



**CNBM**

**China National Building Material Company Limited\***

**中國建 材 股 份 有 限 公 司**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability of its members)*

(Stock Code: 3323)

**CHINA NATIONAL BUILDING MATERIAL COMPANY LIMITED\***  
**TERMS OF REFERENCE OF THE REMUNERATION AND**  
**PERFORMANCE APPRAISAL COMMITTEE OF**  
**THE BOARD OF DIRECTORS**

**CONTENTS**

**Terms of Reference of the Remuneration and Performance Appraisal Committee  
of the Board of Directors of China National Building Material Company Limited\***

Chapter 1	General Provisions
Chapter 2	Organisation
Chapter 3	Duties and Authorities
Chapter 4	Access to Resources
Chapter 5	Rules of Procedure
Chapter 6	Supplementary Provisions

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**CHAPTER I GENERAL PROVISIONS**

- Article 1** To further establish and complete the remuneration and performance appraisal regulatory system of directors and senior management of China National Building Material Company Limited\* (the “**Company**”), and to improve the Company’s corporate governance structure, the Company establishes the Remuneration and Performance Appraisal Committee under the Board of Directors (the “**Board**”) and formulates these terms of reference (the “**Terms of Reference**”) in accordance with the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the listing rules of stock exchanges on which the Company’s shares are listed (the “**Listing Rules**”), the Articles of Association of China National Building Material Company Limited\* (the “**Articles of Association**”) and other relevant regulations.
- Article 2** The Remuneration and Performance Appraisal Committee is a special working body established by the Board pursuant to the resolution of the shareholders’ general meeting and is responsible to the Board, and its proposals are subject to the consideration and decision of the Board. Unless otherwise stipulated by laws, regulations or the Articles of Association, the Remuneration and Performance Appraisal Committee shall perform its duties in accordance with the requirements of the Terms of Reference.
- Article 3** In the Terms of Reference, “directors” refer to the executive directors, non-executive directors and independent directors who receive remuneration from the Company; and “senior management” refers to the general manager (president), the deputy general manager (vice president), the secretary of the Board, the chief financial officer appointed by the Board and other senior management members nominated by the president and approved by the Board. The “remuneration” referred to in the Terms of Reference includes but is not limited to all the salaries, bonus, allowances, benefits (in cash or in kind), pension, reimbursement, compensation (including the compensation payable due to loss or termination of office or appointment), incentives, grant of options and shares.

## CHAPTER II ORGANISATION

**Article 4** The Remuneration and Performance Appraisal Committee comprises 3 directors, the majority of which are independent non-executive directors.

**Article 5** Members of the Remuneration and Performance Appraisal Committee shall be nominated by the chairman of the Board after considering the recommendation of the Nomination Committee, and appointed by the Board.

**Article 6** The Remuneration and Performance Appraisal Committee shall comprise one chairman who shall be an independent non-executive director (as a committee member) responsible for presiding over the work of the committee; the chairman shall be nominated by the chairman of the Board after considering the recommendation of the nomination committee of the Board, and appointed by the Board.

**Article 7** The term of office for members of the Remuneration and Performance Appraisal Committee is the same as that of his/her directorship. Upon expiration of the term of office, a member shall be eligible for re-election. In the event that a member of the committee no longer serves as a director of the Company during his/her term, he/she shall automatically lose the membership of the committee, and the committee shall fill the vacancy according to the requirements of the aforesaid Articles 4 to 6.

**Article 8** Each member of the Remuneration and Performance Appraisal Committee shall disclose to the committee:

- (1) any personal financial interest in any matters to be determined by the Remuneration and Performance Appraisal Committee (other than the interest arising from being a shareholder); or
- (2) any potential conflict of interest arising from his/her concurrent directorship.

In case of any of the above interest, the member concerned shall abstain from voting on and participating in discussion over the related resolutions, and even resign from the committee when requested by the Board.

**Article 9** The Remuneration and Performance Appraisal Committee shall have one secretary who shall be the secretary of the Board. The complete minutes of the Remuneration and Performance Appraisal Committee meetings shall be kept by the secretary of the Remuneration and Performance Appraisal Committee, who shall send the first draft of the minutes of the meeting to all members of the Remuneration and Performance Appraisal Committee within three working days after the meeting for them to express their opinions, and send the minutes of the meeting to all members of the Remuneration and Performance Appraisal Committee for confirmation within fourteen days after the meeting.

**Article 10** The Organization Department of the Party Committee and finance department are the daily working bodies of the Remuneration and Performance Appraisal Committee and are responsible for providing relevant information and services in a timely, complete and truthful manner.

**Article 11** The responsibilities of the daily working bodies include but are not limited to:

- (1) to be responsible for the daily operation of the Remuneration and Performance Appraisal Committee;
- (2) to arrange the Remuneration and Performance Appraisal Committee meetings and record meeting minutes (a sufficiently detailed record of the matters considered and decisions reached at the meeting shall be made, which shall include any concerns raised or objections expressed by the directors) and give them to the secretary of the Remuneration and Performance Appraisal Committee for circulation and record;
- (3) to undertake preliminary preparation work in relation to the decision-making by the Remuneration and Performance Appraisal Committee, examine materials to be submitted for the Remuneration and Performance Appraisal Committee's consideration and ensure that the management submits reports and meeting documents to the Remuneration and Performance Appraisal Committee in a proper manner;

- (4) to report to the Board in respect of the work of the Remuneration and Performance Appraisal Committee upon authorization from the chairman of the Remuneration and Performance Appraisal Committee;
- (5) to coordinate and arrange for members of the Remuneration and Performance Appraisal Committee to attend as observers or sit in on relevant meetings of the Company and to conduct investigations and research;
- (6) to assist members of the Remuneration and Performance Appraisal Committee to obtain relevant information and to request relevant documents and materials from the management;
- (7) to provide coordination between the Remuneration and Performance Appraisal Committee and other committees of the Company;
- (8) other duties as designated by the Remuneration and Performance Appraisal Committee.

### **CHAPTER III DUTIES AND AUTHORITIES**

#### **Article 12**

The primary duties and authorities of the Remuneration and Performance Appraisal Committee are as follows:

- (1) to make recommendations to the Board on the policies and framework of overall remuneration and performance management (including but not limited to the standards, procedures and system of performance appraisal) for directors and senior management, and on the establishment of formal and transparent procedures for the formulation of such policies and framework;
- (2) to review and approve the management's remuneration proposals with reference to the Board's corporate policies and objectives;
- (3) to make recommendations to the Board on the remuneration packages of individual executive directors and senior management, or to determine with delegation from the Board, the remuneration packages of such persons, including but not limited to the share appreciation rights plan, benefits in kind, pension rights and compensation payments

(including compensation for loss or termination of office or appointment) as well as to advise the Board on remuneration of non-executive Directors. Factors to be considered by the Remuneration and Performance Appraisal Committee include remuneration paid by comparable companies, the time and duties required from the directors and senior management, employment conditions elsewhere within the Group and the desirability of performance-based remuneration;

- (4) to review and appraise the discharge of duties and annual performance of the Company's directors and senior management with reference to the Company's targets set by the Board, and review and approve performance-based remuneration;
- (5) to review and approve the compensation payable (if any) to executive directors and senior management in relation to loss or termination of office or appointment to ensure that such compensation is determined according to relevant contractual terms, or in case of any deviation from relevant contractual terms or the absence of any specific contractual provisions, the compensation shall still be in a fair and reasonable manner, and shall not be excessive;
- (6) to review and approve compensation arrangements (if any) in relation to dismissal or removal of directors for misconducts to ensure that such compensation is determined according to relevant contractual terms, or in case of any deviation from relevant contractual terms or the absence of any specific contractual provisions, relevant compensation shall be reasonable and appropriate;
- (7) to review from time to time the terms of employment contracts of directors;
- (8) to report to and allow the Board allow to fully understand its acts, decisions and advice, unless prohibited to do so by relevant laws or regulatory requirements;
- (9) to ensure that no director or any of his/her associates is involved in deciding his/her own remuneration;
- (10) to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules; and
- (11) other matters authorized by the Board.

- Article 13** The Board has the right to veto remuneration that impairs the benefit of shareholders.
- Article 14** Before implementation, the Remuneration and Performance Appraisal Committee shall submit its recommendations or proposed measures regarding remuneration for the Company's directors and senior management to the Board or the shareholders' general meeting for approval pursuant to relevant requirements of laws, regulations or the Articles of Association.
- Article 15** When performing its duties within the scope stipulated herein, the Remuneration and Performance Appraisal Committee shall:
- (1) consider provision of necessary remuneration to attract, retain and encourage the directors and senior management that meet the Company's needs, but also refrain from unreasonable overpayment;
  - (2) consider positioning of the Company relative to other companies. They shall be aware of the remuneration level of comparable companies and take account of their relative performance. The Remuneration and Performance Appraisal Committee shall exercise caution in such comparison, given the risk that comparison with other companies may lead to higher remuneration yet without due increase of performance;
  - (3) pay attention to remuneration of a greater scope, including that inside as well as outside the Company, especially when deciding annual pay rises;
  - (4) ensure the portion of performance-linked remuneration represents a larger percentage of the aggregate remuneration for directors so as to align their interest with that of shareholders, and provide incentive for them to enhance performance;
  - (5) deliberate on the performance appraisal standards for directors and senior management, and make recommendations;
  - (6) consult with the Chairman of the Board and/or the president over remuneration proposals for other executive directors; and seek professional advice, if thought necessary.

**Article 16** The Board authorizes the Remuneration and Performance Appraisal Committee to perform its duties within the scope of its duties and responsibilities.

#### **CHAPTER IV ACCESS TO RESOURCES**

**Article 17** The Remuneration and Performance Appraisal Committee shall have access to sufficient resources to perform its duties.

**Article 18** The administrative and personnel department (or the department responsible for personnel management of the Company) of the Company is mainly responsible for preparing meeting documents for the Remuneration and Performance Appraisal Committee, and providing the following information about the Company:

- (1) completion status of the Company's major business targets;
- (2) work division and scope and main responsibilities of the Company's senior management, and other relevant information;
- (3) completion status of the indices specified in the working performance appraisal system for directors and senior management;
- (4) the remuneration distribution plan for the whole Company and senior management formulated based on the Company's results;
- (5) summary of the Company's annual implementation status of remuneration and performance management; and
- (6) other necessary information.



**Article 19** The Remuneration and Performance Appraisal Committee shall have the right to obtain from senior management any information it requires on remuneration and performance appraisal, and the senior management members shall cooperate with the committee.

**Article 20** The Board authorises the Remuneration and Performance Appraisal Committee to, if it thinks necessary, seek professional advice from external independent advisors and ensure attendance of such external persons with related experience and professional knowledge at relevant meetings, at the expense of the Company.

## **CHAPTER V RULES OF PROCEDURE**

**Article 21** Meetings of the Remuneration and Performance Appraisal Committee shall be held at least once a year. Notice of such meetings shall be served on all members of the committee a week before the meeting. The meetings of the Remuneration and Performance Appraisal Committee shall be chaired by the chairman of the committee. If the chairman is unable to attend the meeting due to certain reasons, he or she may authorise another member (an independent director) to chair the meeting.

**Article 22** Meetings of the Remuneration and Performance Appraisal Committee can only be held with the attendance of half of the committee members or more. Each member shall have one vote. Valid resolutions made at such meetings should be passed by over half of all the committee members.

**Article 23** Meetings of the Remuneration and Performance Appraisal Committee can be held by way of on-site meeting, video, telephone or facsimile, etc.

**Article 24** Voting at a Remuneration and Performance Appraisal Committee meeting shall be conducted by raising hands for on-site meetings, or by facsimiled signatures for teleconferences.

**Article 25** When necessary, other directors and senior management of the Company can be invited to attend meetings of the Remuneration and Performance Appraisal Committee as observer.

- Article 26** When a Remuneration and Performance Appraisal Committee meeting discusses a topic relevant to a committee member, the member concerned shall abstain from attending the meeting.
- Article 27** The convening procedure and voting method of, and the remuneration policies and distribution plans passed at the meetings of the Remuneration and Performance Appraisal Committee shall comply with the requirements of relevant laws, regulations, the Articles of Association and the Terms of Reference.
- Article 28** The Remuneration and Performance Appraisal Committee shall keep meeting minutes and committee members attending the meetings shall sign their names on the minutes. The meeting minutes shall be kept by the secretary of the Board of the Company in the same manner and for the same period as the documents of the Board.
- Article 29** Resolutions passed at and voting results of the meetings of the Remuneration and Performance Appraisal Committee shall be reported to the Board in writing.
- Article 30** Members attending the meetings shall have an obligation to keep all matters discussed thereof confidential, and shall not disclose the relevant information without permission.

## **CHAPTER VI SUPPLEMENTARY PROVISIONS**

- Article 31** In the event of any matters not addressed in the Terms of Reference, such matters shall be handled in accordance with relevant laws, administrative regulations and rules of the PRC, the Listing Rules and the Articles of Association. In case of any conflicts between the Terms of Reference and the laws, administrative regulations and rules promulgated in the future by relevant departments or institutions of the PRC, the Listing Rules or the lawfully amended Articles of Association, the laws, administrative regulations and rules promulgated in the future by relevant departments or institutions of the PRC, the Listing Rules and the Articles of Association shall prevail. Corresponding amendments to the Terms of Reference shall be made and submitted to the Board for consideration and approval.

**Article 32**           The Terms of Reference shall be subject to the interpretation by the Board of the Company.

**Article 33**           The Terms of Reference shall take effect upon being considered and approved by the Board of the Company.

*If there is any discrepancy between the English version and the Chinese version in respect of this document, the Chinese version shall prevail.*