

# **ESPRIT HOLDINGS LIMITED**

## **REMUNERATION COMMITTEE**

### **TERMS OF REFERENCE**

#### **1. CONSTITUTION**

The Board has resolved to establish a Committee of the Board to be known as the Remuneration Committee ("Remuneration Committee").

#### **2. DUTIES**

The Remuneration Committee is responsible for the following (as may from time to time be varied or supplemented by the Board):

- (a) To make recommendations to the Board on the Group's policy and structure for all Directors' and senior management (in these terms of reference, "senior management" shall comprise of all direct reports of the Chief Executive Officer) remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.
- (b) To determine the specific remuneration packages of all 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 to make recommendations to the Board 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. The Remuneration Committee should consult the Chairman of the Board and/or the Chief Executive Officer about their remuneration proposals for other Executive Directors.
- (c) To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (d) 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 "Listing Rules").
- (e) To review and approve the compensation payable to Executive Directors and senior management for any loss or termination of their office or appointment to ensure that it is determined consistent with contractual terms and is otherwise fair and not excessive.
- (f) To review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure they are consistent with relevant contractual terms and are otherwise reasonable and appropriate.
- (g) To ensure that no Director or any of his associates is involved in deciding his own remuneration.

- (h) The Company should disclose the directors' remuneration policy, details of any remuneration payable to members of senior management by band and other remuneration related matters in the Company's annual report.
- (i) To advise the shareholders on how to vote with respect to any service contracts of Directors that require shareholders' approval under the Listing Rules.
- (j) To review the basis of and, if the Remuneration Committee so decides, approve any significant discretionary payment to an employee who is neither a Director nor a member of senior management but who is related to any Director or any member of senior management.

### **3. SUPPORT FROM THE COMPANY**

The Remuneration Committee is authorised by the Board to utilize all such resources as are required for it to perform its duties and to have access to independent professional advice if considered necessary, at the Company's expense. The Remuneration Committee shall be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Remuneration Committee, and to obtain reliable, up-to-date information about remuneration in other companies or in the market.

### **4. MEMBERSHIP**

- (a) The Board shall appoint the Remuneration Committee Chairman. The Remuneration Committee shall be chaired by an Independent Non-executive Director.
- (b) The members of the Remuneration Committee shall be appointed by the Board in consultation with the Chairman of the Remuneration Committee from amongst the Executive Directors and/or the Non-Executive Directors of the Company.
- (c) The Remuneration Committee shall consist of not less than three (3) members and the majority of which should be Independent Non-Executive Directors.
- (d) Appointments to the Remuneration Committee shall be co-terminus with the directorship of the relevant members (whether by retirement, rotation or otherwise).
- (e) The Chairman of the Remuneration Committee shall chair the Remuneration Committee meetings. In the absence of the Remuneration Committee Chairman and/or his appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

### **5. MEETING**

#### **(a) Notice**

- (i) Meetings of the Remuneration Committee shall be summoned by the Chairman of the Remuneration Committee or the company secretary or a person designated by the company secretary at the request of any of its members.
- (ii) Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Remuneration Committee, and any person required to attend, at least three days before the date of the meeting. Supporting papers shall be sent to Remuneration Committee members and to other attendees as appropriate, at the same time.

- (iii) Only members of the Remuneration Committee have the right to attend Remuneration Committee meetings. However, other individuals such as the Chairman of the Board, the Chief Executive Officer, the Head of Human Resources and external advisers, may be invited to attend for all or part of any meeting, as and when appropriate.

**(b) Quorum**

- (i) The quorum necessary for the transaction of the business of the Remuneration Committee shall be two, with a majority of the quorum being formed by Independent Non-executive Directors. A duly convened meeting of the Remuneration Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Remuneration Committee.
- (ii) As no Director or his associate should be involved in setting his own remuneration, relevant members of the Remuneration Committee should abstain from voting in relation to his own remuneration or that of his associates and, in addition, such member should not be counted for the purpose of constituting a quorum in relation to any resolutions concerning his own remuneration or that of his associates (i.e. a Director who is a member of the Remuneration Committee, whether executive or non-executive, cannot be counted in the quorum insofar as it relates to any resolution regarding his own remuneration or that of his associates and such a Director cannot vote on his own remuneration or that of his associates, but the Director shall be counted in the quorum and be entitled to vote on any resolutions regarding the remuneration of other Directors).

**(c) Participation**

Members may participate in any meeting of the Remuneration Committee by means of a conference telephone or other communication equipment through which all persons participating in the meeting can communicate with each other simultaneously and instantaneously and, for the purpose of counting a quorum, such participation shall constitute presence at a meeting as if those participating were present in person.

**(d) Frequency of Meetings**

The Remuneration Committee shall meet at least once a year and at such other times as any member of the Remuneration Committee shall require.

**(e) Minutes of Meeting**

- (i) The company secretary or a person designated by the company secretary shall be appointed by the Remuneration Committee to act as its secretary and the secretary shall minute the proceedings and resolutions of all Remuneration Committee meetings, including the names of those present and in attendance.
- (ii) Minutes of Remuneration Committee meeting shall be circulated promptly to all members of the Remuneration Committee.

## **6. ANNUAL GENERAL MEETING**

The Chairman of the Remuneration Committee (or if he is not able to attend, his delegate who must be a member of the Remuneration Committee) shall attend the annual general meeting and be prepared to respond to any questions from shareholders with respect to the activities of the Remuneration Committee.

## **7. REPORTING PROCEDURE TO THE BOARD**

- (a) The Remuneration Committee shall make whatever recommendations to the Board it deems appropriate on any areas within its remit where action or improvement is needed, and it shall compile a report on its activities for the Board to consider in the context of preparing the Company's annual report.
- (b) The minutes discussed and approved by the Remuneration Committee will be made available to the Board. In addition, the Remuneration Committee will report formally to the Board in respect of its decisions and/or recommendations, or any significant matters of interest, after each meeting in case these matters are not sufficiently covered in the minutes or should be reported upon before the minutes are circulated.
- (c) The delegation to the Remuneration Committee is always subject to compliance with the applicable laws, regulations and the Listing Rules.