

HONG KONG EXCHANGES AND CLEARING LIMITED
(“the Company”)

TERMS OF REFERENCE AND MODUS OPERANDI
OF
REMUNERATION COMMITTEE
(“the Committee”)

Membership

1. The Committee shall consist of five independent non-Executive Directors appointed by the board of directors (“the Board”) from time to time.
2. The Board shall nominate one of the members as the chairman of the Committee.
3. The Head of Human Resources Department or a nominee shall act as the Secretary of the Committee.

Frequency and proceedings of meetings

4. The Committee shall meet at least once every year. Additional meetings shall be held as the work of the Committee demands.
5. The chairman of the Committee may convene additional meetings at his discretion.
6. The quorum of a meeting shall be three members of the Committee.
7. The Committee may, from time to time, invite advisors to the meeting, including but not limited to Board members and/or senior executives of all employing entity subsidiaries, external advisors or consultants to advise its members.
8. Proceedings of meetings of the Committee shall be governed by the provisions of Article 105 of the Articles of Association of the Company.

Duties, powers and functions

9. The Committee shall –
 - (a) consider all remuneration matters below for the Company and its employing entity subsidiaries;
 - (b) formulate remuneration policy for approval by the Board, which shall take into consideration factors such as salaries paid by comparable companies, employment conditions, and responsibilities, and individual performance of the directors, senior management, and the general staff. Performance shall be measured against corporate goals and objectives resolved by the Board from time to time; and implement the remuneration policy laid down by the Board;
 - (c) take into consideration views of senior management and other experts as necessary on specific conditions regarding each employing entity within the HKEx Group;

- (d) without prejudice to the generality of the foregoing:
- (i) establish guidelines for the recruitment of the Chief Executive and senior management;
 - (ii) recommend to the Board the policy and structure for the remuneration of Directors (including Non-executive Directors, and the Chief Executive of the Company as an ex-officio member) and senior management whilst ensuring no director or any of his associates is involved in deciding his own remuneration;
 - (iii) determine the remuneration of Executive Directors (including the Chief Executive of the Company who is an ex-officio member of the Board) and senior management, including benefits in kind, pension right, compensation payment (including compensation for loss of office or appointment etc). The Chairman and/or the Chief Executive of the Company shall be consulted respectively about their proposals relating to the remuneration of the Chief Executive of the Company and/or senior management, as the case may be;
 - (iv) review and approve the compensation arrangements in connection with any loss or termination of their office or appointment, or dismissal or removal for misconduct to executive directors and senior management which shall be fair and not excessive;
 - (v) determine the criteria for assessing employee performance, which should reflect the Company's business objectives and targets;
 - (vi) consider the annual performance bonus for Executive Directors, senior management, and the general staff, having regard to their achievements against the performance criteria and by reference to market norms, and make recommendation to the Board;
 - (vii) engage such external professional advisors to assist and/or advise the Committee on issues as it considers necessary;
 - (viii) do any such things to enable the Committee to discharge its powers and functions conferred on it by the Board; and
 - (ix) conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the constitution of the Company or imposed by legislation.

Reporting Procedures

10. The Committee shall report to the Board on a regular basis. At the next meeting of the Board following a meeting of the Committee, the chairman of the Committee shall report the findings and recommendations of the Committee to the Board.

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Note

- (a) Senior management shall have the same meaning as defined in HKEx's Human Resources Manual.