

BAIC MOTOR CORPORATION LIMITED
Terms of Reference of
Remuneration Committee of the Board

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Chapter 1 General Provisions

Article 1 In order to establish a comprehensive evaluation and remuneration management system of directors and senior management of the Company and improve the corporate governance structure, the remuneration committee (the “Remuneration Committee” or the “Committee”) under the board of directors (the “Board”) was formed and these terms of reference were formulated in accordance with the Company Law of the People’s Republic of China, Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) and the Code of Corporate Governance set out in Appendix XIV to the Listing Rules, the Articles of Association of BAIC Motor Corporation Limited (the “Articles of Association”) and other relevant regulations

Article 2 The Remuneration Committee is a special committee established under the Board and is responsible for providing advices and suggestions for decisions made by the Board and the chairman of the Board in relation to issues within the scope of authorization delegated by the Board, and shall be accountable and report to the Board.

Article 3 For the purpose of these terms of reference, senior management refers to the president, vice president, chief financial officer, secretary of the Board appointed by the Board and other senior management referred in the Articles of Association.

Chapter 2 Composition of the Committee

Article 4 Remuneration Committee shall comprise five directors, majority of whom shall be independent non-executive directors.

Article 5 Members of the Remuneration Committee shall be nominated by the chairman of the Board and elected by a majority of the members of the Board. Upon the approval of the resolution for the election of members, the appointment of the newly-elected committee member shall become effective immediately after such resolution of the Board takes effect.

Article 6 The Remuneration Committee shall have a chairman responsible for organizing the work of the committee, whom shall be a member who is an independent non-executive director subject to the approval of the Board.

Article 7 The term of office of the members of the Committee shall be the same as that of the directors. A member of the Committee may serve consecutive terms if re-elected upon the expiry of his/her term of office. If any member ceases to be a director of the Company during his/her term of office, he shall ipso facto and immediately cease to hold the position of the member of the Committee.

Article 8 Member of the Committee may resign prior to the expiry of his/her term of office. Written resignation report shall include a statement of the reason for such resignation and if necessary, the matters that shall be brought to the attention of the Board.

Article 9 Members of the Committee may be adjusted during their terms of office according to the recommendation of the chairman of the Board and upon the consideration and approval of the Board.

Article 10 In the event that the number of members of the Committee falls below the quorum provided in these terms of reference, the vacancy shall be filled up in accordance with these terms of reference.

Chapter 3 Duties of the Committee

Article 11 Principal duties of the Remuneration Committee are as follows:

- (1) to make suggestions for the general remuneration policies and structure for directors and senior management, and the establishment of formal and transparent procedures for the formulation of such remuneration policies, and to review the performance appraisal standards and conduct appraisal for directors and senior management, and to provide corresponding suggestions;
- (2) to review and approve the proposed remuneration of the management according to the corporate operating objectives, and to make suggestions to the Board for the specific remuneration treatment for directors and senior management, including the performance-based remuneration plans. The Remuneration Committee shall consider the factors including the remuneration paid by comparable companies, time commitment and duties of the directors, employment conditions of other positions of the Company, and whether the remuneration shall be based on the results performance;
- (3) to make suggestions to the Board for the specific remuneration for individual executive director and senior management members, including non-monetary benefits, pension rights and compensation (including compensation for the loss or termination of office or cease of appointment);
- (4) to make suggestions to the Board for the remuneration of the non-executive directors;
- (5) to make suggestions to the Board for the relevant compensation paid to executive director and senior management for their loss or termination of office or the end of their appointment, and the compensation arrangement regarding the removal or dismissal of directors due to misconduct (and to ensure the arrangements conform to the terms of contracts, or otherwise, the compensation shall be reasonable and appropriate);
- (6) to ensure a director shall not participate in determining his/her own remuneration;
- (7) other duties as conferred by the Board.

The Remuneration Committee shall make available its terms of reference, explaining its role and the authority delegated to it by the Board. The Remuneration Committee should be provided with sufficient resources to discharge its duties.

Article 12 The remuneration plan for directors and supervisors proposed by the Remuneration Committee shall be approved by the Board, subject to the consideration and approval at the general meeting; and the remuneration scheme for senior management shall be approved by the Board. The Board has the right to veto any remuneration plan or scheme that is contrary to the interests of shareholders.

Article 13 Duties of the chairman of the Committee include:

- (1) to convene and chair the meetings of the Committee;
- (2) to supervise and examine the operations of the Committee;
- (3) to sign on relevant documents of the Committee;
- (4) to report to the Board on the operations of the Committee;
- (5) other duties as requested by the Board.

Article 14 The duty performance of the Committee shall comply with the Company Law, the Articles of Association and these terms of reference and shall not prejudice the interests of the Company and shareholders.

Article 15 If necessary, the Committee may engage intermediary agencies to provide professional advice for its decision-making upon approval of the Board, and the reasonable expenses incurred thereby shall be borne by the Company.

Chapter 4 Meetings of the Committee

Article 16 The Remuneration Committee shall meet at least once a year, with a written notice dispatched to all members three days prior to the meeting. In case of emergencies or extraordinary circumstances, the aforesaid time and procedures of notice may be waived upon approval of the chairman, while the chairman shall explain accordingly at the meeting.

Article 17 The office of the Board is responsible for notices and affairs of the meetings of the Committee. The notice of meeting shall specify, among others, the time, place, session, agenda and topics of the meeting and the date of notice.

Article 18 Upon reception of the notice of meeting, members of the Committee shall give confirmation and provide relevant information (including but not limited to the availability of presence and schedule) in a timely and appropriate manner.

Article 19 Quorum of the meetings of the Committee shall be all of the members.

Members should be present in person at the meetings (physically attending or through means of communication). A member unable to be present in person may appoint another member of the Committee by the power of attorney as duly signed to attend and exercise relevant duties and powers at the meeting on his/her behalf. The power of attorney shall specify, among others, the names of the principal and the proxy, and the scope, authority and validity period of authorizations.

Article 20 Any member failing to attend a meeting of the Committee in person without justifiable reasons for three times in succession shall be deemed as incapable of performing the duties for a member of the Remuneration Committee, and is subject to replacement by the Board in accordance with these terms of reference.

Chapter 5 Procedures of Meetings

Article 21 In principle, meetings of the Committee shall be held in the form of on-site meeting, where voting shall be made by a show of hands or by poll. Upon approval of the chairman of the Committee, meetings may be held by way of communication or through written proposals to be considered respectively, while members of the Committee shall submit documents of meetings of the Committee such as completed votes and signed audit opinions to the office of the Board within the time specified in the notice of meeting.

Article 22 When reviewing and discussing the proposed matters at the meeting of the Committee, members of the Committee shall clearly, independently and fully express their views based on their own judgment. Major opinion of each member of the Committee shall be specified in the minutes of the meeting.

Article 23 The chairman of the Committee shall, on the basis of adequate review and discussion, form an audit opinion on the matters discussed at the meeting of the Committee by summarizing the discussions and opinions of the members at the meeting, and shall provoke the members to vote on matters so discussed and the audit opinion by a show of hands or by poll. Each member of the Committee shall have one vote. The audit opinion on the matters discussed at the meeting formed by the meeting of the Committee shall be passed by more than half of the votes. Where there is an equality of votes for and against a resolution, the chairman of the Committee shall have a casting vote. Members who cast votes against a resolution are entitled to demand their objection to be indicated in the audit opinion of the Committee.

In the event of insufficient information or materials as required by the proposed matters, resulting in over half of the members are of the views that no discussion or judgment can be made, the chairman of the Committee shall reserve the right to require the provision of additional information or materials for further consideration.

Save as described above, the Committee shall express its opinions with explicit agreement or disagreement with the subject matters.

Article 24 The secretary of the Board of the Company shall attend meetings of the Committee, and other directors of the Company, relevant senior management, personnel of relevant functional departments of the Company as well as relevant experts, scholars and representative of intermediary agency may be invited to attend the meeting when necessary. Persons attending the meeting shall give explanations on relevant matters at the request of the members of the Committee.

Article 25 Where a member of the Committee is interested in the matter being discussed at the meeting of the Committee, he/she shall be abstained from attending such meeting.

Article 26 Minutes shall be kept for the meetings of the Remuneration Committee, bearing signatures of the members present at the meetings, and shall be kept by the office of the Board of the Company. The draft and final versions of the meeting minutes of the Committee shall be delivered within a reasonable period of time after the meeting to all members of the Committee, for their comment and inspection respectively.

Article 27 Proposals and voting results adopted at the meetings of the Remuneration Committee shall be reported to the Board of the Company in writing. In the case that it is difficult to reach an agreement on a proposal, the different opinions shall be submitted to the Board with explanations.

Article 28 Members of the Committee attending the meeting shall undertake confidentiality obligations for all items discussed at the meeting. Relevant information shall not be disclosed without permission.

Chapter 6 Working Units of the Committee

Article 29 The office of the Board shall act as the regular administrative body of the Committee and shall be responsible for daily work communication, organization of meetings and secretarial work.

Article 30 Departments including the human resources department, treasury department and audit department are the decision-supporting departments of the Committee and shall provide relevant materials, draft relevant documents and make suggestions as required by the Committee.

Chapter 7 Supplementary Provisions

Article 31 Unless otherwise specified, the terms used herein shall have the same meaning ascribed thereto under the Articles of Association.

Article 32 These terms of reference shall become effective upon approval of the Board of the Company.

Article 33 Any matters not covered by these terms of reference shall be subject to relevant laws, regulations, rules of securities regulatory authorities and stock exchanges of China and the Articles of Association. In case of any discrepancy between these terms of reference and the laws and regulations to be promulgated by the Chinese government in the future, the rules of securities regulatory authorities and stock exchanges or the Articles of Association as amended according to laws, the relevant laws and regulations, rules of securities regulatory authorities and stock exchanges of China and the Articles of Association shall prevail, and these terms of reference shall be revised immediately upon consideration and approval of the Board.

Article 34 The interpretation of these terms of reference shall be vested to the Board of the Company.