.2.2 On an ongoing basis, the Committee shall:

- regularly monitor and review the leadership needs of the Group, to ensure the Group can continue to compete effectively in the markets in which it operates.
- regularly monitor and review the structure, size, composition and membership of the Board and Board Committees and make recommendations for any changes deemed necessary.
- assist the Board to establish, approve and review the standards of director independence with the support of the Board Secretary, and assess the independence and term of office of independent non-executive directors, in particular the factors to be considered and reasons in arriving for further appointment of independent non-executive directors who has served the Board for more than nine years.
- regularly review the effectiveness of Board and Board Committees in accordance with applicable regulatory requirements and relevant requirements of international and local best practices.

- 2.2.3 When changes to the Board or Board Committees are required or when vacancies arise, the Committee shall identify the key requirements for the new candidate(s) sought and objective criteria for selection for the Board's approval with adherence to the principles stated in the Board Diversity Policy (including but not limited to gender, age, cultural and educational background, ethnicity, geographical location, professional experience, skills, knowledge and track records, etc) and, take into account the existing composition of the Board and Committees, as well as the business requirements of the Group. The Committee shall consider candidates from a wide variety of backgrounds, identify and nominate potential candidates to the Board for approval.
- 2.2.4 External advisors may be used as and when deemed necessary by the Committee to identify potential candidates.
- 2.2.5 The identification and nomination process shall include specification of the expected time commitment, and any involvement required by the Group outside Board and Board Committee meetings and any potential conflicts of interest of the proposed candidates. Operations procedures are listed in the "Procedures for the Nomination and Appointment of Independent Non-executive Directors".
- 2.2.6 Non-executive directors shall be subject to re-election in accordance with the Articles of Association of the Company and the Bank and any regulatory requirements. The Committee shall review and make recommendations to the Board on the re-appointment of any directors on the completion of their specified term, and make recommendations on matters in relation to the election or re-election of directors by shareholders, and the continuation in office of any director at any time.
- 2.2.7 The Committee shall ensure that appropriate succession plans for directors are in place, and shall review these regularly to ensure that they meet the Group's requirements.

### **Senior Management of the Company and the Bank**

- 2.2.8 The Committee shall review the nominations and make recommendations to the Board for approval of the appointment and removal of the Senior Management of the Company and the Bank.
- 2.2.9 The Committee shall ensure that appropriate succession plans for Senior Management are in place, and shall review these regularly to ensure that they meet the Group's requirements.
- 2.2.10 The Committee shall review and approve policies on any part time engagements outside the Group by the Senior Management.

## **Directors of major subsidiaries within the Group and local or overseas subsidiary banks**

2.2.11 In relation to the major subsidiaries within the Group (as determined by the Board) and local or overseas subsidiary banks and subject to the provisions contained in the shareholders agreement (if any) governing any of the aforesaid subsidiaries/subsidiary banks, the Committee shall regularly review the appointment, removal and remuneration of directors of the boards respectively.

### **2.3 Induction and Training**

2.3.1 The Committee is responsible for establishing an effective induction and training scheme for directors and members of Board Committees. This scheme shall include a comprehensive, formal and tailored induction for new directors and new members of Board Committees on their appointment.

2.3.2 The Committee shall ensure that all directors and members of Board Committees participate in a program of continuous professional development to develop and refresh their knowledge and skills to help ensure their contribution to the Board and Board Committees remains informed and relevant. If necessary, the Committee shall obtain external expert advice on the development required for the directors and members of Board Committees.

2.3.3 Both the induction and the ongoing development programmes shall be recommended in consultation with the Board and/or other Board Committees.

2.3.4 The Board Secretary shall coordinate among secretaries of Board Committees who are responsible for the implementation of induction/training scheme, and the Group shall fund such programmes.

### **2.4 Remuneration policy of the Group**

2.4.1 The Committee shall review and make recommendations to the Board on the following matters:

2.4.1.1 The Group's written remuneration policy and practice covering all employees, in order to ensure that the Group's remuneration policy is consistent with the principles set out in the "Guideline on a Sound Remuneration System" issued by the Hong Kong Monetary Authority and any other legal or regulatory requirements applicable to employees' remuneration. The policy should ensure that the Group's overall approach to risk management is supported, and not undermined, by the remuneration arrangements for employees whose activities during the course of their employment

(individually or collectively) could have a material impact on the Group's risk profile and financial soundness. The policy should have specific regard to the remuneration of 4 types of employees: senior management, key personnel, groups of employees whose activities in the aggregate may expose the Group to material risk and who are subject to the same or similar incentive arrangements, as well as employees within risk control functions.

- 2.4.1.2 The Company's policy and structure for all remuneration of directors, Senior Management and Key Personnel and the establishment of a formal and transparent procedure for developing policy on such remuneration.
- 2.4.1.3 Remuneration of the non-executive directors, adviser(s) of the Company and the members of Board Committees.
- 2.4.1.4 Aggregate amount and allocation principles of the Group's annual bonus, as well as the proposal on annual salary adjustment.
- 2.4.1.5 Any material changes concerning the structure of the Group's overall employee benefits.
- 2.4.2 The Committee shall ensure that a regular (at least annual) review independently from management on the Company's remuneration policies and its operation to make sure that the policy remains adequate and effective and that the operation of the remuneration system is consistent with the intended purposes and long-term interests of the Company. Such review should include an assessment of the extent to which the remuneration system is consistent with the principles set out in the "Guideline on a Sound Remuneration System". The review can be either internally conducted or externally commissioned and the result shall be submitted to the HKMA.
- 2.4.3 The Committee shall be able to exercise competent and independent judgement on remuneration policies and practices and the incentives thereby created for managing risk, capital and liquidity.
- 2.4.4 The Committee shall work closely with other relevant Board Committees (e.g. Audit Committee, Risk Committee) and compliance function to ensure the timely monitoring and rectification of compliance aspect in remuneration management. The Committee shall report any material issues in relation to the Company's remuneration system to the Board on a regular basis.
- 2.4.5 The Committee shall consult risk management, financial control and compliance personnel to obtain input, independent of the relevant business lines, on how compensation relates to risk at various levels within the Company.

## **2.5 Remuneration of Directors, Senior Management and Key Personnel**

The Committee shall:

- 2.5.1 Recommend to the Board on remuneration package (and any subsequent adjustments) of individual executive directors and Senior Management, including remuneration upon joining, sign-on bonus and contract guaranteed bonus, long-term incentive, share option, benefits in kind, pension rights, compensation payments (including any compensation payable for loss or termination of their office or appointment, early payout of deferred remuneration) and performance-based remuneration, etc. The Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group.
- 2.5.2 Review and make recommendations to the Board for approval of the annual and longer-term performance targets of the Senior Management, evaluate the performance of the Senior Management and make recommendations to the Board on the results of performance appraisals against the targets set on an ongoing basis by reference to corporate goals and objectives resolved by the Board from time to time, and the performance-based remuneration, including the grants of annual bonus and changes to the remuneration, according to results of performance appraisals approved by the Board.
- 2.5.3 Review the compensation payable to executive directors and Senior Management in connection with any loss or termination of their office or appointment to ensure that such compensation is consistent with contractual terms and is otherwise fair and not excessive.
- 2.5.4 Have the delegated responsibility to determine the remuneration packages (and any subsequent adjustments) of Key Personnel, in accordance to the remuneration policy and incentive framework approved by the Board, including but not limited to remuneration package upon joining, sign-on bonus, contract guaranteed bonus, fixed salary and annual salary adjustment, annual bonus and its deferment, long-term incentive, share option, benefits in kind, pension rights and compensation payments (including but not limited to any compensation payable for loss or termination of their office or appointment, as well as early payout of deferred remuneration), etc.
- 2.5.5 Review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are consistent with contractual terms and that any compensation payment is otherwise reasonable and appropriate.

- 2.5.6 Ensure that no director or any of his/her associates is involved in deciding his/her own remuneration/discussing matters that has any conflict of interest.

## **2.6 Reporting Responsibilities**

- 2.6.1 The Committee shall report to the Board on the matters set out in this Mandate, regularly update the Board about the Committee's activities and consider other topics as defined by the Board.
- 2.6.2 The Committee shall regularly communicate with other Board Committees as appropriate.
- 2.6.3 The Committee shall review any other reports submitted by the Group relating to the Committee's responsibilities.

## **3. Composition**

### **3.1 Membership**

- 3.1.1 All of the Committee members are non-executive directors. The Committee is chaired by an independent non-executive director and a majority of its members should be independent non-executive directors. If the Board seeks advice from the Committee, adviser(s) of the Board (if any) could act as the adviser(s) to the Committee.
- 3.1.2 The terms of appointment of the Committee members shall be consistent with that of the board of directors, and shall be re-appointed by the board of directors when the terms expired.
- 3.1.3 Members of the Committee shall possess appropriate authority and necessary skills and experience and be prepared to determine and advise on complex human resources management and other related issues, and to form an independent judgement on the suitability of the remuneration policy and its implications for risks and risk management.
- 3.1.4 A quorum shall be three members.
- 3.1.5 Members of the Committee shall:
- regularly attend the meetings of the Committee and actively express their opinions on the matters discussed during the meeting; and
  - keep abreast of the roles and responsibilities of the Committee as well as their responsibilities as members of the Committee and of the conduct, business activities and development of the Group.

## **3.2 Other attendees**

- 3.2.1 Representative(s) of the Human Resources Department is(are) normally expected to attend meetings of the Committee to render assistance. If required, other members of the Management and representatives of external consultants are also expected to attend some or all or parts of the Committee meetings. All these “other attendees” are expected to provide open, candid and comprehensive input to the Committee as requested.
- 3.2.2 If the Committee seeks professional advice from external advisors, the advice should be commissioned by, and provided directly to, the Chairman of the Committee independently of management.
- 3.2.3 The secretary/secretaries of the Committee (the “Committee secretary”) shall be appointed by the Board.

## **3.3 Roles**

- 3.3.1 The Chairman of the Committee shall be appointed by the Board. The duties and responsibilities of the Chairman of the Committee include but are not limited to:
- providing leadership for the Committee and ensuring that the Committee works effectively and discharges its responsibilities;
  - ensuring that all key and appropriate issues are discussed by the Committee in a timely manner, and that clear and explicit conclusions are achieved for every agenda item discussed in the meetings;
  - being primarily responsible for drawing up and approving the agenda for each Committee meeting taking into account, where appropriate, any matters proposed by the other Committee members and the Management for inclusion in the agenda so as to ensure that, other than exceptional circumstances, all Committee members and the Management are given an opportunity to include matters in the agenda for a Committee meeting. The Chairman may delegate such responsibility to a designated member or the Committee secretary;
  - ensuring that all Committee members are properly briefed on issues arising at Committee meetings, and that Committee members receive adequate information, which must be timely, complete and reliable;
  - encouraging all Committee members to make a full and active contribution to the Committee’s affairs and take the lead to ensure that the Committee acts in the best interests of the Group; and
  - attending in person or nominating another Committee member to attend the annual general meeting and answering questions at the meeting.



- 3.3.2 The duties and responsibilities of the Committee secretary include but are not limited to:
- providing technical advice and expertise to support the work of the Committee, the Chairman of the Committee and other Committee members;
  - organizing, administering and coordinating the operation of the Committee;
  - arranging Committee meetings as coordinated by the Board Secretary;
  - reviewing the material to be presented to the Committee, ensuring the Management submits reports and documents to the Committee appropriately;
  - reporting on the work of the Committee to the Board under the authorization of the Chairman of the Committee;
  - requesting the Management to provide relevant data and material to assist the Committee members to understand the relevant information;
  - facilitating induction for new Committee members and assisting with professional development as required;
  - coordinating the work of the Committee with similar functions in Bank of China Group; and
  - other duties and responsibilities entrusted by the Committee.

### **3.4 Independence Standards**

- 3.4.1 The Committee members who are independent non-executive directors shall observe the independence standards approved by the Board.

### **3.5 Nomination, Terms, Remuneration and Training**

- 3.5.1 The Committee is responsible for nominating Committee members from amongst the non-executive directors for approval by the Board.
- 3.5.2 The Committee shall make recommendations to the Board on the selection criteria, nominated candidates and terms of appointment of the Committee members to ensure that they serve the purpose of the Committee.
- 3.5.3 The remuneration of the Committee members shall be approved by the Board if no authorization is needed from or such authorization has been granted by the shareholders.
- 3.5.4 The Committee shall review and approve induction/training procedures for the Committee members, and ensure that the procedures are practical for the Committee. The Committee secretary is responsible for the implementation of induction/ training procedures for the Committee members with the coordination of the Board Secretary.

3.5.5 Every new Committee member shall receive a comprehensive, formal and tailored induction on appointment; and all Committee members shall participate in a program of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Committee remains informed and relevant. The Group shall fund such induction/training programmes.

### **3.6 Frequency of meetings**

3.6.1 The Committee shall meet at least twice a year, with meetings align with the actual circumstances as required. In addition, there shall be open dialogue between the Management and the Committee between meetings on an as-needed basis. The Committee may request for additional meetings with the Management or other advisors between scheduled meetings if they consider it necessary.

## **4. Authority**

4.1 The Committee is authorized to seek adequate administrative support from the Management and have separate and independent access to the Group's senior management.

4.2 The Management is expected to support the work of the Committee with the utmost good faith and to ensure that the Committee is provided with all the information relating to the human resources management, performance evaluation, remuneration management and other issues of the Group necessary and appropriate for the Committee to discharge its responsibilities on a fair and timely basis. The Committee is authorized to require any member of the Management and any employee of the Group to respond to queries raised by any member of the Committee as promptly and fully as possible. Information provided to the Committee shall be accurate and complete and be in such form and of such quality as will enable the Committee to make an informed decision.

4.3 The Committee is authorized to invite any person it thinks fit to attend the meetings of the Committee.

4.4 The Committee shall be authorized, on its own initiative or at the request of the Board, to review the Group's human resources and remuneration policies and practices, consider any findings and the Management's response and advise the Board of the results of such review and its recommendations.

4.5 Members of the Committee are authorized, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Group's expense.

4.6 The Committee is authorized to have access to the advice and services of the Committee secretary and the Board Secretary with a view to ensuring that Committee procedures, and all applicable rules and regulations, are followed.

## **5. Consulting or special sub-committees**

5.1 As necessary and appropriate, the Committee may form and dismiss consulting or special sub-committees after approval by the Board.

5.2 The Committee is responsible for the management of the sub-committees and delegating sufficient power and authority to them for ensuring effective and efficient operation.

## **6. Annual performance appraisal**

6.1 The Committee shall monitor and review its composition, evaluate the balance of skills, knowledge and experience on the Committee and monitor and review its processes and effectiveness on at least an annual basis. The result shall be reported to the Board.

6.2 The Committee shall also monitor and review the continuing adequacy of its Mandate from time to time, and report to the Board the main findings.

6.3 The Committee shall also review time commitment of Directors, Chief Executive and Alternate Chief Executive(s) as well any potential conflicts of interest arising from the outside mandates.

## **7. Effective date and amendments**

7.1 This Mandate shall come into effect on the date when it is approved by the Board.

7.2 Any amendments to this Mandate shall be recommended by the Committee and come into effect on the date when they are approved by the Board.