# CSC Financial Co., Ltd.

# Terms of Reference of the Remuneration and Nomination Committee of the Board of Directors

## Chapter 1 General Provisions

**Article 1** In order to standardize the meeting and decision-making procedures of the remuneration and nomination committee of the board of directors (the "Remuneration and Nomination Committee") of CSC Financial Co., Ltd. (the "Company"), improve the work efficiency and decision-making capabilities of the Remuneration and Nomination Committee, and ensure smooth progress on various works of the Remuneration and Nomination Committee, these terms of reference are formulated in accordance with the requirements of the laws, regulations, the listing rules of The Stock Exchange of Hong Kong Limited and the stock exchange of the place where A shares of the Company are listed (collectively, the "Stock Exchanges of the Places where Shares of the Company are Listed") (the "Listing Rules"), and the Articles of Association of CSC Financial Co., Ltd. (the "Articles of Association") with reference to the actual situation of the Company.

**Article 2** The Remuneration and Nomination Committee is mainly responsible for formulating the appraisal standards and conducting appraisals for directors and senior management of the Company; formulating and reviewing remuneration policy and packages for the same (including but not limited to the performance evaluation criteria, procedure and the main evaluation system, the major proposals and systems for rewards and punishments, etc.); studying the selection criteria of directors and senior management and making recommendations on candidates.

**Article 3** The senior management herein refers to the general manager, chief financial officer, chief compliance officer, chief risk officer, secretary of the board of directors, members of the executive committee and other persons identified by regulatory authorities or confirmed by the resolutions of the board of directors as holding important positions.

## Chapter 2 Composition of the Remuneration and Nomination Committee

**Article 4** The Remuneration and Nomination Committee shall be composed of no less than three directors, among which more than half of the members shall be independent directors. The chairman of the Remuneration and Nomination Committee shall be an independent director.

**Article 5** The composition of the Remuneration and Nomination Committee and the chairman shall be decided by the board of directors.

**Article 6** The term of office of the Remuneration and Nomination Committee shall be the same as that of the board of directors. A member may offer himself/herself for re-election upon the expiration of his/her term of office. Any member who ceases to be a director of the Company or who acts as an independent director but ceases to be independent as required by the Listing Rules during the term shall be automatically disqualified as a member of the Committee. The board of directors shall fill the vacancy in accordance with provisions of the Articles of Association and these terms of reference if the number of members of the Remuneration and Nomination Committee fail to meet the requirements specified in Article 4 herein.

## Chapter 3 Duties of the Remuneration and Nomination Committee

**Article 7** In accordance with the Articles of Association, the Remuneration and Nomination Committee shall perform the following major duties:

(1) formulating and implementing the performance evaluation system suited to changing market conditions, competitive remuneration package and incentives relating to business performance, in accordance with the characteristics of the financial and securities industry, the main scope, responsibilities and significance of respective directors and senior management, and the remuneration levels of similar positions in other relevant enterprises;

(2) reviewing the performance of duties of the directors and senior management and appraising their annual performance;

(3) reviewing and advising on the appraisal and remuneration management system of the Company for the directors and senior management;

(4) monitoring the implementation of the remuneration system of the directors and senior management;

(5) reviewing and advising on the selection criteria and procedures for the election of the directors and senior management; searching for qualified candidates for directors and senior management; reviewing and making recommendations on the qualification criteria of candidates for the directors and senior management;

(6) performing other duties determined by the Board and required by the Listing Rules or regulatory requirements.

In order to meet the requirements of the Articles of Association and the Listing Rules, the Remuneration and Nomination Committee may exercise the major powers stipulated in the Articles of Association as set out above and the following specific powers:

(1) making recommendations to the board of directors on the Company's policy and structure for the appraisal system, remuneration policy and structure of all directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;

(2) reviewing and approving the management's remuneration proposals with reference to the corporate goals and objectives set by the board of directors;

(3) considering factors such as characteristics of the financial and securities industries, salaries paid by comparable companies, time commitment and responsibilities of the directors and senior management, individual performance, employment conditions elsewhere in the group; and making recommendations to the board of directors on the remuneration of directors and senior management;

(4) 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;

(5) 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;

(6) ensuring that no director or any of his associates is involved in deciding his own remuneration. The Committee shall, in accordance with the Listing Rules, form a view in respect of service contracts that require shareholders' approval and advise shareholders as to whether the terms are fair and reasonable, and whether such contracts are in the interests of the Company and its shareholders as a whole and advise shareholders on how to vote;

(7) reviewing the structure, size and composition (including gender, age, culture and educational background, professional experience, skills, knowledge and other aspects) of the Board at least annually and make recommendations on any proposed changes to the board of directors to complement the Company's corporate strategy; overseeing the implementation of the diversity policy of the board of directors; reviewing the board diversity policy (not less than once a year) as and when appropriate to ensure its effectiveness. The Remuneration and Nomination Committee will discuss any amendments that may be required and propose amendments to the board of directors;

(8) assessing the independence of independent directors;

(9) making recommendations to the board of directors on the appointment or re-appointment of directors and succession plans for directors (in particular the chairman and the chief executive officer);

(10) reviewing or approving the relevant matters in relation to the share schemes under Chapter 17 of the Hong Kong Listing Rules and making recommendations to the board of directors;

(11) performing other duties stipulated in the relevant laws, regulations, the Listing Rules or authorized by the board of directors.

**Article 8** The Remuneration and Nomination Committee may engage external professionals to provide services, and the reasonable expenses incurred shall be borne by the Company.

**Article 9** The remuneration policy of the directors of the Company proposed by the Remuneration and Nomination Committee shall be implemented after the approval of the board of directors and the shareholders at the shareholders' meeting; and the remuneration policy of members of senior management of the Company is within the range of the remuneration policy to be approved by the board of directors, and shall be implemented by the Remuneration and Nomination Committee.

**Article 10** The Remuneration and Nomination Committee shall propose to the board of directors and the shareholders' meeting for voting in a timely manner after determining relevant candidates. When the Remuneration and Nomination Committee reviews the eligibility of a director or management level member of senior management who is currently a member of the Remuneration and Nomination Committee, such director or management level member of senior manager shall be absent.

**Article 11** In order to achieve sustainable and balanced development, diversity at the board level is regarded as an essential element in supporting the Company to achieve its business objectives and sustainable development. The board diversity policy includes:

(1) All board appointments of the Company will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the board of directors.

(2) The Company is committed to selecting the best candidates to serve as members of the board of directors. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on the candidates' expertise and contribution to the board of directors. The composition of the board of directors (including gender, age and length of service) will be disclosed in the corporate governance report on an annual basis.

(3) The Company is committed to ensuring gender diversity when hiring mid-level and senior-level employees, so that female senior management and potential successors will be able to join the board of directors in a timely manner to ensure gender diversity of the board of directors. The Company will continue to attach importance to the training of female talents and provide long-term development opportunities for female employees.

A summary of the policy and any measurable targets set for the implementation of the policy and the progress towards achieving the targets will be disclosed in the corporate governance report on an annual basis.

## Chapter 4 Duties of the Chairman of the Remuneration and Nomination Committee

**Article 12** The Chairman of the Remuneration and Nomination Committee is primarily responsible for performing the following duties:

(1) convening and presiding over the regular meetings of the Remuneration and Nomination Committee;

(2) convening extraordinary meetings of the Remuneration and Nomination Committee;

(3) supervising and monitoring the implementation of resolutions of the Remuneration and Nomination Committee; and

(4) other duties authorized by the board of directors and the Remuneration and Nomination Committee.

## Chapter 5 Convening and Notices Procedures of Meetings of the Remuneration and Nomination Committee

**Article 13** The Remuneration and Nomination Committee shall convene a meeting at least once a year. In principle, a written notice shall be given to each member five days before the meeting; however, under special circumstances, such notice period may be reduced to less than five days upon consents of two-thirds or more of the members of the Remuneration and Nomination Committee, or by way of other means to inform each member.

**Article 14** Notice of meeting of the Remuneration and Nomination Committee shall include the following:

(1) date and venue of the meeting;

(2) duration of the meeting;

(3) reasons for and proposals of the meeting; and

(4) date of dispatch of the notice.

The proposals and notice of the meeting shall be determined by the Chairman of the Remuneration and Nomination Committee, and delivered to each member of the Committee through the staff of the board of directors of the Company.

## Chapter 6 Rules of Procedures and Voting Procedures of the Remuneration and Nomination Committee

**Article 15** The meeting of the Remuneration and Nomination Committee shall be held with two-thirds or more of members present. Each member shall have one vote. An effective resolution shall be approved by over half of all members of the Remuneration and Nomination Committee.

**Article 16** The meetings of the Remuneration and Nomination Committee shall be attended by members in person, and shall not be represented.

**Article 17** The meetings of the Remuneration and Nomination Committee shall be presided over by the Chairman of the Remuneration and Nomination Committee. Where the Chairman of the Remuneration and Nomination Committee is unable to preside over the meeting for any reason, other members as designated by the Chairman shall preside over the meeting.

**Article 18** Based on the agenda and needs of the meetings, the Remuneration and Nomination Committee can invite other persons relating to the topics of the meeting to brief relevant situations or listen to relevant opinions, and such persons shall not be absent from the meeting without proper reasons. Such persons shall not be involved in the discussion, or affect the progress, voting or resolution of the meeting.

**Article 19** When the nomination of members of the Remuneration and Nomination Committee is discussed at the relevant meeting, the person concerned shall be absent from such discussion.

## Chapter 7 Resolutions and Minutes for the Meeting of the Remuneration and Nomination Committee

**Article 20** The voting of the Remuneration and Nomination Committee shall be conducted by a show of hands. After voting, the resolutions shall be formulated and minutes shall be prepared. Each member of the Remuneration and Nomination Committee attending the meeting shall sign the resolutions and minutes of the meeting. The written documents and minutes of the resolutions shall be kept by the Company as corporate archives and shall be kept for a period of not less than ten years during the existence of the Company.

**Article 21** The resolutions of the Remuneration and Nomination Committee meeting include the following:

(1) the date, venue and the convenor of the meeting;

(2) the number of Committee members who should attend the meeting and the actual number of attendees;

(3) explanations on the procedures of the meeting and the validity of the resolutions of the meeting;

(4) explanations on the contents of the resolutions as considered and voted at the meeting and the voting result; and

(5) other matters to be described and included in the resolutions.

**Article 22** The proposed remuneration policy of the Company as adjusted in accordance with the changing market environment shall be submitted to the board of directors for review with the approval of the Remuneration and Nomination Committee.

## Chapter 8 Supplementary Provisions

**Article 23** In these terms of reference, the meaning of "or more" shall be the same as defined in the Articles of Association.

**Article 24** Matters not provided for under these terms of reference shall be implemented in accordance with provisions of the relevant PRC laws, regulations, Listing Rules and the Articles of Association.

**Article 25** These terms of reference shall be revised if necessary according to the changes of the actual situation. The draft amendments shall be put forward by the Remuneration and Nomination Committee and submitted to the board of directors for approval.

**Article 26** Upon consideration and approval by the board of directors, these terms of reference shall become effective from May 29, 2023.

**Article 27** These terms of reference shall be interpreted by the board of directors.

* *The English version is for reference only. Should there be any inconsistency between the English and Chinese versions, the latter shall prevail.*