

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 and corporate governance mechanisms 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 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 Corporate Governance Standards for Banking and Insurance Institutions, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), and the articles of association of Dongguan Rural Commercial Bank Co., Ltd. (the “**Articles**”) and other relevant regulations.
- Clause 2** The Nomination and Remuneration Committee is a specialized organisation established by the Board of Directors in accordance with the Articles, and is accountable to the Board of Directors. The Nomination and Remuneration Committee 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 members who shall be directors with appropriate professional knowledge and experience for the duties of the committee. The Nomination and Remuneration Committee shall have a majority of independent directors, and at least one-third of the members shall be financial professionals. Members shall be familiar with the risks, costs, and changes of each product line to effectively and responsibly consider relevant remuneration systems and policies.

Directors nominated by controlling shareholders of the Bank shall not serve as members of the 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 the independent directors or more than one-third of the directors and shall be elected by the Board of Directors by ordinary resolutions.

Clause 5 The Nomination and Remuneration Committee shall have a chairman who shall be an independent director and shall be elected by the Board of Directors.

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

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 member ceases to be a director of the Bank, he/she shall automatically be disqualified as a member.

Where the number of members falls below three due to resignation or removal of members or any other reasons, the Board of Directors shall elect new member(s) to fill the vacancy(ies) as soon as possible. Before reaching two-thirds of the prescribed minimum number of members under these terms of reference, the 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 in which the Board of Directors considers not suitable to serve as a member.

Clause 8 The office of the Board of Directors serves as the daily office of the Nomination and Remuneration Committee and shall be responsible for the administrative work of meetings of the Nomination and Remuneration Committee, such as attendance and research arrangements, and maintaining the original meeting minutes, meeting proposals, and resolutions.

The Human Resources Department serves as the dedicated office of the Nomination and Remuneration Committee, and shall be responsible for preparing agenda items for decision making by the committee, compiling proposals, providing access to daily audit or inspection materials, and providing written materials pertaining to the Bank at the request of the committee.

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 terms and conditions of the service contracts of executive directors.
- (12) providing opinions on director service contracts that are subject to shareholders' approval, informing shareholders whether the terms are fair and reasonable, advising on whether the contracts are in the best interests of the Bank and its shareholders as a whole, and providing recommendations on how shareholders should vote.
- (13) reviewing and approving the remuneration proposals of the management with reference to the corporate goals and objectives determined by the Board of Directors.
- (14) considering salaries paid by comparable banks, time commitment and responsibilities and employment conditions elsewhere in the Group.

- (15) 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.
- (16) 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.
- (17) 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.
- (18) reviewing matters relating to share schemes under the Listing Rules.
- (19) dealing with other matters as required by laws, regulations, the relevant regulatory systems, and the Articles, or as delegated by the Board of Directors.

Clause 10 The 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 The members of the Nomination and Remuneration Committee shall continuously monitor changes and their impacts on relevant matters of the Bank within the responsibilities of the Nomination and Remuneration Committee, and promptly bring them to the attention of the Nomination and Remuneration Committee.

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 member fails to attend meetings for two times consecutively and fails to appoint another member to attend on his/her behalf, such 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 The proposing department shall submit proposals in accordance with the rules of meeting and relevant laws and regulations, and shall be responsible for the authenticity, compliance and comprehensiveness of the proposals. The proposing department shall solicit opinions from the involved institutions and departments according to relevant requirements, obtain approval from the department head, and then submit them to the Human Resources Department for review as required. In addition, the head of a proposing department shall attend the meetings of the Nomination and Remuneration Committee and interpret the proposals so submitted.

The Human Resources Department shall be responsible for the preparatory works for the decision making of the Nomination and Remuneration Committee properly, provide the written materials of the Bank to the office of the Board of Directors, which will submit the same to all members of the Nomination and Remuneration Committee.

The meetings of the Nomination and Remuneration Committee shall be held at least twice a year. In principle, a notice of meeting shall be given to all members by the office of the Board of Directors three days before the meeting. In special circumstances, the chairman may convene an interim meeting.

Clause 15 The quorum of a meeting of the Nomination and Remuneration Committee shall be more than two-third of the members. Each member shall have one vote. A resolution of the meeting shall be passed by more than half of the attending members.

Clause 16 A committee member may attend the meetings in person or appoint another member to attend and vote on his/her behalf. A committee member shall only appoint one other member each time to act on his/her behalf to exercise his/her voting right. The vote shall be invalid if a member has appointed two or more members to vote.

A letter of attorney shall be produced to the chairman of the meeting if a committee member appoints another 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 member to attend on his/her behalf.

- Clause 17** The office of the Board of Directors and the dedicated office of the Nomination and Remuneration Committee shall send representatives to attend the meetings of the committee as observers and other directors, supervisors or senior management of the Bank may also be invited to attend such meetings as observers, if necessary. Attendees as observers who are not the members of the committee may speak upon invitation, but do not have the voting right.
- Clause 18** Members attending meetings shall carefully consider the proposals at the meetings and express their opinions in a serious and responsible manner.
- Clause 19** The committee may coordinate members and engage relevant personnel of the Bank to conduct special study on certain topics or may engage intermediary institutions to provide professional opinions for their decision-making at the expense of the Bank.
- Clause 20** Voting at meetings of the committee shall be conducted by a show of hands, by poll or by circulation of written resolutions.
- Clause 21** An attending member may vote for or against a resolution or abstain from voting. An attending member shall choose one of the intents above, and if a member makes no choice or makes more than one choice, the chairman of the meeting shall request the member to make a choice again and, if such member declines to make a choice, it shall be deemed as an abstention. If a member leaves the meeting without returning and without making a choice, it shall be deemed as an abstention. If a member fails to vote before the deadline set by the meeting for voting, it shall be deemed as an abstention.
- Clause 22** After voting by attending members, the staff of the office of the Board of Directors shall collect and count the ballots promptly.
- Clause 23** If a member or his/her close relative(s) or a company controlled by a member or his/her close relative(s) 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 member shall abstain from voting.
- Clause 24** If a member has an interest but did not abstain from voting, his/her vote shall 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 25** If interested members are required to abstain from voting, the resolutions shall be passed by more than half of the non-interested attending members. If the number of members with voting rights present at a meeting is less than two-thirds of the prescribed minimum number under these terms of reference, the relevant resolutions shall be put forward to the Board of Directors for approval.
- Clause 26** The minutes or resolutions of meetings of the committee shall specify the abstention(s) of interested member(s).
- Clause 27** The resolutions passed by a meeting of the committee shall comply with laws, regulations, regulatory systems, the Articles and these terms of reference.
- Clause 28** The office of the Board of Directors shall prepare the minutes of meetings of the committee. Attending members shall sign the minutes. Attending members have the right to require inclusion of explanatory notes in the minutes on their speeches at the meetings. The minutes shall be perpetually kept by the office of the Board of Directors.
- Clause 29** Resolutions passed by and voting results of meetings of the committee shall be reported to the Board of Directors in writing.
- Clause 30** All attendees shall be obliged to keep all matters discussed at the meetings confidential, and shall not disclose any relevant information without authorisation.

Chapter 5 Miscellaneous

- Clause 31** Matters not covered by these terms of reference shall be dealt with in accordance with the applicable laws, regulations, the Listing Rules, and the Articles. If these terms of reference contravene any applicable laws and regulations to be promulgated in the future, the Listing Rules or the legally amended Articles, the relevant applicable laws, regulations, the Listing Rules and the Articles shall prevail.
- Clause 32** The office of Board of Directors shall be responsible for the interpretation of these terms of reference.
- Clause 33** These terms of reference have been approved by the Board of Directors and shall come into effect on 8 August 2024, superseding the existing Terms of Reference of Nomination and Remuneration Committee of the Board of Directors of Dongguan Rural Commercial Bank Co., Ltd. (Version 2023) (DongNongYinFa [2023] No.142) at the same time.