

# **China Pacific Insurance (Group) Co., Ltd. (the “Company”)**

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

### **Chapter 1 General Provision**

**Article 1** In order to perfect the governance structure of the Company and further establish a sound administration system for the nomination and remuneration of all directors, supervisors and senior management of the Company, in accordance with the *Company Law of the People’s Republic of China*, the *Code of Corporate Governance for Listed Companies*, the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited* and the *Code on Corporate Governance Practices in Appendix 14 thereto* (collectively, “**Hong Kong Listing Rules**”), the *Guiding Opinions concerning Regulating the Governance Structure of Insurance Companies (Trial Implementation)*, and the Articles of Association of China Pacific Insurance (Group) Co., Ltd. (the “**Articles of Association**”), the relevant resolutions of the shareholders’ general meeting and other relevant provisions, the Company has established the nomination and remuneration committee of the board of directors (the “**Board**”) and formulated these Terms of Reference.

**Article 2** The remuneration and nomination committee is a special institution of the Board established in accordance with the Articles of Association, mainly responsible for formulating the criteria for appraising the performance of the directors and senior management of the Company, and carrying out appraisals for directors and senior management in accordance with the remuneration and performance management policies and structure formulated by the Board; determining and examining the specific remuneration packages and performance review of the directors and senior management of the Company; formulating plans for identifying candidates for, and formulating the criteria and procedure for selecting, the directors and senior management of the Company and carrying out the selection, and being accountable to the Board.

**Article 3** The term “remuneration” referred to in these Terms of Reference includes but is not limited to all salaries, bonuses, subsidies, benefits (in cash or in

kind), pensions, compensation (including compensation payable for loss or termination of their office or appointment), incentives, options, gifts of shares, value-added incentives, and so forth.

## **Chapter 2 Composition**

**Article 4** The nomination and remuneration committee shall consist of three or more non-executive directors and the majority of which shall be independent directors.

**Article 5** The members of the nomination and remuneration committee shall be nominated by the chairman of the Board or a simple majority of the independent directors or one-third of all directors, and shall be selected by the Board through election.

**Article 6** The nomination and remuneration committee shall have one chairman (convenor), who shall be an independent director and in charge of the work of the committee. The chairman (convenor) shall be selected by the Board through election.

**Article 7** The term of office of the members of the nomination and remuneration committee shall be the same as that of the directors, and when the term of office of a member expires, he may serve a consecutive term subject to re-election. During the term of office, if any member no longer serves as director or independent director of the Company, he shall automatically lose his eligibility for membership, and the Board shall fill the vacancy to the number required in accordance with the provisions of Articles 4 and 6 above.

During his term of office, a member may tender resignation, which shall take effect upon approval by the Board. The Board shall fill the vacancy to the number required in accordance with the provisions of Articles 4 and 6 above.

Before the term of office of a member expires, the committee shall not dismiss the member without reason.

**Article 8** Each of the members of the nomination and remuneration committee shall disclose to the committee that:

(1) any personal financial interests in any matter which is to be decided by the remuneration and nomination committee (except for the interests which the member has as a shareholder); or

(2) any potential conflict of interests which may arise from cross-directorships.

If the above interest relationship exists, the member concerned shall abstain from voting when a vote is taken on the relevant resolution, and shall not participate in the discussion of the relevant resolution, and shall resign from his position in the remuneration and nomination committee at the request of the Board.

### **Chapter 3 Board Diversity**

**Article 9** In designing the Board's composition, the Company should consider Board diversity from a number of aspects, including but not limited to gender, age, cultural and educational background and professional experience. All appointments to the Board should be made upon holistic consideration of the capabilities, skills and level of experience required for the Board's operation as a whole.

### **Chapter 4 Responsibilities and Authority**

**Article 10** The main responsibilities and authority of the remuneration and nomination committee are as follows:

(1) to make recommendations to the Board on the policies and structure for managing the remuneration and performance of all directors and senior management (including but not limited to the criteria, procedure and system for performance appraisal), and on the formulation of a formal and transparent procedure for setting policies and establishing framework for remuneration and performance management;

(2) to determine, with delegated responsibility, the remuneration packages of all directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board on the remuneration of non-executive directors, having considering the salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the group;

(3) by reference to the corporate guiding principles, goals and objectives formulated by the Board, to assess and appraise the performance of their duties for the directors and senior management and conduct their annual appraisals as well as to examine and approve performance-based remuneration;

(4) to determine the total annual remuneration of all directors and senior management of the Company;

(5) to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is consistent with relevant contractual terms and are otherwise fair, reasonable and not excessive;

(6) to review and approve 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;

(7) on the basis of the operating activities, asset scale and shareholding structure of the Company, review the structure, number of members and composition of the Board annually (including skills, knowledge, and experience, and the Board diversity considerations mentioned in Chapter 3 of these Terms of Reference), and to make recommendations on any proposed change to the Board to complement the corporate strategy of the Company;

(8) to examine the system for selecting directors and senior management and make recommendations to the Board;

(9) to identify individuals suitably qualified to be directors and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(10) to assess the independence of independent non-executive directors;

(11) to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors in particular the chairman and the president;

(12) to examine candidates nominated by the president for the positions of senior management, and to make recommendations to the Board;

(13) to examine candidates for the positions of senior management that require nomination of the Board , and make recommendations accordingly;

(14) to review the terms of the employment agreements of directors from time to time;

(15) to report to the Board on its acts, decisions and proposals so that the Board may have a comprehensive understanding of them, unless the relevant laws or regulatory requirements place limits on such report;

(16) to ensure that no director or any of his associates is involved in deciding his own remuneration; the remuneration of non-executive directors who act as member of the remuneration and nomination committee shall be determined by other members of the remuneration and nomination committee;

(17) to review the Board diversity policy mentioned in Chapter 3 of these Terms of Reference whenever appropriate to ensure effective implementation and, upon discussion, to make recommendations to the Board on amendments to the said policy; such recommendations shall take effect upon approval by the Board; and

(18) other matters authorized by the Board.

**Article 11** The remuneration and nomination committee shall be accountable to the Board. The nominations made by the committee shall be presented to the Board for consideration and decision. The recommendation made by the committee on the remuneration of the directors and senior management of the Company shall be firstly presented to the Board for approval, and then submitted to the shareholders' general meeting for consideration and approval before implementation.

Remuneration plans or programs formulated by the remuneration and nomination committee shall conform to the overall development strategy and interests of the Company.

**Article 12** When performing duties under these Terms of Reference, the remuneration and nomination committee shall:

(1) determine such levels of remuneration as necessary for attracting, retaining and giving incentive to the directors and senior management who meet the requirements of the Company, provided that it should avoid paying remuneration at levels higher than what is reasonably needed;

(2) consider the positioning of the Company compared to other companies, keep updated with the remuneration levels of comparable companies while considering the corresponding performance;

(3) give due consideration to remuneration levels from a wider perspective, including the remuneration levels of the Company internally and externally, especially

at the time of determining the annual pay increase;

(4) ensure that performance-linked remuneration accounts for a relatively significant proportion of the remuneration of directors so that their interests are in line with the interests of shareholders, and to provide incentive for improving performance; and

(5) consult the chairman and/or president about their remuneration proposals for other executive directors. The nomination and remuneration committee should have access to independent professional advice if necessary.

**Article 13** The Company shall provide the remuneration and nomination committee with sufficient manpower and resources to perform its duties. If necessary, the remuneration and nomination committee may have access to advice from an intermediary on its decision at the expense of the Company.

## **Chapter 5      Rules of Procedure**

**Article 14** The remuneration and nomination committee shall, in accordance with the provisions of the relevant laws and regulations and the Articles of Association, and in the light of the actual situation of the Company and appropriate consideration of the diversity of the Board, study the eligibility conditions, selection procedure, and terms of office of the directors and senior management of the Company, and shall present its views, suggestions and reports in writing to the Board.

**Article 15** The procedures for selecting the directors and senior management are as follows:

(1) the remuneration and nomination committee shall proactively communicate with the relevant departments of the Company, consider the demand of the Company for new directors and senior management, and prepare written materials accordingly;

(2) the remuneration and nomination committee may extensively seek and collate information regarding candidates for the positions of directors and senior management;

(3) to collect information regarding the occupations, academic qualifications, positions, detailed work experience, and all the part-time job of the candidates, and prepare written materials accordingly;

(4) to seek consent for nomination from persons to be nominated, without which, such persons shall not be nominated as candidate for the positions of directors or

senior management;

(5) to convene meetings of the remuneration and nomination committee and to examine the eligibility of the candidates for the positions of directors or senior management based on the qualifications and conditions required;

(6) before selecting new senior management, to present to the Board recommendations and relevant materials relating to the candidates for the positions of directors and senior management;

(7) carry out other follow-up work based on the resolutions and feedback of the Board.

**Article 16** The procedures of the remuneration and nomination committee for appraising directors and senior management are as follows:

(1) the directors and senior management of the Company shall report their work and present self-appraisal to the remuneration and nomination committee of the Board;

(2) the remuneration and nomination committee shall appraise the performance of the directors and senior management based on the criteria and procedure of the remuneration and nomination committee for performance appraisal;

(3) on the basis of the remuneration distribution plan of the Company, and in the light of performance appraisal results, propose the amounts of remuneration and forms of incentive to be given to the directors and senior management;

(4) matters which shall be submitted to the Board for consideration shall be implemented upon approval by the Board, other matters shall be handed down to the work group for implementation.

**Article 17** The meetings of the remuneration and nomination committee shall be convened and presided over by its chairman. If the chairman cannot attend the meeting, he may appoint another member to preside over the meeting.

**Article 18** A meeting of the remuneration and nomination committee shall only be held when not less than two-thirds of its members are present. Each member shall have one vote. The opinions, suggestions and reports formed by the meeting require the affirmative vote of more than one half of all of its members to be passed.

**Article 19** The meetings of the remuneration and nomination committee may be held by way of on-site meetings, video-conference, teleconference, or other communication methods. If an on-site meeting is convened, a vote by a show of hands or by poll may be taken. If a meeting is held by way of communication, a

vote may be taken by facsimile or letter.

**Article 20** Where necessary, the chairman (convenor) may invite other relevant persons to attend the meetings.

**Article 21** The remuneration and nomination committee shall adopt a withdrawal system for its proceedings. Where a member of the remuneration and nomination committee falls in any of the following circumstances, he shall make disclosure to the remuneration and nomination committee in advance and shall proactively apply for withdrawal when the remuneration and nomination committee proceeds the meeting. Other members of the remuneration and nomination committee may also request the withdrawal of the member.

(1) where the remuneration or appraisal of the member of the remuneration and nomination committee is discussed or a proposal is made that the member himself be nominated;

(2) where the remuneration or appraisal of a close relative of the member of the remuneration and nomination committee is discussed or a proposal is made that a close relative of the member himself be nominated;

(3) other circumstances which may affect the objective and impartial judgment of the remuneration and nomination committee.

The “close relatives” referred to in this article include parents, spouses, siblings and their spouses, adult children and their spouses, parents of spouses, siblings of spouses and their spouses, siblings of parents and their spouses, and adult children of the siblings of parents and their spouses.

The withdrawal of a member shall be decided by the chairman. The withdrawal of the chairman shall be decided by the remuneration and nomination committee.

The members who withdraw shall leave the meetings temporarily and shall not participate in the discussion or voting of the remuneration and nomination committee on the item for which he should withdraw, and any vote cast by him shall not be counted into valid votes.

**Article 22** Where the Board resolves to approve any remuneration or compensation arrangements with which the remuneration committee disagrees, the Board should disclose the reasons for its resolution in its next corporate governance report.

**Article 23** The remuneration and nomination committee shall have complete minutes of its meetings. The members present at a meeting shall sign the minutes of



the meeting. The minutes shall be kept by the secretary to the Board. The form and number of years for retention shall follow the form and number of years of retention of the documents of the Board.

**Article 24** Opinions, suggestions and reports adopted by, and voting results of, the remuneration and nomination committee shall be reported to the Board in writing for the record or consideration.

## **Chapter 6 Supplemental Provisions**

**Article 25** These Terms of Reference shall take effect as of the date on which they are adopted by the Board.

**Article 26** Any matters which are not fully provided for in these Terms of Reference shall be implemented in accordance with the provisions of the relevant laws and regulations of the PRC, the Hong Kong Listing Rules and the Articles of Association. If there is any conflict between these Terms of Reference and any laws or regulations promulgated by the PRC in the future, or with the Hong Kong Listing Rules or the Articles of Association as amended through legal procedures, the provisions of the relevant laws and regulations of the PRC, the Hong Kong Listing Rules and the Articles of Association shall prevail, and these Terms of Reference shall be amended forthwith and submitted to the Board for consideration and, if thought fit, adoption.

**Article 27** These Terms of Reference, the role of the nomination committee, and the explanation of the authority delegated to it by the Board shall be published in accordance with the relevant provisions.

**Article 28** The power of interpretation and amendment of these Terms of Reference shall be vested in the Board.

**Article 29** These Terms of Reference are written in Chinese and English. The English language version is only a translation. If there is any discrepancy between the two versions, the Chinese version shall prevail.