



**第一拖拉机股份有限公司**  
**FIRST TRACTOR COMPANY LIMITED\***

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

(Stock Code: 0038)

## **IMPLEMENTATION RULES FOR THE REMUNERATION COMMITTEE OF THE BOARD OF DIRECTORS**

(Reviewed and approved at the First Meeting of the Fifth Board of Directors held on  
26 June 2009 and amended on 24 February 2012)

## **CHAPTER 1 GENERAL PROVISIONS**

**Article 1.** To establish and perfect a mechanism assessing and evaluating the performance of Directors and senior officers of the First Tractor Company Limited (hereinafter referred to as the Company) and develop a scientific and effective remuneration management system, the Board of Directors has set up a Remuneration Committee. These Implementation Rules shall be developed according to the Company Law of the People's Republic of China (hereinafter referred to as the Company Law), Rules Governing The Listing Of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the Listing Rules), the Articles of Association of the First Tractor Company Limited (hereinafter referred to as the Articles of Association), and other relevant regulations.

**Article 2.** The Remuneration Committee is a specialized working committee under the Board of Directors, primarily responsible for studying, reviewing and making suggestions on remuneration policies and programs applied to the Company's Directors, supervisors and senior officers.

**Article 3.** The terms "Directors and supervisors" mentioned in these Implementation Rules shall mean the Directors and supervisors receiving remuneration from the Company. The term "senior officers" shall mean the general manager, deputy general manager, chief financial officer and secretary of the Board of Directors appointed by the Company and other senior management recognized by the Board of Directors.

## **CHAPTER 2 COMPOSITION**

**Article 4.** The Remuneration Committee consists of five Directors, a majority of which shall be independent non-executive Directors. The members of the Remuneration Committee shall be nominated by the Chairman of the Board of Directors, half of the independent non-executive Directors or more than one-third of Directors, and appointed by the Board of Directors.

**Article 5.** The Remuneration Committee shall have a Chairman, who shall be an independent non-executive Director.

**Article 6.** The terms of office of the Remuneration Committee shall be the same as that of Directors. Upon expiry of his term of office, a member of the Audit Committee may be re-elected and re-appointed. If any Director no longer holds the position of a Director of the Company during such period, he will automatically lose his qualification of the Remuneration Committee. The Board of Directors shall determine the new candidates in accordance with the Articles 4 and 5 hereof.

**Article 7.** The chairman of the Remuneration Committee is responsible of

convening and chairing the meetings of the Remuneration Committee. When the chairman of the Remuneration Committee fails to or is unable to perform his duties, he shall appoint another member (an independent non-executive Directors) of the Remuneration Committee to perform such duties on behalf of him. If the Chairman of the Remuneration Committee neither perform his duties nor appoint another member to perform such duties on behalf of him, any member of the Remuneration Committee may report the relevant situations to the Board of Directors. The Board of Directors may appoint a member (an independent non-executive Director) to perform the duties of the Chairman of the Remuneration Committee.

### **CHAPTER 3: TERMS OF REFERENCE**

**Article 8.** The duties and powers of the Remuneration Committee shall include, but not limited to the following:

- (1) To make recommendations to the Board of Directors on the remuneration policies and structure for Directors, supervisors and senior officers, as well as the establishment of a formal and transparent procedure for developing remuneration policies;
- (2) To review and approve the management's remuneration proposal with reference to the Company's corporate goals and objectives set by the Board of Directors;
- (3) To determine with delegated responsibility the remuneration packages of individual executive Directors and senior officers under the authorization of the Board of Directors; or to make recommendations to the Board of Directors on the remuneration packages of individual executive Directors and senior officers. Benefits in kind, pension rights and compensation payments (including compensations payable for loss or termination of office or appointment) shall be included;
- (4) To make recommendations to the Board of Directors on the remuneration packages of non-executive Directors;
- (5) To consider salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the group;
- (6) To review and approve compensations payable to the executive Directors and senior officers 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;
- (7) To review and approve the compensation relating to dismissal or removal of directors for misconduct to ensure that they are consistent with the contractual terms and are otherwise reasonable and appropriate;

- (8) To monitor the implementation of the Company's remuneration policies to ensure that any Director or any of his associates is involved in deciding his own remuneration;
- (9) To consult with the Chairman of the Board of Directors and/or the general manager on the remuneration packages proposed by other executive Directors. If necessary, the Remuneration Committee should seek independent professional advice;
- (10) Other matters as authorized by the Board.

**Article 9.** The Remuneration Committee shall reports to the Board of Directors. The Remuneration Committee shall exercise its functions and powers in accordance with the relevant provisions of the Company Law, the Articles of Association, and these Implementation Rules, without infringing the legitimate rights and interests of the Company and the shareholders.

**Article 10.** The remuneration packages for the Company's Directors and supervisors proposed by the Remuneration Committee shall be, with the approval of the Board of Directors, submitted to the shareholders' general meeting for its consideration and approval before they can be implemented. The remuneration packages for the senior officers shall be reported to the Board of Directors for approval.

**Article 11.** The relevant departments of the Company shall support the Remuneration Committee to perform its duties.

#### **CHAPTER 4: WORKING PROCEDURES**

**Article 12.** The office of the Board shall, in collaboration with the human resources department and other departments, provide the following written materials to the Remuneration Committee for its decision-making:

- (1) Information on fulfillment by the Company of its major financial indicators and business objectives;
- (2) The scope of work and main responsibilities of the Company's senior officers;
- (3) Status of accomplishment of targets involved in the job performance appraisal system for the Directors, supervisors and senior officers;
- (4) Performance of Directors and senior officers in respect of their capabilities in business innovations and profit generation;
- (5) The basis for relevant estimations of remuneration plans and distribution methods

as proposed according to the performance of the Company.

**Article 13.** The evaluation procedure applied to the Directors, supervisors and senior officers:

- (1) The Company's Directors, supervisors and senior officers shall present work reports and self-evaluations to the Remuneration Committee;
- (2) The meeting of the Remuneration Committee shall be convened to evaluate performance of the Directors, supervisors and senior officers according to the performance evaluation standards and procedures;
- (3) The remuneration amount and means of reward for Directors, supervisors and senior officers shall be proposed according to the job performance evaluation results and the remuneration distribution policy. The results shall be approved by the Remuneration Committee and reported to the Board of Directors of the Company.

## **CHAPTER 5 RULES OF PROCEDURE**

**Article 14.** The Remuneration Committee shall notify all members five days prior to the date of the meeting. In case of emergency, an interim meeting may be convened if it is confirmed that the notice has reached all members of the Remuneration Committee, without the time limit of the aforementioned meeting notice.

**Article 15.** The Remuneration Committee meetings shall be held only if not less than two-thirds of the members are attended. The meeting shall be chaired by the Chairman of the Committee. If the Chairman of the Committee is unable to attend the meeting, he may appoint another member of the Committee (an independent non-executive Director) to chair the meeting.

**Article 16.** The Remuneration Committee meetings may be held by means of on-site meetings or audio/video conferences. The voting may be made by showing of hands or by poll. Each member shall have one vote. Resolutions made at the meeting shall be approved by a majority of the members.

**Article 17.** If necessary, the Remuneration Committee may invite other Directors, supervisors, management members and other relevant persons to sit in the meeting.

**Article 18.** If necessary, the Remuneration Committee may hire intermediary institutions to provide professional advice for its decision-making. Relevant expenses shall be borne by the Company.

**Article 19.** A Committee member shall withdraw from any discussion held by the

Remuneration Committee which concerns himself/herself.

**Article 20.** The procedures and method of voting of the Remuneration Committee meetings and proposals approved at the meetings shall comply with the provisions of relevant laws, regulations, the Articles of Association and these Implementation Rules.

**Article 21.** Minutes shall be taken at the Remuneration Committee meetings, which shall be signed by the members attending the meeting and shall be kept by the Secretary of the Board of Directors for not less than ten years.

**Article 22.** The resolutions passed by the Remuneration Committee meetings and the results of the voting shall be reported to the Board of Directors of the Company in writing.

**Article 23.** Members of the Remuneration Committee shall keep the confidentiality of the Company's information they access because of their office and shall not disclose the relevant information. Otherwise, they shall bear the corresponding legal responsibility.

## **CHAPTER 6 SUPPLEMENTARY PROVISIONS**

**Article 24.** Matters not covered by these Implementation Rules shall be handled in accordance with the provisions of relevant laws, rules and regulations of the PRC, as well as the Articles of Association. If there is any conflict between these Implementation Rules and the Articles of Association, the Articles of Association shall prevail.

**Article 25.** In these Implementation Rules, the scopes "above" and "below" a number shall include the number itself while the scopes "more than" and "less than" a number shall not include the number itself.

**Article 26.** These Implementation Rules shall be effective upon the date of review and approval by the Board of Directors. The effectiveness provision shall apply to amendments hereto.

**Article 27.** The Board of Directors shall be responsible for the interpretation of these Implementation Rules.

*# These Rules have both Chinese and English versions, the English version is for reference only. Should there be any discrepancy between the two versions, the Chinese version shall always prevail.*