

**CHINA EVERBRIGHT LIMITED**  
**BOARD OF DIRECTORS**  
**TERMS OF REFERENCE**

LEGAL & COMPANY SECRETARIAL DEPARTMENT

(Version Date: 27 August 2014)

**1. Definition**

1.1 For the purpose of these Terms of Reference, the following capitalized terms shall have the meanings as follows: -

- “Articles” means the Articles of Association of the Company;
- “Board” means the Board of Directors of the Company, which consists of all Directors of the Company and acts collectively;
- “CAO” means the Chief Administration Officer of the Group;
- “CEO” means the Chief Executive Officer of the Group, the highest ranking executive of the Group;
- “CFO” means the Chief Financial Officer of the Group;
- “CIO” means the Chief Investment Officer of the Group, there may be more than one CIO of the Group;
- “Chairman” means the Chairman of the Board;
- “Committees” means the committees established by the Board to which the Board sets out their respective terms of reference;

“Companies Ordinance”	means the Companies Ordinance, Chapter 32 of the Laws of Hong Kong;
“Company Secretary”	means the Company Secretary of the Company;
“Company”	means China Everbright Limited;
“CRO”	means the Chief Risk Officer of the Group;
“Deputy Chairman”	means the Deputy Chairman of the Group;
“Designated Secretary”	means the person designated by the Board and the Committees from time to time for the purpose of, among others, arranging meetings, recording and preparing minutes of meetings;
“Directors”	means the directors of the Company;
“Exchange”	means the Stock Exchange of Hong Kong Limited;
“Executive Directors”	means the Directors who are involved in the daily management and operation of the Group;
“Group”	means China Everbright Limited and its subsidiaries;
“Independent Non-Executive Directors”	means the Directors who are not involved in the daily management and operation of the Group and are independent from the Group;
“Listing Rules”	means the Rules Governing the Listing of Securities on

the Stock Exchange of Hong Kong Limited and the amendments applicable thereto from time to time;

“Management Decision Committee” or “MDC” means the committee consisting of the Senior Management and other persons appointed by the CEO, which is responsible for assisting the CEO to monitor and manage the business and affairs of the Group;

“Non-Executive Directors” means the Directors who are not involved in the daily management and operation of the Group and are not independent from the Group;

“Senior Management” means the CEO, CFO, CRO, CAO and CIOs;

“Shareholders” means the shareholders of the Company; and

“Subsidiaries” means the entities which are accounted for and consolidated accounts of the Company as subsidiaries pursuant to applicable Hong Kong Financial Reporting Standards or International Financial Reporting Standards.

1.2 Where the context so permits or requires, words importing the singular number include the plural and vice versa and words permitting the masculine gender include the feminine and neuter genders and vice versa.

1.3 These Terms of Reference supersede all previous mandates and/or terms of reference of the Board and shall be interpreted and construed in accordance with and subject to the Companies Ordinance, the Listing Rules and the Articles.

1.4 Should there be any inconsistency between the English and Chinese versions of these Terms of Reference, the English version shall prevail.

## **2. Terms of Reference**

- 2.1 These Terms of Reference set out the terms of reference, powers and responsibilities of the Board, the Committees and the Senior Management to ensure clear segregation of powers and responsibilities between the Board and the Senior Management and those between the Chairman and the CEO and to build up an effective and efficient corporate governance structure of the Group.
- 2.2 Unless otherwise stated, these Terms of Reference adopt and incorporate the Code Provisions of Appendix 14 of the Listing Rules (Corporate Governance Code) and the amendments from time to time applicable thereto.

## **3. Board**

- 3.1 The Board assumes responsibilities for the leadership and control of the Company and shall be collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors should make decisions objectively in the best interests of the Company. The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether he is spending sufficient time performing them.
- 3.2 The Board should have a balance of skills and experience appropriate for the requirements of the Group's business. It should ensure that changes to its composition can be managed without undue disruption. It should include a balanced composition of Executive and Non-Executive Directors (including Independent Non-Executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgment. Non-Executive Directors should be of sufficient calibre and number for their views to carry weight.
- 3.3 The Board should meet regularly and Board meetings should be held at least

4 times a year at approximately quarterly intervals. Regular Board meetings will involve the active participation, either in person or through electronic means of communication, of a majority of Directors entitled to be present. Obtaining Board consent through circulating written resolutions is not a regular meeting.

- 3.4 All Directors are given an opportunity to include matters in the agenda for regular Board meetings.
- 3.5 Notice of at least 14 days should be given of a regular Board meeting to give all Directors an opportunity to attend. For all other Board meetings, reasonable notice should be given.
- 3.6 Minutes of Board meetings and meetings of Committees should be kept by the Designated Secretary and should be open for inspection at any reasonable time on reasonable notice by any Director.
- 3.7 Minutes of Board meetings and meetings of Committees should record in sufficient detail the matters considered and decisions reached, including any concerns raised by Directors or dissenting views expressed. Draft and final versions of minutes should be sent to all Directors for their comment and records respectively, within a reasonable time after the Board meeting is held.
- 3.8 Upon a reasonable request of any Director, the Board should resolve to provide separate independent professional advice, at the Company's expense, to the Director to assist him perform his duties to the Company.
- 3.9 If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter should be dealt with by a physical Board meeting rather than a written resolution. Independent Non-Executive Directors who, and whose associates, have no material interest in the transaction should be present at that Board meeting.

- 3.10 The Company should arrange appropriate insurance cover in respect of legal action against the Directors.
- 3.11 The Board shall exercise all powers that are not otherwise exclusively reserved for the Shareholders' meetings in respect of the management of the Company. The terms of reference, powers and responsibilities of the Board are: -
- (a) To supervise the management of the business and affairs of the Company with due regard to maximizing Shareholders' value;
  - (b) To provide strategic guidance for the Senior Management;
  - (c) To develop and review the Company's policies and practices on corporate governance;
  - (d) To review and monitor the training and continuous professional development of Directors and Senior Management;
  - (e) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
  - (f) To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;
  - (g) To review the Company's compliance with the code and disclosure in the Corporate Governance Report;
  - (h) To monitor and evaluate the performance of the Senior Management;
  - (i) To exercise all powers expressly reserved by the Board under these Terms of Reference; and

- (j) To exercise all powers not expressly delegated by the Board to the Committees or Senior Management under these Terms of Reference.

3.12 The following powers are expressly reserved by the Board: -

- (a) To appoint and remove any member of the Senior Management;
- (b) To appoint and remove the Company Secretary and Designated Secretary;
- (c) To establish or abolish any Committee and to approve the terms of reference of the Committees;
- (d) To approve the Company's "discloseable transaction", "major transaction", "very substantial disposal", "very substantial acquisition", "connected transaction", "continuing connected transaction" and other transactions and matters which announcements and/or independent Shareholders' approvals are required under the Listing Rules;
- (e) To approve the annual budgets of the Company; and
- (f) To interpret and amend these Terms of Reference.

3.13 Where appropriate, the Board and the Committees shall be entitled to request any member of the staff of the Group or the external auditors of the Group to attend any of their meetings.

3.14 Notwithstanding that its powers and responsibilities may have been delegated to the Committees or Senior Management under these Terms of Reference, the Board shall have an inherent power to exercise the same at any time if the Board thinks fit.

3.15 Should there be any matters or scenarios which these Terms of Reference

has not anticipated, mentioned or dealt with, those matters or scenarios should be brought before the Board for consideration, discussion and determination.

- 3.16 Should there be any inconsistency, the decisions of the Board shall prevail over those of the Committees and Senior Management, and the decisions of the Committees shall prevail over those of the Senior Management.

#### **4. Chairman**

- 4.1 The roles of the Chairman and the CEO should be separate and should not be performed by the same individual.
- 4.2 The Chairman should ensure that all Directors are properly briefed on issues arising at Board meetings.
- 4.3 The Chairman should be responsible for ensuring that Directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable.
- 4.4 The Chairman shall lead the Board. The Chairman should ensure that the Board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner. The Chairman should be primarily responsible for drawing up and approving the agenda for each Board meeting. He should take into account, where appropriate, any matters proposed by the other Directors for inclusion in the agenda. The Chairman may delegate this responsibility to a designated Director or the Company Secretary.
- 4.5 The Chairman should take primary responsibility for ensuring that good corporate governance practices and procedures are established.
- 4.6 The Chairman should encourage all Directors to make a full and active



contribution to the Board's affairs and take the lead to ensure that it acts in the best interests of the Company. The Chairman should encourage Directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that Board decisions fairly reflect Board consensus.

- 4.7 The Chairman should at least annually hold meetings with the Non-Executive Directors (including Independent Non-Executive Directors) without the Executive Directors present.
- 4.8 The Chairman should ensure that appropriate steps are taken to provide effective communication with Shareholders and that their views are communicated to the Board as a whole.
- 4.9 The Chairman should promote a culture of openness and debate by facilitating the effective contribution of Director (in particular, Non-Executive Directors) and ensuring constructive relations between Executive and Non-Executive Directors.
- 4.10 The Chairman should chair Board meetings and general meetings (both annual general meetings and extraordinary general meetings) of the Company.
- 4.11 The Chairman does not participate in the daily management and operation of the Group.

## **5. Deputy Chairman**

- 5.1 The Chairman delegates all his powers and responsibilities to the Deputy Chairman when the Chairman is out of Hong Kong.

## **6. Directors**

- 6.1 The Directors, both collectively and individually, shall fulfil fiduciary duties and duties of skill, care and diligence to a standard at least commensurate with the standard established by Hong Kong law. Every Director must, in the performance of his duties as a Director: -
- (a) Act honestly and in good faith in the interest of the Company as a whole;
  - (b) Act for proper purpose;
  - (c) Be answerable to the Company for the application or misapplication of its assets;
  - (d) Avoid actual and potential conflicts of interest and duty;
  - (e) Disclose fully and fairly his interests in contracts with the Company; and
  - (f) Apply such degree of skill, care and diligence as may reasonably be expected of a person of his knowledge and experience and holding his office with the Company.
- 6.2 Directors must satisfy the required levels of skill, care and diligence. Delegating their functions is permissible but does not absolve them from their responsibilities or from applying the required levels of skills, care and diligence. Directors do not satisfy these required levels if they pay attention to the Company's affairs only at formal meetings. At a minimum, they must take an active interest in the Company's affairs and obtain a general understanding of its business. They must follow up anything untoward that comes to their attention.
- 6.3 The duties mentioned above are summarized in "A Guide on Directors' Duties" issued by the Companies Registry and Directors are generally expected by the Exchange to be guided by the Guidelines for Directors and the Guide for Independent Non-Executive Directors published by the Hong

Kong Institute of Directors. Those publications are included in the induction materials prepared by the Company Secretary to the Directors.

## **7. Company Secretary and Designated Secretary**

7.1 The Company Secretary and Designated Secretary play important roles in supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. The Company Secretary and Designated Secretary are responsible for advising the Board through the Chairman and the CEO on governance matters and should also facilitate induction and professional development of Directors.

7.2 The Company Secretary and Designated Secretary shall: -

- (a) Meet the qualification requirements set out in the Listing Rules;
- (b) Act in good faith for the best interest of the Company as a whole;
- (c) Avoid any conflict between personal interests and interests of the Company;
- (d) Be responsible for and accountable to the Board or Committees as a whole;  
and
- (e) Give detailed fair and impartial advice to the Board or Committees under all circumstances.

7.3 The Company Secretary, with the assistance of the Designated Secretary, shall: -

- (a) Ensure the smooth running of the Board's and Committees' activities by assisting the Chairman and the chairman of the Committees to set agenda, scrutinizing and presenting papers to the Board and Committees, recording and preparing minutes of the meetings of the Board and the Committees;

- (b) Assist the Chairman to arrange and manage the general meetings of the Company;
- (c) Co-ordinate, facilitate and provide a comprehensive, formal and tailored induction on the first occasion of the appointment of every new Director;
- (d) Assist the Board to arrange for continuing professional development of the Directors as set out in the Listing Rules; and
- (e) Be provided with necessary information in order to ensure that the Company complies with all statutory filings under the Companies Ordinance, disclosure of interest under the Securities and Futures Ordinance and regulatory disclosures under the Listing Rules.

7.4 The Company Secretary shall report directly and accountable to the CEO. In respect of the daily administrative matters, the Company Secretary reports to the CFO.

7.5 All Directors should have access to the advice and services of the Company Secretary to ensure that Board procedures, and all applicable law, rules and regulations, are followed.

## **8. Committees**

8.1 The Board may set up standing or ad hoc committees as it considers necessary and appropriate to assist it in carrying out its powers and responsibilities. The standing Committees are as follows: -

- (a) Executive Committee;
- (b) Audit and Risk Management Committee;

- (c) Nomination Committee;
- (d) Remuneration Committee; and
- (e) Strategy Committee.

The chairman and members of the Committees (including the Company Secretary and Designated Secretary) are shown in the Schedule herein and are duly appointed by the Board.

8.2 The Board shall approve terms of reference governing the purposes, composition, powers and responsibilities of the Committees.

8.3 The Committees shall be accountable to the Board.

## **9. Executive Committee**

9.1 The members of the Executive Committee shall be appointed and removed by the Board.

9.2 Any member of the Executive Committee may call for a meeting.

9.3 The quorum for a meeting of the Executive Committee shall be 2, provided that the Deputy Chairman is present.

9.4 Matters of the Executive Committee shall be resolved by simple majority in meetings, by telephone and/or video conferences, or by circulating (via e-mail, fax or any other communication devices) and signing written resolutions or in any other ways which the Executive Committee thinks fit. The Deputy Chairman shall have a veto over any matters tabled before the Executive Committee.

9.5 The chairman of the Executive Committee may set rules and procedures for

the meetings of the Executive Committee.

9.6 The terms of reference, powers and responsibilities of the Executive Committee are: -

- (a) To approve the corporate objectives and business development plans proposed by the management;
- (b) To approve material transactions of the Company which are not required to be disclosed under the Listing Rules;
- (c) To approve any material change of the business nature of the divisions and departments of the Group;
- (d) To approve the establishment of new divisions and departments of the Group;
- (e) To approve material issues regarding the Company's interest as a shareholder of Everbright Bank and Everbright Securities in Mainland China; and
- (f) To propose to the Board the establishment or abolishing of any Committees.

#### **10. Audit and Risk Management Committee ("ARMC")**

10.1 The members of the ARMC shall be appointed or removed by the Board. The ARMC shall consist of all Independent Non-Executive Directors and its chairman shall be an Independent Non-Executive Director.

10.2 Any member of the ARMC may call for a meeting.

10.3 The quorum for a meeting of the ARMC shall be 2.

10.4 The CRO and the Head of Internal Audit and Compliance Department of the

Group shall report directly to and accountable to the ARMC. In respect of the daily administrative matters, the CRO reports to the CEO and the Head of Internal Audit and Compliance Department reports to the CRO.

- 10.5 Matters of the ARMC shall be resolved by simple majority in meetings, or by circulating (by e-mail, fax or any other communication devices) and signing written resolutions or in any other ways which the ARMC thinks fit, provided that the reviews of the interim and annual financial statements of the Group shall be conducted in meetings.
- 10.6 The chairman of the ARMC may set rules and procedures for the meetings of the ARMC.
- 10.7 The terms of reference, powers and responsibilities of the ARMC are: -
- (a) To be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
  - (b) To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The ARMC should discuss with the auditors the nature and scope of the audit and reporting obligations before the audit commences;
  - (c) To develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The ARMC should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

- (d) To monitor integrity of the Company's financial statements and annual reports and accounts, half-year reports, and to review significant financial reporting judgments contained in them. In reviewing these reports before submission to the Board, the ARMC should focus primarily on: -
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from audit;
  - (iv) the going concern assumptions and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;
  
- (e) Regarding (d) above: -
  - (i) members of the ARMC should liaise with the Board and Senior Management and the ARMC must meet, at least twice a year, with the Company's auditors; and
  - (ii) the ARMC should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;
  
- (f) To review the Company's financial controls, internal control and risk management systems;
  
- (g) To discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system. This discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function;



- (h) To consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- (i) To ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;
- (j) To review the Company's financial and accounting policies and practices;
- (k) To review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- (l) To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- (m) To review arrangements employees of the Group can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The ARMC should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up actions;
- (n) To act as the key representative body for overseeing the Company's relations with the external auditor;
- (o) To establish a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the ARMC about possible improprieties in any matter related to the Company;

- (p) To hold at least 4 meetings every year;
- (q) To report to the Board on the matter herein; and
- (r) To consider other topics, as designated by the Board.

## **11. Nomination Committee**

- 11.1 Members of the Nomination Committee shall be appointed or removed by the Board. The chairman of the Nomination Committee shall be an Independent Non-Executive Director. Independent Non-Executive Directors shall represent majority of the Nomination Committee.
- 11.2 Any member of the Nomination Committee may call for a meeting.
- 11.3 The quorum for a meeting of the Nomination Committee shall be 2, provided that the chairman of the Nomination Committee is present.
- 11.4 Members of the Nomination Committee shall be resolved by simple majority in meetings, by telephone and/or video conference, or by circulating (by e-mails, fax or any other communication devices) and signing written resolutions or in any other ways which the Nomination Committee thinks fit.
- 11.5 The chairman of the Nomination Committee may set rules and procedures for the meetings of the Nomination Committee.
- 11.6 The terms of reference, powers and responsibilities of the Nomination Committee are: -
  - (a) To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

- (b) To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- (c) To assess the independence of Independent Non-Executive Directors;
- (d) To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the CEO;
- (e) To make recommendation to the Board on the appointment or re-appointment of Senior Management; and
- (f) To be responsible for any other terms of reference approved by the Board.

11.7 Should the Nomination Committee think fit, it may seek independent professional advice, at the Company's expense, to perform its responsibilities.

## **12. Remuneration Committee**

12.1 The members of the Remuneration Committee shall be appointed or removed by the Board. The chairman of the Remuneration Committee shall be an Independent Non-Executive Director. Independent Non-Executive Directors shall represent majority of the Remuneration Committee.

12.2 The quorum for a meeting of the Remuneration Committee shall be 3, provided that the chairman of the Remuneration Committee is present.

12.3 Matters of the Remuneration Committee shall be resolved by simple majority in meetings, by telephone and/or video conference, or by circulating (by e-mail, fax or any other communication devices) and signing written

resolutions or in any other ways which the Remuneration Committee thinks fit.

12.4 The chairman of the Remuneration Committee may set rules and procedures for the meetings of the Remuneration Committee.

12.5 The terms of reference, powers and responsibilities of the Remuneration Committee are: -

- (a) To make recommendations to the Board on the Company's policy and structure for all Directors' and Senior Management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (b) To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (c) To determine the remuneration packages of individual Executive 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;
- (d) To make recommendations to the Board on the remuneration of Independent Non-Executive Directors and Non-Executive Directors;
- (e) To consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- (f) To review and approve 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 not excessive;

- (g) 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; and
  - (h) To ensure that no Director or any of his associates is involved in deciding his own remuneration.
- 12.6 Should the Remuneration Committee think fit, it may seek independent professional advice, at the Company's expense, to perform its responsibilities.

### **13. Strategy Committee**

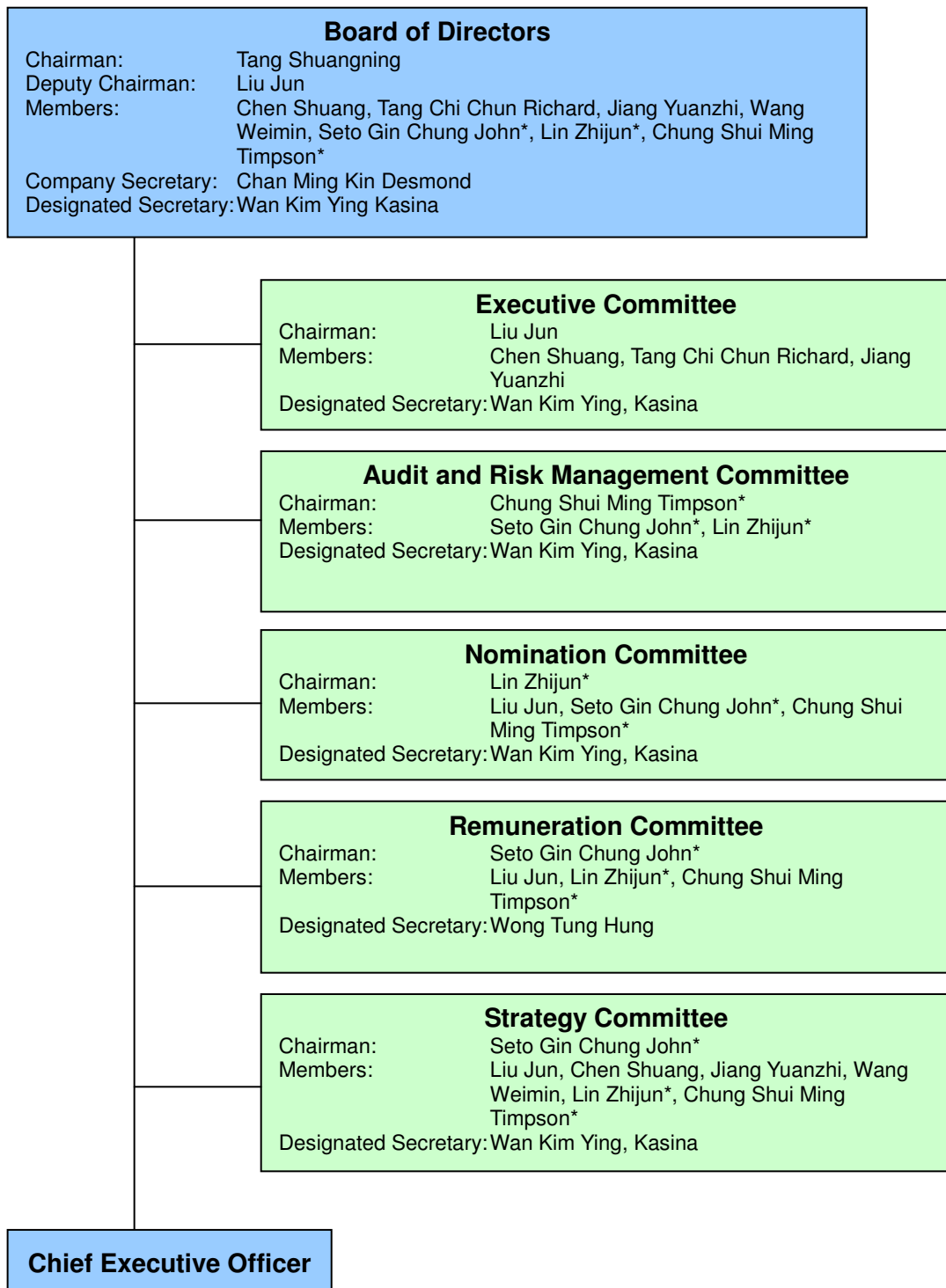
- 13.1 The members of the Strategy Committee shall be appointed or removed by the Board. The Strategy Committee shall have at least 4 members and its chairman shall be elected among its members.
- 13.2 Any member of the Strategy Committee may call for a meeting.
- 13.3 The quorum for a meeting of the Strategy Committee shall be 3, provided that the chairman of the Strategy Committee is present.
- 13.4 Matters of the Strategy Committee shall be resolved by simple majority in meetings, by telephone and/or video conference, or by circulating (by e-mail, fax or any other communication devices) and signing written resolutions or in any other ways which the Strategy Committee thinks fit.
- 13.5 The chairman of the Strategy Committee may set rules and procedures for the meetings of the Strategy Committee.
- 13.6 The terms of reference, powers and responsibilities of the Strategy Committee are: -

- (a) To review, analyze and make recommendations to the Board on the long-term strategic development and planning; and
- (b) To consider other topics as designated by the Board.

**14. Chief Executive Officer**

- 14.1 Subject to those expressly reserved herein, the Board grants its powers and delegates its responsibilities to the CEO for the daily administration, operation and management of the business and affairs of the Group.
- 14.2 The CEO is the highest ranking executive of the Group and the ultimate owner of responsibilities of daily administration, operation and management of the business and affairs of the Group.
- 14.3 The CEO is accountable to the Board.

## SCHEDULE



\* Independent Non-Executive Director