

**CHINA TOBACCO INTERNATIONAL (HK) COMPANY LIMITED**  
**中煙國際（香港）有限公司**

**Term of Reference of Remuneration Committee**

**Members**

1. The members of the Remuneration Committee shall be appointed by the board of directors from amongst the independent non-executive directors.
2. The chairman of the Remuneration Committee shall be appointed by the board of directors.
3. The quorum for meetings of the Remuneration Committee shall be two members.

**Secretary**

4. The company secretary shall be the secretary of the Remuneration Committee.

**Attendance**

5. The Chief Executive Officer shall be invited to attend Remuneration Committee meetings to discuss the performance and remuneration proposals of executive directors and where necessary, make recommendations.
6. The Chief Executive Officer shall report to the Remuneration Committee any material changes within the Group which may affect the remuneration structure and terms and conditions of other senior management.

**Frequency of meetings**

7. The Remuneration Committee shall meet at least once a year.

**Consultation**

8. The board of directors authorises the Remuneration Committee to seek appropriate independent professional advice at the Company's expense within or outside the Group as the Remuneration Committee deems necessary.

## **Duties**

9. The duties of the Remuneration Committee are:

- to make recommendations to the board of directors on 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, and make recommendations to the board of directors on the remuneration of non-executive directors. The Remuneration Committee should consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;
- to review and approve the management's remuneration proposals with reference to corporate goals and objectives resolved by the board of directors from time to time;
- 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;
- 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;
- to ensure that no director or any of his associates is involved in deciding his own remuneration;
- to make recommendations to the board of directors on the Company's policy and structure for remuneration of all directors, senior management and employees including salaries, incentive schemes and other share option schemes, and on the establishment of a formal and transparent procedure for developing remuneration policy;
- to make recommendations to the board of directors on disclosure of directors' remuneration (including policy for the remuneration of executive directors, details of remuneration of certain individuals and other terms and conditions) in the annual report on directors' remuneration (if applicable) sent by the board of directors to the shareholders;
- to make recommendations to the board of directors annually on whether the shareholders shall be requested to approve the policies set out in the report on directors' remuneration (if applicable) at the annual general meeting of the Company;
- report to the board of directors on its decisions or recommendations, unless there are legal or regulatory restrictions; and
- other matters required by laws, administrative regulations, departmental rules and authorized by the Board.

## **Minutes of meetings**

10. Minutes of meetings of the Remuneration Committee shall be sent to all members of the board of directors.

## **Performance review**

11. The Remuneration Committee shall review its performance annually with reference to the authorities and duties set out herein.