

## **PUBLIC BANK (HONG KONG) LIMITED**

### **Terms of Reference**

#### **Remuneration Committee of the Board**

##### **Objectives of the Committee**

1. To review and make recommendations to the Board of Directors (the “Board”) of Public Bank (Hong Kong) Limited (the “Bank”) on the overall remuneration policy of the Directors, Chief Executive, Senior Management (as defined in the Remuneration Policy) and Key Personnel (as defined in the Remuneration Policy) and to establish a formal and transparent procedure for developing policy on such remuneration of the Bank and its subsidiaries (collectively, the “Group”).
2. To review and make recommendations to the Board the remuneration packages of all the Directors, Chief Executive, Senior Management and Key Personnel.
3. To review and make recommendations to the Board the compensation payable to Executive Directors, Chief Executive, Senior Management and Key Personnel in connection with any loss or termination of their office or appointment, and the compensation arrangements relating to dismissal or removal of Directors for misconduct.
4. To review and make recommendations to the Board the remuneration policy applicable to all employees of the Group and ensure that it is consistent with any applicable legal and regulatory requirements imposed by any legal body and public authority.

##### **Composition**

1. The Committee shall be appointed by the Board from amongst the Directors and shall consist of not less than three members. A majority of the Committee members shall be Independent Non-Executive Directors.
2. The Chairman of the Committee shall be an Independent Non-Executive Director.

3. The Head of Human Resources Department of the Bank, or in his absence, the Chief Executive of the Bank, shall be the secretary of the Committee.
4. Where there is a specific need for information or clarification on any matters, the relevant staff may be invited to attend the specific part(s) of the Committee's meeting(s).
5. Once appointed, the members of the Committee shall last as long as he or she remains as a Director of the Bank, and the tenure will expire upon the termination or resignation of the member of the Committee. However, the Board may terminate the appointment of any member of the Committee at any time.

#### Authority

1. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
2. The Committee is authorised by the Board to obtain legal or other independent professional advice at the Group's expense and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

#### Functions

1. To review annually and recommend to the Board on the overall remuneration policy and structure for Directors, Chief Executive, Senior Management and Key Personnel to ensure that rewards commensurate with their contributions to the Group's growth and profitability; and that the remuneration policy supports the Group's objectives and shareholder value and is consistent with the Group's culture and strategy; and on the establishment of a formal and transparent procedure for developing the remuneration policy.
2. To review annually the performance of the Executive Directors, Chief Executive, Senior Management and Key Personnel and recommend to the Board specific adjustments in remuneration and/or reward payments if any reflecting their contributions for the year; and which are competitive and consistent with the Group's objectives, culture and strategy.

3. To ensure that the level of remuneration for Non-Executive Directors and Independent Non-Executive Directors are linked to their level of responsibilities undertaken and contribution in terms of time commitment to the effective functioning of the Board of the respective companies in the Group.
4. To keep abreast of the terms and conditions of service of the Executive Directors, Chief Executive, Senior Management and Key Personnel including their total remuneration package for market comparability. Reviews and recommends changes to the Board whenever necessary.
5. To review and recommend to the Board the compensation payable to the Executive Directors, Chief Executive, Senior Management and Key Personnel in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Group.
6. To review and recommend to the Board the compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate.
7. To ensure that no Director or any of his associates is involved in deciding his own remuneration.
8. To make recommendations in respect of remuneration policy and practices to the Board to ensure that the remuneration policy is consistent with the principles set out in the Supervisory Policy Manual CG-5 “Guideline on a Sound Remuneration Policy” of the Hong Kong Monetary Authority (the “Guideline”) and any other legal or regulatory requirements applicable to employees’ remuneration.
9. To evaluate any practices by which remuneration is paid to employee for potential future revenues whose timing and likelihood remain uncertain.
10. To make recommendations to the Board in respect of remuneration packages for the Senior Management and Key Personnel in cases where the approval authority for such remuneration packages rests solely with the Board.
11. To ensure an annual review on the Bank’s remuneration system and its operation, either by internal or external parties, and is carried out independently of management, which includes an assessment of consistency with principles set out in the Guideline and any other legal or regulatory requirements applicable to employees’ remuneration, and the result may be submitted to the relevant regulatory bodies whenever required.

12. To work closely with other relevant parties such as Risk Management Committee, Audit Committee, Compliance Review Group etc in the evaluation of the variable remuneration created by the remuneration system.
13. To report any material issues in relation to the remuneration system to the Board on a regular basis or when needed.

#### Quorum

To constitute a quorum, at least two members must be present and one of whom shall be an Independent Non-Executive Director.

#### Minutes

Minutes must be prepared to record fully all decisions and matters dealt with by the Committee and tabled to the Board for noting. A record of the attendance at each meeting should be maintained.

#### Frequency of Meetings

Meetings shall be held not less than once a year.

#### Attendance at Meetings

Other Board members, the Chief Executive, Senior Management and Key Personnel may be invited to attend meetings.