



## **COSCO Pacific Limited**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1199)**

# **Terms of Reference of Remuneration Committee**

## **Chapter 1 General Provisions**

- Article 1 In order to ensure the continuous, standardised and healthy development of the Company, perfect the Company's governance structure, improve its regular operations, enhance the scientificity of the decision-making of the Board and establish a sound performance assessment and remuneration management system of the Directors and Senior Management, the Company formulates these terms of reference (the "Terms of Reference") in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Bye-laws of the Company and other related regulations.
- Article 2 The Remuneration Committee (the "Committee") is a body mainly responsible for formulating and examining the remuneration and welfare policy and scheme of the Directors and the Senior Management of the Company. The Committee is responsible to the Board. Remuneration levels should be sufficient to attract and retain Directors to run the company successfully without paying more than necessary.
- Article 3 The Committee should consult the Chairman and/or the Chief Executive (or the Managing Director) about their remuneration proposals for other Executive Directors. Where necessary, the Committee should seek independent professional advice, at the Company's expense. The remuneration plan of the Directors proposed by the Committee shall be approved by the Board and shall be implemented upon approval at the general meeting. The Board shall be entitled to veto the remuneration plan and scheme that are detrimental to the interests of the shareholders.

Article 4 The Committee should be provided with sufficient resources to perform its duties.

Article 5 The Directors as referred herein shall refer to the Directors of the Company, and the Senior Management shall refer to the Managing Director, the Deputy Managing Director(s), the Financial Controller and the Company Secretary and other senior management proposed by the Managing Director to the Board for approval (The members of the Senior Management must be the same as those disclosed in the latest Annual Report of the Company).

**Chapter 2 Composition of the Committee**

Article 6 The Committee shall comprise five members, three of which shall be Independent Non-executive Directors.

Article 7 Members of the Committee shall be nominated by the Chairman of the Board of the Company or more than one half of the Independent Non-executive Directors or one third of all Directors and shall be appointed by the Board through election.

Article 8 The Committee shall have a Chairman, who shall be an Independent Non-executive Director. The Chairman of the Committee shall be elected by the Committee and appointed by the Board.

Article 9 The term of office of the members of the Committee shall be in congruence with the term of the Board and the members may be re-elected for appointment upon the expiry of the current term of office. During the term, any member ceases to hold office as a Director will automatically lose the qualification as a member and the Committee shall appoint replacement in accordance with Articles 6 to 8 above.

Article 10 The working group subordinated to the Committee shall be responsible for delivering relevant information to the Committee, preparing meetings of the Committee and implementation of the resolutions passed by the Committee.

**Chapter 3 Roles and Responsibilities**

Article 11 The major roles and responsibilities of the Committee are:

- (1) 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;
- (2) To make recommendations to the Board on the remuneration of Non-executive Directors;
- (3) To review and approve the Management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (4) Either:
  - (i) to determine, with delegated responsibility, the remuneration packages of individual Executive Directors and Senior Management; or
  - (ii) to make recommendations to the Board on the remuneration packages of individual Executive Directors and Senior Management.

The adoption of model (i) or (ii) depends on whether the responsibility is delegated by the Board.

The aforementioned remuneration packages should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

- (5) To consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group;
- (6) 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 determined in office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- (7) 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;

- (8) To ensure that no director or any of his associates is involved in deciding his own remuneration;
- (9) To examine the implementation of functions and duties by Executive Directors and Senior Management; and
- (10) Other matters authorised by the Board.

#### **Chapter 4 Rules of Procedures**

- Article 12 The Committee shall hold at least two meetings each year and notify all members seven days (or another agreed date) prior to the meeting. The meeting shall be presided over by the Chairman of the Committee. In the event that the Chairman of the Committee is unable to attend the meeting, he/she shall authorise another member (Independent Non-executive Director) to preside over the meeting. A provisional meeting may be held by way of voting by correspondences or written resolutions signed by all members of the Committee.
- Article 13 The agenda and meeting materials should be issued three days (or another agreed date) before the meeting to all members.
- Article 14 The meeting of the Committee shall not be held unless three or more members attend the meeting. Each member shall have one vote and the resolutions made by the meeting must be approved by a majority of all members who attend the meeting.
- Article 15 The voting method of the meeting of the Committee shall be voting by a show of hands or by poll.
- Article 16 The Directors and the Senior Management may be invited by the Committee to attend its meeting as non-voting delegates when necessary.
- Article 17 When the matters discussed at the meeting are related to the member(s) of the Committee, the person(s) concerned shall be refrained from voting on that matter at the meeting.

- Article 18 The convening procedure and voting method of the meeting of the Committee and the remuneration plan and distribution scheme passed at such meetings shall comply with the stipulations of these Terms of Reference.
- Article 19 The meeting of the Committee shall have minutes. After the meeting a draft minutes should be sent to all member of the Committee for comments within a reasonable time, and members of the Committee who had attended the meeting shall sign the final draft of the minutes of the meeting. The minutes of the meeting shall be sent to all the members of the Committee and kept by the Company Secretary of the Company.
- Article 20 Resolutions passed by and voting results of the meeting of the Committee shall be reported to the Board in writing.
- Article 21 All members of the Committee attending the meeting shall have the obligation for keeping the discussed matters confidential and shall not disclose the relevant information.

## **Chapter 5 Supplementary Provisions**

- Article 22 These Terms of Reference came into force on 1st January 2005, the date when the Board approves the Terms of Reference and were amended by the Board on 25th February 2009 and 27th March 2012. The Committee should make available these Terms of Reference, explaining its role and the authority delegated to it by the Board by including them on the websites of The Stock Exchange of Hong Kong Limited and the Company.
- Article 23 For the matters which are not covered by these Terms of Reference, they shall be executed in accordance with the relevant laws of the Government of the Hong Kong Special Administrative Region, the Listing Rules and the Bye-laws of the Company. In the event that these Terms of Reference contravene the laws promulgated by the Government of the Hong Kong Special Administrative Region, the Listing Rules or the Bye-laws amended through lawful procedures, the relevant laws of the Government of the Hong Kong Special Administrative Region, the Listing Rules and the Bye-laws of the Company shall prevail, and these Terms of Reference shall be amended immediately and the amended Terms of Reference shall be reported to the Board for consideration and approval.

Article 24 The Board shall be vested with final interpretation power of these Terms of Reference.

Article 25 In the event of any inconsistency, the English language text of these Terms of Reference shall prevail over the Chinese language text.