

## **TERMS OF REFERENCE OF REMUNERATION COMMITTEE**

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### **1. Establishment**

- 1.1 In accordance with Clause 3.9.4 of the Code of Corporate Governance, there shall be constituted a Remuneration Committee with the terms of reference set out below.

### **2. Composition**

- 2.1 A non-independent chairperson of the board can be the chairperson of the Remuneration Committee.
- 2.2 The Managing Director may be a member of the Remuneration Committee.
- 2.3 The Remuneration Committee should be composed of a majority of non-executive directors.
- 2.4 Other than in the case where the non-independent chairperson of the board is also chairperson of the Remuneration Committee, it is not a requirement that the majority of the Remuneration Committee be independent non-executive directors, although this is strongly recommended.
- 2.5 No member of the Remuneration Committee can be involved or vote on Committee decisions in regard to his/her own remuneration.
- 2.6 The Committee shall nominate a Committee Secretary.

Composition of the Remuneration Committee for the year 2005-2006:

### **3. Term of Office**

- 3.1 The term of office of the members of the Remuneration Committee shall be one year.
- 3.2 Members may thereafter be re-appointed by the Board.

### **4. Terms of Reference**

The role of the Remuneration Committee will be to work on behalf of the Board and be responsible for its recommendations and shall, within these terms of reference:

- 4.1. Determine, agree and develop the company's general policy on executive and management remuneration;
- 4.2. Determine specific remuneration packages for executive directors of the company, including but not limited to basic salary, benefits in kind, any annual bonuses, performance-based incentives, share incentives, pensions and other benefits;
- 4.3. Determine the level of non-executive and independent non-executive directors' fees to be recommended to the Board;

- 4.4. Determine any criteria necessary to measure the performance of executive directors in discharging their functions and responsibilities;
- 4.5. Aim to give the executive directors every encouragement to enhance the company's performance and to ensure that they are fairly, but responsibly rewarded for their individual contributions and performance;
- 4.6. Review (at least annually) the terms and conditions of executive directors' service agreements, taking into account information from comparable companies where relevant.
- 4.7. Determine any grants to executive directors and other senior employees made pursuant to the company's executive share scheme(s).
- 4.8. The Committee will not determine the remuneration or terms of any consultancy agreement of any non-executive director, although it may make recommendations to the Board if requested.
- 4.9. The Committee will co-ordinate its activities with the Chairperson of the Board and the Managing Director as well as consult them in formulating the committee's remuneration policy and when determining specific remuneration packages.
- 4.10. The broad framework and cost of executive remuneration should be a matter for the board on advice of the remuneration committee.
- 4.11. The Committee may wish to consult other non- executive directors in its evaluation of the Chairperson of the Board and the Managing Director.
- 4.12. The Committee will liaise with the board in the preparation of the Committee's report to shareowners as required and will consider each year (and minute its conclusions) whether the circumstances are such that the annual meeting of the company should be invited to approve the remuneration policy set out in the Committee's report.
- 4.13. The Remuneration Committee shall determine and approve the following:
  - at the end of each financial year, the quantum of the performance bonus payable to each CDS Staff.
  - at the end of each calendar year, the quantum of the End-of-Year bonus payable to each CDS Staff.
  - at the beginning of each financial year, the salary increase of each CDS Staff.

## **5. Meetings**

- 5.1 Meetings of the Remuneration Committee shall be held, as the Committee deems appropriate. However, the Committee shall meet at least once each year. Meetings should be organised so that attendance is maximised. The Chairperson of the Remuneration Committee or any member of the Committee may call a meeting at any other time.
- 5.2 The notice of each meeting of the Remuneration Committee confirming the venue, time and date and enclosing an agenda of items to be discussed shall, other than under exceptional circumstances, be forwarded to each member of the Committee not less than four working days prior to the date of the meeting.
- 5.3 The quorum for decisions of the Remuneration Committee shall be any three members present throughout the meeting who shall vote on the matter for decision.

## **6. Proceedings**

- 6.1 The secretary shall take minutes of the meetings. Minutes shall be signed by the Chairperson or the chair of the Committee meeting and the Secretary. Minutes of all meetings shall be circulated to all the members of the committee. The Committee shall make a report to the Board as and when necessary but at least once a year. The agenda for each Board meeting should provide an opportunity for the Chairperson of the Remuneration Committee to report orally, if necessary, on any matters of importance as well as on the Committee's findings and recommendations.

## **7. General**

- 7.1 The Remuneration Committee, in carrying out its tasks under these terms of reference, may obtain such outside or other independent professional advice as it considers necessary to carry out its duties.
- 7.2 Board shall ensure that the Remuneration Committee will have access to professional advice both inside and outside the company in order for it to perform its duties.
- 7.3 These terms of reference may be amended as required, subject to the approval of the Board.

Approved by the Board of the Central Depository & Settlement Co. Ltd on 28<sup>th</sup> June 2006