

The Bank of East Asia, Limited
東亞銀行有限公司
(Incorporated in Hong Kong with limited liability in 1918)
(Stock Code: 23)

TERMS OF REFERENCE

OF

THE REMUNERATION COMMITTEE

1. CONSTITUTION

The Board of Directors had resolved to establish a committee known as the Remuneration Committee (the "Committee") to formulate and review the remuneration policy and the remuneration packages of Directors, members of Senior Management [1] and Key Personnel [2] of the Bank Group (hereinafter including all overseas branches and subsidiaries of The Bank of East Asia, Limited (the "Bank") subject to the consolidated supervision of the Hong Kong Monetary Authority).

2. MEMBERSHIP

2.1 The Committee members shall be appointed by the Board of Directors preferably from amongst the Non-executive Directors of the Bank and shall consist of not less than two members. A majority of the members of the Committee should be Independent Non-executive Directors.

2.2 The Committee shall be chaired by an Independent Non-executive Director appointed by the Board of Directors.

2.3 The quorum of any Committee meeting is two members, of which at least one should be Independent Non-executive Director.

2.4 Once appointed, the office of the members of the Committee shall last as long as he or she remains as a Director (Executive or Non-executive or Independent Non-executive) of the Bank, and the tenure will expire upon the termination or resignation of the member of the Committee as a Director. Notwithstanding the foregoing, the Board of Directors may terminate the appointment of any member of the Committee at any time.

2.5 The Company Secretary or his/her delegate shall act as the Secretary of the Committee.

3. FREQUENCY OF MEETINGS

Meetings shall be held not less than once a year.

[1] "**Senior Management**" shall include the Executive Chairman, Co-Chief Executives, Deputy Chief Executives and all General Managers (Grade 3) of the Bank Group.

[2] "**Key Personnel**" shall include the Head of Capital Markets and Liquidity Management Department

4. DUTIES

The specific duties of the Committee shall be:

(a) to make recommendations to the Board of Directors on the Bank Group's remuneration policy and structure for all Directors, members of Senior Management and Key Personnel as appropriate and on the establishment of a formal and transparent procedure for developing a remuneration policy;

(b) to review and recommend to the Board of Directors on the remuneration packages of Executive Directors, members of Senior Management and Key Personnel, including benefits in kind, pension rights and compensation payments as appropriate. The Committee should consider factors such as salaries paid by the comparable companies, time commitment and responsibilities of Executive Directors, members of Senior Management and Key Personnel, employment conditions elsewhere in the Bank Group and desirability of performance-based remuneration;

(c) to make recommendations to the Board of Directors on the remuneration packages of Non-executive Directors and Independent Non-executive Directors; and to ensure that the remuneration packages for Independent Non-executive Directors are in accordance with regulatory requirements and market conditions;

(d) to review performance-based remuneration by reference to corporate goals and objectives resolved by the Board of Directors and advise the Board of Directors for ex-post risk adjustment when necessary;

(e) to review the proposed funding for annual salary review and variable pay pool for the Bank Group, as well as grant of shares/share-linked instruments to members of Senior Management and Key Personnel, by reference to the Bank Group's performance, risk profile and market conditions;

(f) to review at least annually the appropriateness of deferral threshold with the aim to align remuneration with prudent risk-taking;

(g) to review and approve the remuneration policy applicable to employees' remuneration packages to ensure that it is consistent with any applicable legal and regulatory requirements imposed by any legal body and public authority;

(h) to delegate appropriate authority to management committee and/or senior management of the Bank Group as the Committee considers appropriate;

(i) to carefully evaluate any practices by which remuneration is paid for potential future revenues whose timing and likelihood remain uncertain. In so doing, the Committee should demonstrate that its decisions are consistent with an assessment of the Bank Group's financial condition and future prospects;

(j) to review the annual audit report submitted by the Bank's Internal Audit Division (independent of the management) on the Bank's remuneration system and its operation, including the assessment of consistency with any prevailing guideline and ensure the result of the annual audit be submitted to the Hong Kong Monetary Authority;

(k) to work closely with other relevant committees of the Board of Directors, including but not limited to Risk Committee and Audit Committee; and consult the Bank's risk control functions on the development of the remuneration system of the Bank;

(l) to review and approve the compensation payable to Directors, members of Senior Management and Key Personnel relating to any loss or termination of the office or appointment, and any compensation arrangements relating to dismissal or removal of Directors, members of Senior Management and Key Personnel for misconduct, to ensure that such compensation or arrangements are consistent with contractual terms and that any such compensation is otherwise fair and not excessive, and any such arrangements are otherwise reasonable and appropriate;

(m) to ensure that no Director, Executive Chairman, Co-Chief Executives or any of their associates, regardless whether they are risk control personnel, are involved in deciding their own remunerations;

(n) to seek independent professional advice on matters of remuneration for members of Senior Management and Key Personnel if and when necessary;

(o) to review the classification of Material Risk Takers ("**MRTs**") within the Bank in accordance with the prevailing regulatory requirements and the lists of all types of MRTs regularly (at least annually) or as and when necessary;

(p) to regularly review and confirm, assisted by internal audit functions or other experts where appropriate the effectiveness of the overall culture enhancement initiatives pursued by the Bank;

(q) to approve, review and assess, at least annually, the adequacy of any relevant statement which set out the Bank's culture and behavioral standards, and ensure that such statement is translated into policies and procedures;

(r) to review at least annually the Bank Culture Dashboard to assess the Bank's culture status against the 3 pillars namely, "Governance", "Incentive systems" and "Assessment and feedback mechanisms.";

(s) to set a clear direction for manpower development to support business priorities;

(t) to approve future manpower projections, and strategies and action plans for addressing the talent needs; and

(u) to track and review the effectiveness of the action plans for manpower planning and talent development at least on an annual basis.

5. REPORTING PROCEDURES

(a) The Secretary shall present the minutes of meetings of the Committee to all members of the Board of Directors.

(b) Disclosures in Corporate Governance Report in the Annual Report

Disclosures[3] should include but not limited to the following information:

(i) the roles and responsibilities of the Committee;
(ii) the composition of the Committee (including names of Committee members and identifying the Chairman of the Committee);
(iii) the number of meetings held by the Committee during the year to discuss matters and the record of attendance of members by name, at meetings held during the year;
(iv) a summary of work performed by the Committee during the year, including, but not limited to
  – Reviewing the Remuneration Packages for members of Senior Management and Key Personnel;

[3] Pursuant to paragraphs E(a), (b), (c) and (d)(ii) of Part 1 of Corporate Governance Code of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

- Considering the Offer and Grant of Options under the Staff Share Option Scheme to eligible staff;
- Considering the Grant of Restricted Share Units under the Restricted Share Unit Scheme to eligible staff;
- Reviewing the vesting of Deferred Variable Remuneration;
- Reviewing the list of Individual, Collective and Other Material Risk Takers;
- Considering the Annual Salary Review for Hong Kong, Chinese Mainland, Macau, Taiwan, Overseas Branches and Subsidiaries and the Usage of Salary Increment Budget for the previous year;
- Reviewing the Bonus Funding;
- Reviewing the Performance Scorecard of the Bank Group, Executive Chairman, Co-Chief Executives and Deputy Chief Executives;
- Reviewing the Bank Culture Dashboard and Culture Activities;
- Reviewing the Terms of Reference of the Committee; the Remuneration Policy; and any other policies under the oversight of the Committee;
- Reviewing the audit result of the Bank's Remuneration System; and
- Reviewing manpower planning and talent development of the Bank.

(v) which of the two models of Committee described in code provision E.1.2(c)[4] was adopted;

(c) The Bank shall also disclose to the Hong Kong Monetary Authority any information as required pursuant to any guideline[5] or rule imposed by the Hong Kong Monetary Authority from time to time as applicable to the remuneration policy and practice of the Bank.

6. FREQUENCY OF REVIEW

This Terms of Reference should be reviewed on an annual basis and as required.

In the event of a conflict between the Chinese translation and the English text hereof, the English text will prevail.

[4] Corporate Governance Code of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

[5] Supervisory Policy Manual module CG-5 "Guideline on a Sound Remuneration System" issued and updated by the Hong Kong Monetary Authority from time to time.