Dah Sing Banking Group Limited
Nomination and Remuneration Committee - Terms of Reference

1. Constitution

1.1 The Nomination and Remuneration Committee (the "Committee or NRC") is established by the Board of Directors of Dah Sing Banking Group Limited (the "Company") as a Committee of the Board. The Committee is responsible to oversee remuneration matters of the Company and its subsidiaries (the “Group”), and also specifically Dah Sing Bank, Limited (“DSB”).

2. Objectives

2.1 The Committee shall review the structure, size, composition and diversity of the Boards of the Company and DSB at least annually and make recommendations on any proposed changes to the Boards to complement the corporate strategy of the Group. The Committee shall also regularly review the efficiency and effectiveness of the functioning of the Boards of the Company and DSB, particularly in respect of the composition of Board members, and shall undertake an annual assessment of the performance of individual Directors of DSB.

2.2 The Committee shall review the nomination and appointment of Non-Executive Directors (including Independent Non-Executive Directors) of the Company, and Executive Directors to the Boards of the Company and DSB to ensure that the individuals appointed to the Boards are competent, and can contribute to the Company and discharge their responsibilities in the interests of all shareholders and depositors, and for the sound development of the Group. The appointment and re-appointment of the Directors of the Boards of the Company’s other subsidiaries (other than DSB) are not within the duties of the Committee.

2.3 The Committee is delegated with the authority of Boards of the Company and DSB to approve the succession planning policy for Board members and Senior Management. The Committee shall make recommendations to the Boards of the Company and DSB on succession planning for Directors and Senior Management, in particular the Chairman and the Chief Executive.

2.4 The Committee normally does not involve in the review of the nomination for appointment as Senior Management or Key Personnel (both terms as defined in the Group Remuneration Policy) of DSB, and who are not initially appointed as Executive Directors of DSB. However, the Committee has the authority and discretion to require Management to provide it with relevant information relating to any individual proposed to be, or already appointed, as Senior Management or Key Personnel of DSB.

2.5 The Committee shall assist the Boards of the Company and DSB in discharging their responsibility for the design and operation of the Company’s and DSB’s remuneration system. The Committee should review and make recommendations in respect of the Group's remuneration policy and practices to the Board and ensure that the policy is consistent with the principles set out in the relevant legal and regulatory requirements applicable to employees' remuneration. The Committee may delegate the related responsibilities and authorities to the Company's Management as appropriate.

2.6 The Committee is delegated with the responsibility of the Boards of the Company and DSB to determine the specific remuneration packages of Senior Management and Key Personnel (as defined in the Group Remuneration Policy) so as to:

(a) Ensure that Senior Management and Key Personnel are fairly rewarded for their individual contributions to the overall performance of the Company and DSB, and their remuneration packages are consistent with the Group's remuneration policy;
(b) Provide the oversight mechanism on the determination of the remuneration of Senior Management and Key Personnel, which is set by a committee taking into consideration all relevant factors relating to the Group's performance including risk taking and measurement, and performance measurement of individual Senior Management and Key Personnel, and in making its determination, the Committee has no personal interest in the outcome of its decision; and
(c) Provide a sound basis of accountability and independence to be demonstrated to shareholders and regulators, as the Committee is not controlled by the Company's Management.

2.7 The Committee shall ensure that at least on an annual basis, a review of the Group's remuneration system and its operation (particularly those of DSB), which includes an assessment of consistency with the HKMA requirements, is conducted independently of Management and the result is submitted to the HKMA if required.

2.8 For the purposes of this document:

(a) Senior Management and Key Personnel refer to those as defined in the Group Remuneration Policy;
(b) Senior Management who are not Executive Directors of the Company refers to those senior executives disclosed in the Company's annual report; and
(c) Remuneration package includes basic salary, allowances, variable payments, guaranteed minimum bonus, deferred remuneration, compensation payments and payment to prospective employees.

3. Membership

3.1 The membership of the Committee shall comprise of at least three Directors of the Company, a majority of the members must be Independent Non-executive Directors.

3.2 The membership of the Committee is appointed by the Board and the Board shall determine the tenure of each member upon appointment.

3.3 The Board should appoint the Chairman of the Committee and determine his or her period of office. The Chairman of the Committee must be an Independent Non-executive Director.

4. Frequency of Meetings

4.1 The Committee shall meet at least once a year and at such other times as the Committee deems appropriate.

5. Notice of Meetings

5.1 Meetings of the Committee shall be called by the Chairman of the Committee, or at the request of the Chairman of the Board.

5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, should be forwarded to each member of the Committee, and any other person required to attend, at least 5 working days prior to the date of the meeting of the Committee.

6. Attendance at Meetings

6.1 No one other than the Chairman and members of the Committee is entitled to attend and vote at a meeting of the Committee.

6.2 The Committee may invite any member of Senior Management to attend all or part of the Committee's proceedings.

6.3 The Committee may invite any Director of the Company or the Company's holding company or any external advisor and consultant, to attend all or part of the Committee's proceedings.

6.4 No members or attendees at the meeting shall be involved in any decisions as to his or her own remuneration.

7. Secretary

7.1 The Committee Secretary shall be the Head of Human Resources Division of the Group or such other person appointed by the Committee.

8. Proceedings of Meetings

8.1 The quorum for meeting of the Committee shall be two, of whom at least one shall be an Independent Non-executive Director. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested or exercisable by the Committee.

8.2 All or any of the members of the Committee may participate in a meeting of the Committee by means of telephone conference or any communication equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote and be counted in a quorum accordingly.

9. Minutes of Meetings

9.1 The Secretary of the Committee shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

9.2 Minutes of Committee meetings shall be circulated to all members of the Committee.

10. Authority

10.1 The Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it reasonably requires from any member of the Group. All members of the Group are directed to co-operate with any reasonable request made by the Committee.

10.2 The Committee is authorized by the Board to obtain, in connection with its duties, and at the Company's expense, any outside legal or other independent professional advice it considers to be necessary, including the advice of independent remuneration consultants. The professional remuneration related advice from external advisers is commissioned by, and provided directly to the Chairman of the Board or the Committee where appropriate.

11. Duties

11.1 The duties of the Committee include the following:

(a) to review the structure, size, composition and diversity (including but not limited to gender, age, ethnicity and cultural, educational background and professional experience, skills, knowledge and length of service) of the Boards of the Company and DSB at least annually and make recommendations on any proposed changes to the Boards to complement the corporate strategy of the Group, and to regularly review the efficiency and effectiveness of the functioning of the Boards, particularly in respect of the composition of Board members;

(b) to undertake an annual assessment of the performance of individual Directors of DSB;

(c) to review if the nominated individuals are suitably qualified to become Board members of the Company or DSB;

(d) to make recommendations or endorsement to the Board on the appointment and re-appointment of individuals for directorships of the Company (Directors of DSB are not subject to re-election);

(e) to approve the succession planning policy for the Board members and Senior Management of the Company and DSB;

(f) to make recommendations to the Boards of the Company and DSB on succession planning for Directors and Senior Management, in particular the Chairman and the Chief Executive;

(g) to review the Board Diversity Policy, as appropriate; and review the measurable objectives that the Board has set for implementing the Board Diversity Policy, and the progress on achieving the objectives; and make necessary disclosure of the Policy and its review in the corporate governance report to be included in the annual report of the Company;

(h) to assess the independence of Independent Non-Executive Directors;

(i) to make recommendations to the Board on the Group's remuneration policy and on the establishment of a set of formal and transparent procedures for developing such policy, and to ensure that the policy is consistent with the principles set out in the relevant legal and regulatory requirements applicable to employees' remuneration;

(j) to exercise judgment on remuneration policies & practices and the incentives thereby created for managing business growth, risk, capital and liquidity. The Committee should evaluate any practices by which remuneration is paid for potential future revenues where its timing and likelihood remain uncertain, and the need to exercise proper regard for potential risk outcomes in the future as a result of business or strategic decisions made by Management or individual Senior Management;

(k) to have the delegated responsibility of the Board of Company or DSB to determine the specific remuneration packages of Senior Management and Key Personnel, and make recommendations to the Board of the remuneration of Non-executive Directors. The Committee should consider factors such as the Group's remuneration policy, relevant legal & regulatory requirements, pay levels & practices of comparable companies, individual's contribution, employment conditions elsewhere in the Group and desirability of performance-based remuneration;

(l) to review and approve early payment of deferred remuneration to Senior Management and Key Personnel prior to the original vesting time period, and ensure that proper documentation of rationale and justifications for such early payment is maintained;

(m) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(n) to review and approve the compensation payable to 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 the Group's remuneration policy, relevant contractual terms and legal & regulatory requirements and that such compensation is otherwise fair and not excessive for the Company or DSB;

(o) to review and approve compensation arrangements relating to dismissal or removal of Directors, Senior Management and Key Personnel for misconduct to ensure that such arrangements are determined in accordance with the Group's remuneration policy and applicable internal guideline, relevant contractual terms and legal & regulatory requirements and that any compensation payment to be paid is reasonable and appropriate;

(p) to ensure that no Director or any of his associates is involved in deciding his own remuneration;

Note: The Committee shall advise shareholders on how to vote with respect to any service contracts of directors that require shareholders' approval under rule 13.68 of the Listing Rules.

(q) to exercise all the powers of the Board in relation to the operation of any share and incentive plans, including the review of granting of share awards and options, determination and review of vesting period and vesting conditions of share awards, options and other deferred remuneration, and the exercise of any discretions on behalf of the Board allowed under the rules of the plans, and any material amendments to the rules of the plans not requiring the approval of shareholders;

Note: Pursuant to rule 17.04 of the Listing Rules, each grant of options to a Director, Chief Executive or substantial shareholder of a listed company, or any of their respective associates must be approved by Independent Non-executive Directors of the listed company. If not all Independent Non-executive Directors are members of the Committee, separate approval by all Independent Non-executive Directors for each grant to such individuals has to be sought.

(r) to ensure that proper review of the Company's remuneration system and its operation, which includes an assessment of consistency with the HKMA requirements, is conducted at least once a year independent of Management and the result is submitted to the HKMA per regulatory requirement. The Committee shall work closely with other relevant committees & the Company's Board and report any material issues in relation to the Company's remuneration system to the Board;

(s) to ensure that regular internal monitoring is conducted for ensuring the Company's processes for compliance with its Group remuneration policy are being consistently followed; and

(t) the Committee shall consider such other topics as it is directed by the Board.

12. Nomination Determination

12.1 A proposal for the appointment of any new Director of the Company, or any new Executive Director of DSB will be considered and reviewed by the Committee. As a general rule, candidates to be selected and recommended are experienced and qualified individuals with appropriate credential, functional expertise and track record, and are individuals who are generally considered of high calibre and capability that could make contribution to the Group, and can properly discharge their responsibilities.

12.2 All candidates must be able to meet the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules (regarding authorized representative and directors) providing for the general principles and qualifications as to the roles and responsibilities, and the key qualities of directors of companies listed on the main board of the Hong Kong Stock Exchange. In addition, proposed directors to be appointed to the Board of DSB must be assessed by the relevant regulatory authorities, and are able to meet the standards of these authorities applicable to directors of an authorised or licensed institution.

12.3 A candidate who is to be appointed as an Independent Non-executive Director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

13. Remuneration Determination

13.1 The remuneration packages of Senior Management and Key Personnel shall be determined and reviewed (unless exceptional circumstances apply) annually in the following manner:

(a) Remuneration packages of the Chairman, the Group Chief Executive and individual Executive Directors shall be determined solely by the Committee. The Committee shall consult the Chairman of the Company and/or the Group Chief Executive about their proposals relating to the remuneration packages of other Executive Directors. The Group Chief Executive will not be involved in the decision making for the remuneration packages of other Executive Directors.

(b) Remuneration packages of Senior Management and Key Personnel other than Executive Directors shall be subject to the approval of the Committee following a recommendation to the Committee by the Group Chief Executive.

(c) The remuneration packages of Non-executive Directors shall be approved by the Committee, having regard to the recommendation from the Chairman of the Company.

13.2 Approval for deferred remuneration is also subject to the respective scheme rules, which are separately set out in other documents forming part of the overall framework of the Group's remuneration system. The Committee and the Boards of the Company and DSB are required to make reference to such scheme rules, and make decisions accordingly. Any major amendments relating to share option scheme or share award scheme, subject to scheme rules and regulatory requirements, could require the approval of shareholders of the Company in general meeting.

14. Reporting Procedures

The Committee shall report regularly to the Board on its findings, decisions and recommendations.

- END -

September 2014