



KUNLUN ENERGY COMPANY LIMITED  
*(incorporated in Bermuda with limited liability)*  
昆 侖 能 源 有 限 公 司

(Stock Code: 00135)

**Remuneration Committee  
Terms of Reference**

*(with effect from 29 March 2012 according to Board  
Resolution dated 29 March 2012)*

**1. Constitution**

Pursuant to the resolutions passed on 9 September 2003 by the Board of Directors of the Company ("Board"), a Remuneration Committee (the "Committee") was established. The Board has adopted this set of terms of reference for Committee by a resolution passed on 29 March 2012.

**2. Statement of Purpose**

The Committee is a standing committee of the Board. The purpose of it is to discharge the Board's responsibility related to remuneration policies and issues and packages for Directors, senior management and such other employees of the Company as the Board may determine and other remuneration related matters.

**3. Membership**

- 3.1 The Committee shall be appointed by the Board and a majority of the members of the Committee must be Independent Non-executive Directors. LR 3.25
- 3.2 The Chairman of the Committee shall be appointed by the Board and the Committee shall be chaired by an Independent Non-executive Directors. LR 3.25
- 3.3 The Committee shall consist of not less than three members. The quorum of the Committee shall be any two members of the Committee one of whom must be an Independent Non-executive Director.
- 3.4 The Company Secretary of the Company shall be the secretary of the Committee.

**4. Attendance of Meetings**

- 4.1 Unless otherwise stated herein, the meetings are governed by the provisions contained in the Company's Bye-Laws for regulating the meetings and proceedings of Directors.

- 4.2 All Committee members are expected to attend each meeting, in person or via telephone conference, video conference or similar communication equipment by means of which all persons participating in the meeting are capable of hearing each other. If requested by any member of the Committee, time shall be allotted for an executive session of Committee members only and any Directors, executives or outside advisors they might want to invite.
- 4.3 Only members of the Committee are entitled to vote at the meetings.
- 4.4 Resolutions of the Committee at any meetings shall be passed by a majority of votes of the members present.
- 4.5 A resolution in writing signed by all the members of the Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held.
- 4.6 Meeting agendas will be prepared and provided in advance to members of the Committee, along with appropriate briefing materials. Minutes of each meeting shall be prepared and kept by the secretary of the Committee. Draft and final versions of minutes shall be circulated to all members for their comments and records respectively, in both cases within a reasonable period of time after the meeting. Such minutes shall be open for Directors' inspection at any reasonable time on reasonable notice by any Director. A.1.4  
A.1.5

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

Meetings shall be held at least once a year and such other times as the Chairman of the Committee shall require or at the request of any two members of the Committee.

## **6. *Authority***

- 6.1 The members of the Committee shall have access to the advice and services of the Company Secretary of the Company who is responsible to the Committee for ensuring that Committee procedures, and all applicable rules and regulations, are followed.
- 6.2 The Committee is authorised by the Board where necessary to seek independent professional advice at the Company's expense to assist them to discharge their duties to the Company. It is also authorised by the Board to engage and terminate any external independent consultant to advise on the appropriate remuneration levels for the Chief Executive and other senior management at the Company's expense and to approve the terms of any such engagement and the fees of any such consultant. B.1.1
- 6.3 In discharging its responsibilities, the Committee shall have full access to any relevant records of the Company and may also request that any Director, officer, external independent adviser or other employee of the Company, including the Company's senior compensation or human resources executives, the Company's external counsel or any other person, to meet with any members of, or consultants to, the Committee or to attend all or part of any Committee meeting.

6.4 The Committee shall be provided with sufficient resources to perform its duties.

## **7. Responsibilities, Powers and Functions**

The Committee shall have the following responsibilities:

- 7.1 to make recommendations to the Board on all matters relating to policy and structure of the Company for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; B.1.2(a)
- 7.2 to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; B.1.2(b)
- 7.3 either: B.1.2(c)
- (a) to determine, with delegated responsibility, the remuneration packages of individual Executive Directors and senior management; or
  - (b) to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management.
- This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment. The Committee should consult the Chairman and/or Chief Executive of the Company about their remuneration proposals for other Executive Directors. B.1.1
- 7.4 to make recommendations to the Board on the remuneration of Non-executive Directors; B.1.2(d)
- 7.5 to make recommendations to the Board with respect to the establishment and terms of the Company's incentive compensation plans and equity-based plans and shall administer such plans, including the approval of the grants of share options;
- 7.6 in determining and recommending remuneration, to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company and its subsidiaries; B.1.2(e)
- 7.7 to review and approve the compensation payable to Executive Directors and senior management for any loss or termination of office or appointment to ensure that such compensation is consistent with contractual terms and that such compensation is otherwise fair and not excessive; B.1.2(f)
- 7.8 to review and approve the compensation arrangements relating to dismissal or removal of Directors and senior management for misconduct to ensure that such arrangements are consistent with contractual terms and are otherwise reasonable and appropriate; B.1.2(g)
- 7.9 to ensure that no Director or any of his/her associate is involved in deciding his/her own remuneration and that, as regards the remuneration of a Director who is a member of the Committee, his/her remuneration should be determined by other members of the Committee; and B.1.2(h)

7.10 do such other things to enable the Committee to discharge its powers and functions conferred to it by the board.

In performing its duties, due regards should be given to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the associated guidance.

## **8. Annual General Meeting**

Chairman of the Committee or another member of the Committee shall attend the Company's Annual General Meeting and be prepared to respond to shareholders' questions on the Committee's activities and their responsibilities.

E.1.2

## **9. Reporting Responsibilities**

The Committee shall report to the Board on a regular basis.

D.2.2

## **10. Incorporation of Amendments to the Listing Rules**

10.1 These terms of reference have been prepared based on the Corporate Governance Code (the "Code") in Appendix 14 to the Listing Rules which will come into effect on 1 April 2012.

10.2 To the extent that there are any relevant amendments to the Code or the Listing Rules after the date of adoption of these terms of reference which the Company is expected to comply with (the "Relevant Amendments"), the Company will make corresponding changes to these terms of reference as soon as practicable to incorporate the Relevant Amendments. Pending such change, the Relevant Amendments shall be deemed to have been incorporated into these terms of reference from the date on which they come into effect.

10.3 To the extent that there are any relevant amendments to the Code or the Listing Rules after the date of adoption of these terms of reference which are for Company's guidance only, such amendments shall only be incorporated into these terms of reference after they have been duly adopted by the Board.

*Remarks: The definition of "Chief Executive" is set out in the Listing Rules and means "a person who either alone or together with one or more other persons is or will be responsible under the immediate authority of the board of directors for the conduct of the business of a listed issuer".*

*"Senior management" refers to the same category of persons referred to in the Company's annual report.*

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