



**Taizhou Water Group Co., Ltd.\***

**台州市水務集團股份有限公司**

(the “Company”)

*(a joint stock company incorporated in the People’s Republic of China with limited liability)*

**(Stock Code: 1542)**

## **TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE OF THE BOARD OF DIRECTORS**

### **CHAPTER 1 GENERAL PROVISIONS**

Article 1 To establish and improve the evaluation and remuneration management system for directors and senior managements of the Company and to enhance corporate governance structure, these terms of reference (the “**Terms**”) for the remuneration committee of the board of directors (the “**Remuneration Committee**” or the “**Committee**”) are formulated by the board of directors (the “**Board of Directors**”) in accordance with the Company Law of the People’s Republic of China (the “**Company Law**”) and the Articles of Association of Taizhou Water Group Co., Ltd. (the “**Articles of Association**”).

Upon listed on the Main Board of The Stock Exchange of Hong Kong Limited and issuance of overseas listed foreign shares (H shares), these Terms shall also be subject to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as amended from time to time and other applicable laws and regulations of the Hong Kong Special Administrative Region of the People’s Republic of China. In case of any inconsistency or conflict between any applicable laws, regulations, the Articles of Association or the Listing Rules and these Terms, the strictest provisions shall prevail according to the principle of strictness.

Article 2 The Remuneration Committee is mainly responsible for formulating and reviewing remuneration management system and remuneration plan for directors and senior management, advising the Board of Directors on remuneration plan and supervising its implementation, formulating the evaluation criteria on directors and senior management, and conducting the evaluation process. The Remuneration Committee reports to the Board of Directors.

## **CHAPTER 2 COMMITTEE COMPOSITION**

- Article 3 The Remuneration Committee shall consist of at least three members, including a majority of independent non-executive directors.
- Article 4 Members of the Remuneration Committee shall be nominated by the Chairman of the Board of Directors, more than half of the independent non-executive directors or one-third or more of all directors, and shall be elected by the Board of Directors.
- Article 5 The Remuneration Committee shall have one chairman who shall be an independent non-executive director and take charge of the work of the Committee. The chairman shall be elected from the members, subject to approval by the Board of Directors.
- Article 6 Members of the Remuneration Committee shall have a term of office in congruence with that of directors, and may be re-elected and reappointed. A member who during his/her term of office no longer serves as a director or, if in the capacity of independent non-executive director, ceases to have the independence required by the Articles of Association and the Listing Rules shall be automatically disqualified as a member of the Committee, and the Committee shall fill up the vacancy in accordance with the requirements as above.

## **CHAPTER 3 DUTIES AND AUTHORIZATIONS**

- Article 7 Main duties and functions of the Remuneration Committee include:
- (1) to consider the evaluation criteria, performance assessment process, remuneration and punishment measures, and submit the same to the Board of Directors for approval;
  - (2) to make recommendations to the Board of Directors on the policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
  - (3) to assess the performance of directors and senior management and evaluate their performance;
  - (4) to supervise the implementation of remuneration system;

- (5) to determine, as delegated by the Board of Directors, the remuneration packages of all 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);
- (6) to review and approve the management's remuneration proposals with reference to corporate goals and objectives set by the Board of Directors;
- (7) to make recommendations to the board on the remuneration of non-executive directors;
- (8) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions for other positions of the Company;
- (9) 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;
- (10) 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;
- (11) to ensure that no director or any of his/her associates (as defined in the Listing Rules) is involved in deciding his/her own remuneration, and that for non-executive directors who are also members of the Remuneration Committee, their remuneration shall be decided by other members of the Remuneration Committee;
- (12) to consult the Chairman of the Board of Directors and/or chief executive about the remuneration proposals for executive directors. The Remuneration Committee may also seek professional advice if necessary;
- (13) to report its decisions or recommendations to the Board of Directors, except those that cannot be reported due to legal or regulatory restrictions; and
- (14) other matters delegated by the Board of Directors.

- Article 8           The Board of Directors has the right to veto any remuneration plan or proposal that is contrary to the interests of shareholders.
- Article 9           Implementation of the remuneration plan for directors as proposed by the Remuneration Committee is subject to approval by the Board of Directors and the consideration and approval at the general meeting. The remuneration plan for senior management is subject to approval by the Board of Directors.
- Article 10          At the invitation of the Chairman of the Board of Directors, the Remuneration Committee shall designate its chairman or, in his/her absence, another member or his/her authorized representative to attend and respond to inquiries at the annual general meeting.
- Article 11          The Remuneration Committee should be provided with sufficient resources to discharge its duties, including but not limited to, if necessary, the Remuneration Committee may engage intermediaries to provide professional advice for its decision at the cost of the Company.

#### **CHAPTER 4   CONVENING AND RULES OF PROCEDURE OF MEETINGS**

- Article 12          Meetings of the Remuneration Committee shall be convened at least once every year. A notice of meeting shall be served to all members seven days prior to the meeting. The meeting shall be chaired by the chairman of the Committee who, if unable to be present, may appoint another member (independent director) to chair the meeting. If an extraordinary meeting needs to be convened as soon as possible in case of emergencies, the meeting can be convened without the foregoing limitation on notice period, provided that the chairman of the Remuneration Committee shall give explanation at the meeting.
- Article 13          The quorum of the meetings of the Remuneration Committee shall be two-thirds or more of all its members, each having a ballot for voting. Resolutions of the meetings shall be passed by more than half of all members. A member of the Remuneration Committee shall attend the meeting in person, or appoint in writing other member to attend on his/her behalf due to his/her absence. The name of the proxy, matters appointed and scope of authorization shall be specified in the power of attorney which shall be signed or sealed by the principal.

- Article 14 A meeting of the Remuneration Committee may be held on-site or by circulation of written proposals. Members can attend a meeting of the Remuneration Committee via telephone, video or other means of communication. Members who attend a meeting through the aforesaid means are deemed to having attended a meeting. Members who attend a meeting via telephone, video or other means of communication should ensure that they can communicate clearly with other members of the meeting.
- Article 15 The voting may be made by a show of hands or by poll at the meetings of the Remuneration Committee.
- Article 16 Meetings of the Remuneration Committee may be attended by directors, supervisors and senior management of the Company upon request, where necessary.
- Article 17 When the Remuneration Committee considers issues related to the member of the Committee, the person should evade.
- Article 18 The convening procedures, voting methods and the remuneration policy and distribution plan passed at meetings of the Remuneration Committee shall meet the requirements of these Terms.
- Article 19 The office of the Board of Directors is responsible for the preparation work for the Remuneration Committee's decision-making, including but not limited to: collection of meeting materials, daily work liaison and the organizing of meetings. Relevant departments of the Company should actively cooperate with the office of the Board of Directors on this.
- Article 20 Minutes shall be made for the meetings of the Remuneration Committee, and shall contain full details of the matters considered thereat. Draft and final versions of minutes of the meetings shall be delivered to all members of the Committee for their comment and records within twenty-one days after the meeting. All members who have attended the meetings shall sign on the minutes of the relevant meetings, and the minutes of meetings shall be kept by the secretary of the Board of Directors.
- Article 21 Resolutions and voting result of a meeting of the Remuneration Committee shall be submitted in writing to the Board of Directors.
- Article 22 All members present at the meeting are obligated to keep confidential the matters considered thereat, and shall not disclose the relevant information without authorization.

## CHAPTER 5 SUPPLEMENTARY PROVISIONS

- Article 23           The expression “or more” herein for the numbers includes the underlying number indicated while “exceed” or “below” excludes the underlying number.
- Article 24           Subject to adoption as resolved by the Board of Directors, these Terms shall come into effect and be implemented on the date when the Company’s overseas listed foreign shares (H shares) are issued and listed. The existing terms of reference of the Remuneration Committee of the Board of Directors of the Company shall automatically lapse by then.
- Article 25           These Terms shall be published on websites of the Company and The Stock Exchange of Hong Kong Limited as required by the Listing Rules.
- Article 26           Matters not covered by these Terms shall be governed by relevant laws, regulations of the PRC, the Listing Rules and the Articles of Association. In the event that these Terms conflict with applicable laws, regulations of the PRC, the Listing Rules and the Articles of Association validly amended, the latter shall prevail and these Terms shall be revised immediately and adopted after considered and approved by the Board of Directors.
- Article 27           These Terms shall be interpreted by the Board of Directors.

\* *For identification purposes only*