

**NEXTEER AUTOMOTIVE GROUP LIMITED**

耐世特汽車系統集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1316)**

**Terms of Reference for the  
Remuneration and Nomination Committee of  
Nexteer Automotive Group Limited  
(the “Company”)**

## Definitions

1. For the purposes of these terms of reference (the **Terms**):

**Associated Companies** means a company that directly or indirectly holds 10% of the shareholding, equity capital or profits share of the Company, or a company which the Company itself alone or together with its direct or indirect Shareholders, subsidiary or subsidiary of its direct or indirect Shareholders jointly, directly or indirectly, holds or beneficially owns 10% or more of its shareholding, equity capital or profits share.

**Board** means the board of directors of the Company.

**Company Secretary** means the company secretary of the Company.

**Directors** means the members of the Board.

**Group** means the Company and its subsidiaries and Associated Companies at the relevant time or, where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries and Associated Companies, (a) the present subsidiaries and Associated Companies of the Company or (b) the businesses operated by its present subsidiaries and Associated Companies, or (c) as the case may be, its predecessor.

**Listing Rules** means The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time).

**Remuneration and Nomination Committee** means the remuneration and nomination committee established by the resolution of the Board in accordance with clause 3 of these Terms.

**Senior Management** means the Chief Executive Officer, President, Chief Financial Officer, General Counsel, Senior Vice Presidents, Vice Presidents, Chief Operations Officer, Chief Information Officer, Company Secretary and any other officers of the Company as may be appointed by the Board from time to time.

**Shareholders** means the shareholders of the Company.

**Stock Exchange** means The Stock Exchange of Hong Kong Limited.

2. The word "remuneration", as used in these Terms, includes without limitation any salaries, bonuses, allowances, benefits (in cash or in kind), pension arrangements, reimbursements, compensation payments (including any compensation payable for loss or termination of office or appointment), incentive payments and share options.

## Constitution

3. The Remuneration and Nomination Committee was established by resolutions of the Board on June 15, 2013.

## Membership

4. The members of the Remuneration and Nomination Committee shall be appointed by the Board from time to time from among the Directors and shall consist of not less than three members, a majority of whom shall be independent non-executive Directors. The quorum of a Remuneration and Nomination Committee meeting shall be any two members of the Remuneration and Nomination Committee one of whom must be an independent non-executive Director. LR3.25

5. The Chairman of the Remuneration and Nomination Committee shall be appointed by the Board and should be an independent non-executive Director/ the Chairman of the Board or an independent non-executive Director who shall be TSANG, Hing Lun. LR3.25

6. No member of the Remuneration and Nomination Committee shall receive, either directly or indirectly, any remuneration other than Directors' fees from the Company for any advisory or consultancy role or otherwise.

7. The term of office of a member of the Remuneration and Nomination Committee shall correspond to that of a Director.

8. Each member of the Remuneration and Nomination Committee shall disclose to the Remuneration and Nomination Committee:

(a) any personal financial interest (other than as a Shareholder of the Company) in any matter to be decided by the Remuneration and Nomination 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 and Nomination Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions, and shall (if so required by the Board) resign from the Remuneration and Nomination Committee.

## Frequency and procedure of meetings

9. Unless otherwise stated herein, the meetings of the Remuneration and Nomination Committee are governed by the provisions regulating the meetings and proceedings of Directors in Sections 20.1 to 20.13 of the Company's Articles of Association.

10. Meetings shall be held at least once a year. The Chairman of the Remuneration and Nomination Committee shall convene a meeting upon request by any member of the Remuneration and Nomination Committee.

11. An agenda and any accompanying Board papers should be sent in full to all Directors in a timely manner and at least three days before the proposed date of a meeting of the Remuneration and Nomination Committee (or other agreed period). A.7.1

12. Senior Management is obliged to supply the Directors with adequate information, in a timely manner, in order to enable them to make informed decisions. The information supplied must be complete and reliable. Where a Director requires more information than the information initially provided by A.7.2

Senior Management, then that Director is entitled and encouraged to request further information until satisfied. All Directors shall have separate and independent access to Senior Management.

13. The Company Secretary shall be the secretary of the Remuneration and Nomination Committee.

A.7.2

### **Annual General Meetings**

14. The Chairman of the Remuneration and Nomination Committee shall attend the Company's annual general meeting and be prepared to respond to any Shareholder questions on the Remuneration and Nomination Committee's activities.

E.1.2

15. If the Chairman of the Remuneration and Nomination Committee is unable to attend an annual general meeting of the Company, he shall arrange for another member of the Remuneration and Nomination Committee, or failing this, his duly appointed delegate, to attend in his place. Such person shall be prepared to respond to any Shareholder questions on the Remuneration and Nomination Committee's activities.

### **Authority**

16. The Remuneration and Nomination Committee is authorized by the Board to discharge its duties within these Terms. It is authorized to seek any remuneration and nomination information it requires from the employees, Directors and/or Senior Management. All employees, Directors and Senior Management are directed to co-operate with any reasonable request made by the Remuneration and Nomination Committee.

17. The Remuneration and Nomination Committee is authorized and encouraged by the Board to obtain external independent professional advice from reputable internationally recognized advisors, at the Company's expense. The Remuneration and Nomination Committee shall be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any external consultant who advises the Remuneration and Nomination Committee.

B.1.4

18. If the Chairman of the Remuneration and Nomination Committee is unable to attend an annual general meeting of the Company, he/she shall arrange for another member of the Remuneration and Nomination Committee, or failing this, his/her duly appointed delegate, to attend in his/her place. Such person shall be prepared to respond to any Shareholder questions on the Remuneration and Nomination Committee's activities.

### **Duties**

19. The duties of the Remuneration and Nomination Committee shall include:

(a) making recommendations to the Board on the Company's policy and structure for all Director and Senior Management remuneration and establishing a formal and transparent procedure for developing remuneration policy;

B.1.2(a)

(b) reviewing and approving Senior Management's remuneration proposals with reference to the Board's goals and objectives;

B.1.2(b)

- (c) being responsible, as the Board shall direct, for making 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; B.1.2(c)
- (d) making recommendations to the Board on the remuneration of non-executive Directors; B.1.2(d)
- (e) considering salaries paid by comparable companies in the industry in which the Company operates, time commitment and responsibilities, and employment conditions elsewhere in the Group; B.1.2(e)
- (f) reviewing and approving the compensation payable to executive Directors and Senior Management for any loss or termination of office or appointment in order to ensure that such compensation is consistent with the contractual terms and is otherwise fair and in line with market practice; B.1.2(f)
- (g) reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct in order to ensure they are consistent with contractual terms and are otherwise reasonable and appropriate; B.1.2(g)
- (h) ensuring that no Director or any of his/her associates (as such term is defined in the Appendix to the Company's Connected Transactions Policy) is involved in deciding his own remuneration; and B.1.2(h)
- (i) reviewing the Group's policy on expense reimbursements for the Directors and Senior Management.
- (j) reviewing the structure, size, composition and diversity (including the skills, knowledge and experience, gender, age, cultural and educational background, ethnicity, professional experience and length of service) of the Board annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; A.5.2(a)
- (k) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman of the Board and the Chief Executive Officer; A.5.2(d)
- (l) identifying individuals suitably qualified to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorship; A.5.2(b)
- (m) reviewing the Board Diversity Policy, as appropriate; and reviewing the measurable objectives that the Board has set for implementing the Board Diversity Policy, and the progress on achieving the objectives; and making disclosure of its review results in the Corporate Governance Report annually; A.5.2(c)
- (n) assessing the independence of independent non-executive Directors;
- (o) before appointments are made by the Board, evaluating the balance of skills, knowledge and experience on the Board, and, in the light of this evaluation preparing a description of the roles and capabilities required

for a particular appointment. In identifying suitable candidates, the Nomination Committee shall, where applicable and appropriate:

- (i) use open advertising or the services of external recruiters to facilitate the search;
  - (ii) consider candidates from a wide range of backgrounds; and
  - (iii) consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position;
- (p) keeping under review the leadership needs of the Company, both executive and non-executive, with a view to ensuring the continued ability of the Company to compete effectively in the marketplace;
  - (q) keeping up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;
  - (r) reviewing annually the time commitment required from non-executive Directors. Performance evaluations should be used to assess whether the non-executive Directors are spending enough time to fulfil their duties;
  - (s) reviewing and monitoring the training and continuous professional development of Directors and Senior Management; and
  - (t) ensuring that on appointment to the Board, non-executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings.

20. The Remuneration and Nomination Committee shall also make recommendations to the Board concerning:

- (a) formulating plans for succession for both executive and non-executive Directors;
- (b) suitable candidates for the role of independent non-executive Directors;
- (c) membership of the Company's Audit and Compliance Committee and Remuneration and Nomination Committee, in consultation with the chairmen of those committees;
- (d) the re-appointment of any non-executive Director at the conclusion of their specified term of office having given due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
- (e) the re-election by Shareholders of any Director under the "retirement by rotation" provisions in Section 16.18 of the Company's Articles of Association having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;

A.5.2(d)

(f) any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an executive Director as an employee of the company subject to the provisions of the law and his service contract; and

(g) the appointment of any Director to executive or other office.

21. In carrying out its duties under these Terms, the Remuneration and Nomination Committee should:

(a) consult if desired the Chairman of the Board or the Chief Executive Officer about their remuneration proposals for other executive Directors and Senior Management respectively and consult independent professional advice to ensure compensation is fair and in line with market practice;

B.1.1

(b) provide competitive packages needed to attract, retain and motivate executive Directors and Senior Management of the quality required in line with market practice;

(c) judge where to position the Group relative to other companies in the industry in which the Group operates. The Remuneration and Nomination Committee should be aware what comparable companies are paying and should take account of relative performance;

(d) be sensitive to market practice, including all aspects of compensation, benefits, and employment conditions within the Group and elsewhere in the industry in which the Group operates, especially when determining annual salary increases;

(e) ensure that the performance-related elements of remuneration form a significant proportion of the total remuneration package of executive Directors and Senior Management and are designed to align their interests with those of Shareholders and to give the Directors and Senior Management incentives to perform at the highest levels; and

B.1.7  
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(f) ensure that share options offered by the Company to its Directors or Senior Management (if any) are in accordance with Chapter 17 of the Listing Rules or the employees incentive schemes are in compliance with applicable laws and regulations, as applicable.

22. Without prejudice to the generality of these Terms for the Remuneration and Nomination Committee set out above, the Remuneration and Nomination Committee shall:

(a) operate the Company's share option scheme or other incentive schemes as they apply to, and recommend to the general meeting of Shareholders, grants of options to be made to Directors and Senior Management. It shall recommend to the Board the total aggregate amount of any grants to employees (with the specific grants to individuals to be at the discretion of the Board) and make amendments to the terms of such schemes (subject to the provisions of the schemes relating to amendment);

(b) liaise with the trustee of any employee share incentive scheme which is created by the Company for the benefit of employees, Senior Management or Directors;

- (c) review the terms of executive Directors' and Senior Management's service contracts from time to time to ensure the terms of compensation is fair and in line with market practice; and
- (d) advise the Board in relation to the preparation of the Board's remuneration report (if any) to Shareholders.

### **Reporting procedures**

23. Full minutes of the Remuneration and Nomination Committee's meetings shall be kept by a duly appointed secretary of the meeting (who should normally be the Company Secretary or his/her appointed delegate), and such minutes shall be available for inspection at any reasonable time on reasonable notice by any Director. A.1.4

24. Minutes of meetings of the Remuneration and Nomination Committee shall record in sufficient detail the matters considered and decisions reached, including any concerns raised by Directors or dissenting views expressed. Draft and final versions of minutes should be sent to all members of the Remuneration and Nomination Committee for their comment and records respectively, in both cases within a reasonable time after such meetings. A.1.5

25. Without prejudice to the generality of the duties of the Remuneration and Nomination Committee set out in these Terms, the Remuneration and Nomination Committee shall report back to the Board and keep the Board fully informed of its decisions and recommendations, unless there are legal or regulatory restrictions on doing so. D.2.2

### **Provision of Terms**

26. The Remuneration and Nomination Committee shall make available these Terms on request and by inclusion on the Stock Exchange's website and the Company's website, thereby explaining the role of the Remuneration and Nomination Committee and the authority delegated to it by the Board. B.1.3

### **Review of Terms**

27. The Remuneration and Nomination Committee may review these Terms annually, and may consider and submit to the Board any proposed changes that the Remuneration and Nomination Committee deems appropriate or advisable.