

# **MTR Corporation Limited**

## **Remuneration Committee – Terms of Reference**

### **1. Constitution**

The Board of MTR Corporation Limited (the “Company”) has resolved to establish a committee of the Board known as the Remuneration Committee (the “Committee”).

### **2. Membership**

2.1 The Committee shall consist of at least 3 members. The members of the Committee shall be appointed by the Board from amongst the non-executive directors of the Company. A majority of the members shall be independent non-executive directors.

2.2 The Chairman of the Committee shall be an independent non-executive director appointed by the Board.

2.3 Subject to 2.1, if a regular member is unable to act due to absence, illness or any other cause, the Chairman of the Committee may appoint another non-executive director of the Company to serve as an alternate member.

### **3. Secretary**

The Secretary of the Committee shall be the Human Resources Director.

### **4. Quorum**

The quorum necessary for the transaction of the business of the Committee shall be three non-executive Directors of the Committee provided that a majority of them shall be independent non-executive directors. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

### **5. Frequency of Meetings**

Meetings shall be held not less than once a year and can either be in person or through other electronic means of communication.

**6. Notice of Meetings**

Meetings shall be summoned by the Secretary of the Committee at the request of the Chairman of the Committee with reasonable notice given. An agenda and accompanying Committee papers shall be circulated to all members in a timely manner and at least 3 days before the intended date of a Committee meeting insofar as it is practicable. Such papers and related materials shall be in a form and quality as will enable the Committee to make an informed decision on the matters placed before it.

**7. Attendance at Meetings**

The Company's Chief Executive Officer shall attend meetings to discuss the performance of members of the Board who are executive directors and members of the Executive Directorate and make proposals as necessary. The Human Resources Director of the Company shall attend meetings for the purpose of submitting to the Committee such relevant background information as may be necessary to enable the Committee to perform its duties. As deemed necessary by the Committee, other members of the Company may also attend meetings of the Committee. However, no member of the Board or the Executive Directorate shall be involved in any decision or present at any discussions as to his or her own individual remuneration, save for the Human Resources Director of the Company who shall be present and be able to speak at any discussions where he is providing such necessary background as is referred to above.

**8. Authority**

The Committee is authorised by the Board to obtain outside independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary provided that where the obtaining of advice or the securing of attendance involves the payment of fees or other expenses, the Committee shall first obtain the agreement of the Chairman of the Company.

**9. Duties**

9.1 The Committee will take full account of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange of Hong Kong Limited (the "Listing Rules").

9.2 The duties of the Committee shall be to:-

- (a) make recommendations to the Board on the Company's policy and structure for all remuneration of members of the Board and members of the Executive Directorate and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

- (b) make recommendations to the Board of the remuneration of members of the Board who are non-executive directors. The Committee should consider fees paid by comparable companies, time commitment, responsibilities of the non-executive directors, employment conditions elsewhere in the Company or any of its subsidiaries and desirability of performance-based remuneration if and to the extent that they are relevant;
- (c) consult with the Chairman and/or the Chief Executive Officer of the Company and, where deemed appropriate, members of the Executive Directorate about the Committee's proposals relating to, and have the delegated responsibility to determine, the specific remuneration packages for the employment of all members of the Board who are executive directors and all members of the Executive Directorate, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment. The Committee should consider salaries paid by comparable companies, responsibilities of the members of the Board who are executive directors and the members of the Executive Directorate, employment conditions elsewhere in the Company or any of its subsidiaries and desirability of performance-based remuneration;
- (d) review and approve performance-based remuneration payable to members of the Board who are executive directors, and members of the Executive Directorate by reference to corporate goals and objectives resolved by the Board from time to time and other measures of performance;
- (e) review and approve any compensation additional to that provided for in the remuneration packages determined according to 9.2(c) above which is payable to members of the Board who are executive directors and members of the Executive Directorate in connection with any loss or termination of their office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- (f) review and approve compensation arrangements relating to dismissal or removal of members of the Board who are executive directors and members of the Executive Directorate 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;
- (g) ensure that no member of the Board or the Executive Directorate or any of his associates is involved in deciding his own individual remuneration;

- (h) determine the participation of members of the Board who are executive directors, members of the Executive Directorate, and other employees of the Company in any discretionary employee share or other share-based incentive schemes operated by the Company;
- (i) determine targets for any Company-wide performance-related payments for members of the Board who are executive directors and members of the Executive Directorate and individual incentives for members of the Board who are executive directors and members of the Executive Directorate including, without limitation: (i) the setting and monitoring of any performance conditions subject to which any options, shares or other long-term incentives may be granted under any remuneration schemes adopted by the Company; and (ii) the setting and monitoring of any bonus scheme performance conditions. The performance-related elements of remuneration should form a significant proportion of the total remuneration package of members of the Board who are executive directors and members of the Executive Directorate;
- (j) determine the provision of benefits and settlement of other provisions under the terms of the service agreements or otherwise of members of the Board who are executive directors and members of the Executive Directorate where these are stated as being at the discretion of the Board;
- (k) compile a draft annual report on remuneration to the shareholders to be submitted to the Board, in accordance with clause 10 below;
- (l) (at any time when the Financial Secretary Incorporated holds 50% or more of the voting power of the Company and the Chairman concurrently holds the office of Chief Executive Officer or any other executive function) recommend to Financial Secretary Incorporated, any revision of salary or terms of employment deemed appropriate for the Chairman of the Company in the light of prevailing market conditions for jobs of similar responsibility and authority; and
- (m) advise shareholders on how to vote with respect to any service contracts of directors requiring shareholder approval.

9.3 Without limiting the authority of the Committee in the exercise of its powers and discretions such Committee shall have the following responsibilities:-

- (a) to ensure that the Board and the Executive Directorate remuneration policies and practice facilitate the employment and motivation of top quality personnel;
- (b) to receive evidence on internal and external movements in remuneration, cash and benefits;
- (c) to commission necessary surveys aimed at establishing market position or exploring particular aspects of remuneration;
- (d) to maintain surveillance over benefits, including pensions, consider any significant developments and make recommendations as appropriate; and
- (e) generally to ensure that the Board and the Executive Directorate remuneration administration operates on a "best practice" basis and consistent with the requirements of the Listing Rules and other relevant laws and regulations.

9.4 The Chairman of the Committee shall attend annual general meetings to answer shareholders' questions relating to the remuneration and benefits of members of the Board who are executive directors and members of the Executive Directorate. In the Chairman's absence, another member of the Committee or failing this his duly appointed delegate should attend in his place.

## **10. Reporting to Shareholders**

10.1 The Committee shall prepare and submit to the Board a draft report on remuneration to be considered and approved by the Board. Once approved, the report should form part of, or be annexed to, the Company's annual report and accounts. It should contain the provisions specified in 10.2 below.

10.2 The annual report, referred to in 10.1 above, must contain such information as is required to comply with the Listing Rules, all applicable laws and the Committee's view of good practice at the relevant time.

**11. Minutes and reporting to the Board**

- 11.1 The members of the Committee shall cause minutes to be made of all resolutions and proceedings of the Committee including the names of all those present and in attendance at meetings of the Committee. Minutes of Committee meetings shall record in sufficient detail the matters considered by the Committee members and decisions reached, including any concerns raised by the Committee members and dissenting views expressed.
- 11.2 Except where this would violate legal or regulatory requirements, the Committee shall promptly report back to the Board all decisions and recommendations.

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*This document is in English and Chinese. In case of any inconsistency, the English version shall prevail.*