

# Guangshen Railway Company Limited (the “**Company**”)

## Remuneration Committee Terms of Reference

Approved at the third meeting of the fourth session of the Board on 9 August 2005

(Amended at the fifth meeting of the fifth session of the Board on 12 March 2009)

(Amended at the sixth meeting of the sixth session of the Board on 27 March 2012)

### **1 Constitution**

The board of Guangshen Railway Company Limited (the “**Board**”) hereby constitutes and establishes a remuneration committee (the “**Remuneration Committee**”) with authority, responsibility, and specific duties and described below.

#### 1.1 Membership

The Remuneration Committee shall be appointed by the Board and a majority of the members of the Remuneration Committee shall be independent non-executive directors. The members of the Remuneration Committee shall be identified in the Board’s remuneration report to the shareholders of the Company. The Board shall appoint the Chairman of the Remuneration Committee. The Remuneration Committee shall consist of at least three members. The quorum for a meeting of the Remuneration Committee shall be constituted by the presence of at least half of its members, of whom the majority shall be independent non-executive directors.

#### 1.2 Each member of the Remuneration Committee shall disclose to the Remuneration Committee

- 1.2.1 Any personal financial interest (other than as a shareholder) in any matter to be decided by the Remuneration Committee;
- 1.2.2 Any potential conflict of interest arising from a cross-directorship; or
- 1.2.3 Any such member shall abstain from voting on resolutions of the Remuneration Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so required by the Board) shall resign from the Remuneration Committee.

### **2 Authority**

- 2.1 The Remuneration Committee is authorised by the Board to investigate any activity within this terms of reference. It is authorised to seek any information it requires from any employee, and all employees are directed to co-operate with any request made by the Remuneration Committee. The Remuneration Committee is authorised by the Board to consult the chairman or the chief executive officer of the Company about their proposals relating to the remuneration of other executive directors and have access to professional

advice if considered necessary. The Remuneration Committee shall be provided with sufficient resources to discharge its duties.

### **3 Duties**

3.1 The Compensation Remuneration Committee:

- 3.1.1 shall make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- 3.1.2 is empowered to make recommendations to the Board on 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, and make recommendations to the Board of the remuneration of non-executive directors. The Remuneration Committee shall consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the group and desirability of performance-based remuneration;
- 3.1.3 is empowered to review performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- 3.1.4 shall review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the issuer;
- 3.1.5 shall review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;
- 3.1.6 shall ensure that no director or any of its associates is involved in deciding his own remuneration;
- 3.1.7 shall prepare a remuneration report to shareholders or advise the Board in relation to the preparation of the Board's remuneration report to shareholders; and
- 3.1.8 shall keep the Board of directors fully informed of its actions.

3.2 For the purpose of this term of reference, “senior management” should refer to the same category of persons as referred to in the Company’s annual report and is required to be disclosed under paragraph 12 of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong (the “**Exchange Listing Rules**”)

3.3 In carrying out its duties under this terms of reference, the Remuneration Committee should:

3.3.1 provide the packages needed to attract, retain and motivate executive directors of the quality required to run the Company successfully, but should avoid paying more than is necessary for this purpose;

3.3.2 be sensitive to the wider scene, including pay and employment conditions elsewhere, especially when determining annual salary increases;

3.3.3 ensure that the performance-related elements of remuneration form a significant proportion of the total remuneration package of executive directors and should be designed to align their interest with those of shareholders and to give these directors keen incentives to perform at the highest levels; and

3.3.4 ensure that executive share options (if any) are offered in accordance with the Exchange Listing Rules.

3.4 Attendance at meetings and frequency of meetings

3.4.1 As necessary or desirable, the Chairman may request that members of management be present at the meeting of the Remuneration Committee. Meetings may be held by way of telephone conference.

3.4.2 Meetings shall be held as and when appropriate.

3.4.3 Minutes of the Remuneration Committee shall be sent to all members of the Remuneration Committee within 14 days of the meeting.

## **4 Reporting**

The Secretary shall circulate the minutes of the meetings of the Remuneration Committee to all members of the Board.

## **5 General**

The Remuneration Committee should make available these terms of reference, explaining its role and the authority delegated to it by the Board.