



# SAN MIGUEL BREWERY HONG KONG LTD.

香港生力啤酒廠有限公司

*(Incorporated in Hong Kong with limited liability)*  
(Stock Code: 236)

## **TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE**

### **1. GENERAL SCOPE AND AUTHORITY**

- 1.1 San Miguel Brewery Hong Kong Limited (the “Company”) Remuneration Committee (the “Committee”) is a committee of the board of the Company established under Article 131 of the Articles of Association of the Company (the “Articles”).
- 1.2 Proceedings and meetings of the Committee will be governed by the provisions of the Articles on the regulation of the proceedings and meetings of the board of the Company in so far as they are applicable and not inconsistent with these terms of reference.
- 1.3 The board is responsible to the shareholders for ensuring that the Company:
  - has coherent remuneration policies and practices which are observed and which enable it to attract and retain executives and directors who will create value for shareholders and support the Company;
  - fairly and responsibly rewards executives taking into consideration the performance of the Company, the performance of such executives and the general pay environment; and
  - complies with the provisions of the Code on Corporate Governance Practices (the “Code”) appended to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.
- 1.4 The primary purpose of the Committee is to support and advise the board in fulfilling the foregoing responsibilities to the shareholders by:
  - determining executive and director remuneration policy;
  - determining the remuneration of executive directors upon consultation with the chairman or managing director regarding their proposals for such remuneration;
  - reviewing and approving the remuneration of the executives who direct report to the managing director, and as appropriate, other senior management; and
  - reviewing and approving all equity based plans.

- 1.5 The Committee shall have the right to seek any information it considers necessary to fulfill its duties, which includes the right to obtain appropriate external advice at the Company's expense.
- 1.6 The Committee shall be provided with sufficient resources by the Company to discharge its duties under these terms of reference.

## **2. COMPOSITION**

- 2.1 The Committee shall be comprised of at least three members. A majority of the members should be independent non-executive directors, one of whom will be appointed the Committee chairman by the board.
- 2.2 The Committee is comprised of the following members:
  - Mr. Ng Wai Sun (Chairman)
  - Mr. Carlos Antonio M. Berba
  - General Benjamin P. Defensor Jr.
  - Dr the Hon. Sir David K. P. Li
  - Mr. Carmelo L. Santiago
- 2.3 In appointing its members, the Committee will have due regard to the provisions of the Code.
- 2.4 A quorum will comprise any two independent non-executive director Committee members. In the absence of the Committee chairman or appointed delegate, the Committee members present shall elect one of their members as chairman for the meeting.
- 2.5 The Committee may invite any executive management team members or other individuals to attend meetings of the Committee, as they consider appropriate.
- 2.6 The Company secretary shall be the secretary of the Committee.
- 2.7 The senior manager of the human resources department of the Company shall be the principal liaison between executive management and the Committee on remuneration matters and will normally be invited to attend meetings.

## **3. MEETINGS**

- 3.1 The Committee shall meet as frequently as required but not less than two times a year. Any Committee member or the secretary may call a meeting of the Committee.
- 3.2 A notice of each meeting confirming the date, time, venue and agenda shall be forwarded to each member of the Committee (with a copy to all board members) at least seven working days prior to the date of the meeting. The relevant supporting papers are sent in full to all committee members at least 3 days before each meeting.

- 3.3 The Committee shall have access to professional advice from employees within the Company and from appropriate external advisers. The Committee may meet with these external advisers without management being present.
- 3.4 The chairman of the Committee, or delegate, shall report to the board on the decisions and recommendations made by the Committee following each meeting, except where there are legal or regulatory restrictions on such reporting by the Committee to the board.
- 3.5 Minutes of the proceedings of, and resolutions made during, Committee meetings shall be kept by the secretary. Minutes shall be distributed to all Committee members and the chairman of the board after the preliminary draft thereof has been approved by the Committee chairman. Minutes, agenda and supporting papers will be made available to any director upon request to the secretary, provided no conflict of interest exists.

#### **4. DUTIES AND RESPONSIBILITIES**

In order to fulfill its responsibilities to the board, the Committee shall:

- make recommendations to the board on the Company's policy and structure for all directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- review and approve the management's remuneration proposals with reference to the board's corporate goals and objectives;
- either:
  - (i) determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management; or
  - (ii) make recommendations to the board on the remuneration packages of individual executive directors and senior management.

This should, includes benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment,;

- make recommendations to the board on remuneration of non-executive directors.;
- consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group;
- review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they consistent with contractual terms and are otherwise reasonable and appropriate;

- ensure that no director or any of his associates is involved in deciding his own remuneration.; and
- perform other duties and activities that the Committee or the board considers appropriate in the context of these terms of reference. These may include, but are not limited to, the following:
  - reviewing the Company's retirement plans; and
  - reviewing the operations of other executive benefit programs.

## **5. APPROVALS**

The Committee must approve the following prior to implementation:

- changes to the remuneration or contract terms of executive directors and direct reports to the managing director;
- the design of new, or amendments to current, equity plans or executive cash-based incentive plans;
- total level of award proposed from equity plans or executive cash-based incentive plans; and
- termination payments to executive directors or direct reports to the managing director. Termination payments to other departing executives should be reported to the Committee at its meetings.

These terms of reference will be subject to review by the board at any time and shall be made available to requesting parties upon written request to the Company secretary.

30 March 2012