



**中國水務集團有限公司\***

**China Water Affairs Group Limited**

*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

(Stock Code: 855)

## **REMUNERATION COMMITTEE TERMS OF REFERENCE**

### **1. Constitution**

The board of directors of the Company (the “Board”) hereby constitutes and establishes a remuneration committee (the “Remuneration Committee”) with the authority, responsibility, and specific duties as described below.

### **2. Membership**

2.1 The members of the Remuneration Committee (the “Members”) shall be appointed by the Board comprising a majority of independent non-executive directors.

2.2 The Board shall appoint the chairman of the Remuneration Committee who must be an independent non-executive director. The Remuneration Committee shall comprise a minimum of three (3) Members. A quorum shall be two (2) Members.

2.3 Each Member shall disclose to the Remuneration Committee:

- (a) any personal financial interest (other than as a Shareholder) in any matter to be decided by the Remuneration Committee; and
- (b) any potential conflict of interest arising from a cross-directorship.

Any such Member shall abstain from voting on resolutions of the Remuneration Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so required by the Board) shall resign from the Remuneration Committee.

### **3. Responsibility**

The function of the Remuneration Committee is to make recommendations to the Board on remuneration matters of the directors and senior management, so as to ensure that their remuneration packages are fair and transparent.

\* For identification purposes only

#### **4. Authority**

The Remuneration Committee is granted the authority by the Board to investigate any activity within its terms of reference and all employees of the Company are directed to cooperate as requested by the Members. The Remuneration Committee is authorised by the Board to consult the chairman and/or the chief executive officer of the Company about their remuneration proposals for other executive directors. The Remuneration Committee should obtain other independent professional advice if necessary, at the Company's expense, to assist the Remuneration Committee and shall be provided with sufficient resources by the Company to perform its duties.

#### **5. Duties**

5.1 The duties of the Remuneration Committee include:

- (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) 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, 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 non-executive directors;
- (e) to consider salaries paid by comparable companies, time commitment and responsibilities, employment conditions elsewhere in the group and desirability of performance-based remuneration;
- (f) to review and/or approve matters relating to share schemes under Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules");
- (g) 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;

- (h) 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
  - (i) to ensure that no director or any of his associates is involved in deciding his own remuneration.
- 5.2 For the purpose of this term of reference, “senior management” should refer to the same persons as referred to in the Company’s annual report and is required to be disclosed under paragraph 12 of Appendix 16 to the Listing Rules.
- 5.3 In carrying out its duties under this terms of reference, the Remuneration Committee should:
  - (a) provide the packages needed to attract, retain and motivate directors of the quality required to run the Company successfully, without paying more than necessary;
  - (b) be sensitive to the wider scene, including pay and employment conditions elsewhere, especially when determining annual salary increases;
  - (c) ensure that a significant proportion of the executive directors’ remuneration is structured to link rewards to corporate and individual performance; and
  - (d) ensure that share options and share awards (if any) are offered in accordance with the Listing Rules (as amended from time to time).
- 5.4 If 5.1(c)(ii) is adopted, where the Board resolves to approve any remuneration or compensation arrangements with which the Remuneration Committee disagrees, the Board shall disclose the reasons for its resolution in its next Corporate Governance Report.

## **6. Frequency of Meetings**

Meetings shall be held as and when appropriate, but at least once annually.

**7. Attendance**

7.1 As necessary or desirable, the chairman of the Remuneration Committee may request that members of management be present at the meetings of the Remuneration Committee.

7.2 Meetings may be held by way of telephone conference.

**8. Secretary**

The company secretary of the Company (the “Company Secretary”) shall be the secretary of the Remuneration Committee.

**9. Minutes**

9.1 Minutes of the Remuneration Committee meetings shall be kept by the Company Secretary and draft and final versions of minutes of the meetings shall be circulated to all Members for their comments and records within a reasonable time after the meeting.

9.2 The Company Secretary shall circulate the minutes of the meetings of the Remuneration Committee to all directors of the Board.

**10. Annual General Meeting**

The chairman of the Remuneration Committee shall endeavor to attend the annual general meetings of the Company and be prepared to respond to any questions from the shareholders of the Company relating to the Remuneration Committee’s activities.

**11. General**

The Remuneration Committee should make available this Terms Of Reference, explaining its role and the authority delegated to it by the Board by including it on the Stock Exchange’s websites and the Company’s website.

Revised and adopted on 29 December 2022.