

**NOVO GROUP LTD.**  
**(the “Company”)**

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**REMUNERATION COMMITTEE**  
**TERMS OF REFERENCE**

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*(Effective on 28 October 2016)*

**Purpose**

1. The remuneration committee (“**RC**”) is a committee established by the board of directors (the “**Board**”). The RC’s function is to consider and determine, within these terms of reference, all matters concerning the Company’s directors (“**Directors**”) and executive officers remuneration program, including but not limited to director’s fees, salaries, allowances, bonuses, options and benefit-in-kind.
2. Subject to the regulations contained in the Companies Act, Chapter 50 (the “**Act**”), the SGX-ST Listing Manual of the Singapore Exchange Securities Trading Limited (“**Listing Manual**”), the Constitution of the Company and the guidelines set out in the Code of Corporate Governance 2012 (the “**Code**”) or subsequent revisions (as the case may be) issued by the Corporate Governance Committee and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“**HK Listing Rules**”), the procedures of the RC shall be regulated by the provisions of this Terms of Reference and as may be amended from time to time.

**Composition**

3. The RC shall comprise at least three (3) Directors, entirely of non-executive Directors, the majority of whom, including the Chairman, should be independent. The “independence” of directors shall be determined according to the applicable guidelines and requirements issued or adopted by the Corporate Governance Committee as currently embodied in the Code, as supplemented, amended or varied from time to time.
4. The RC should be chaired by an independent non-executive director, and have at least one member who is knowledgeable in the field of executive compensation, failing which the RC should have access to expert advice inside and/or outside the Company.
5. The Chairman and members of the RC shall be appointed by the Board.
6. A member who wishes to retire or resign from the RC shall notify the Board in writing giving a reasonable notice as may be agreed by the Board.
7. A member shall automatically cease to be a member of the RC if he is removed

or disqualified under the rules of the Act, or if he resigns or retires or is not re-elected as a Board member.

8. Where, by virtue of any vacancy in the membership of the RC for any reason, the number of members of the RC is reduced to less than three (3), the Board shall, within three (3) months thereafter, appoint such number of new members to the RC as may be required to make up the minimum number of three (3). Any new member appointed shall hold office for the remainder of the term of office of the member of the RC in whose place he is appointed.

## **Meetings**

9. The Secretary or some other person as resolved from time to time by the RC shall be the secretary of the RC.
10. The RC may regulate its own procedures and in particular the calling of meetings, the notice to be given of such meetings, the voting and proceedings thereat. The Secretary shall, on the requisition of a member (hereinafter referred to as member), summon a meeting of the members.
11. The RC shall meet at least once a year and other as required.
12. Seven (7) days' notice in writing, or such shorter notice as may be agreed by members, shall be given by the Secretary, specifying the place, time and agenda of the meeting. The expression "in writing" includes those in the form sent out by mail, telefax or electronic mail by any such member.
13. The RC shall have full access to and co-operation by the management including internal auditors (if any) and shall have full discretion to invite any director or executive officer of the Company to attend any meeting.
14. The quorum necessary for the transaction of the business of the RC shall be two (2), provided that a majority shall be independent.
15. If, at any meeting the chairman is not present within fifteen (15) minutes after the time appointed for holding the meeting, the members present may choose one of the other independent members to be chairman of the meeting.
16. Of the members participating in a decision of the RC, a majority shall be independent. In case of an equality of votes, the chairman of the meeting shall have a second or casting vote. Each member of the RC shall abstain from voting on any resolutions in respect of his remuneration package or that employees related to him. A member shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting. If there is a deadlock situation in the resolution of the matter, then the matter shall be referred to the Board.
17. The members of the RC may participate in a meeting via telephone conference

or such other similar communication equipment by means of which all persons participating in the meeting can hear each other, without a member being in the physical presence of another member or members, and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting. Minutes of such a meeting signed by all participants of the meeting shall be conclusive evidence of any resolution of any meeting conducted in such manner. A resolution passed by such a conference shall, notwithstanding that the members of the RC are not present together at one place at the time of the conference, be deemed to have been passed at a meeting of the members held on the day and at the time at which the conference was held and shall be deemed to have been held at the registered office of the Company, unless otherwise agreed, and all the members of the RC participating at that meeting shall be *deemed* for all purposes of this Terms of Reference to be present at that meeting.

18. A resolution in writing, signed by all the members for the time-being entitled to receive notice of a meeting of the RC, shall be as valid as effectual as if it had been passed at a meeting of the RC duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more members. The expressions “in writing” and “signed” include approval by telefax or electronic mail by any such member.
19. Minutes of all proceedings of meetings of the RC shall be recorded by the Secretary and circulated to all the members. The minutes are to be signed by the chairman of the meeting. The minute books shall be kept by the Secretary and shall be opened for inspection by any Director of the Company.
20. The Chairman of the RC shall report on the proceedings of the RC to the Board by way of submission of minutes of the RC meetings or by such other mode as the Chairman shall in his discretion deem fit.

### **Authority**

21. The RC may exercise the following powers:
  - (a) to review any proposed service contract and remuneration packages and terms of employment for each Director and senior management before such contract is entered into and to make recommendation to the Company’s human resources department for any changes to the proposed terms of such contract;
  - (b) to make recommendations regarding the remuneration, bonuses and welfare benefits of the Directors and the senior management as are competitive and appropriate to attract, retain and motivate Directors and senior management of the required quality to run the Company successfully;
  - (c) to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise,

if it considers this necessary;

- (d) to exercise such powers as the RC may consider necessary and expedient so that their duties herein below can be properly discharged; and
- (e) The RC should be provided with sufficient resources to discharge its duties.

## **Responsibilities**

22. The principal responsibilities of the RC shall be to:

- (a) review and recommend to the Board a general framework of remuneration for the Board, and the specific framework of remuneration packages for each director, CEO (if CEO is not a director) and key management personnel, and submit such recommendations for endorsement by the entire Board;
- (b) to review and recommend to the Board the Company's policies and structure for all Directors and senior management remuneration as are competitive and appropriate to attract, retain and motivate Directors and senior management of the required quality to run the Company successfully and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (c) function as the committee referred to in any share option schemes or share schemes implemented by the Company and/or its subsidiaries (the "**Scheme**") and shall have all the powers as set out in the Scheme;
- (d) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (e) either :
  - (i) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and key management personnel (i.e. reference to "key management personnel" in this terms of reference shall include the persons referred to as "senior management" under the HK Listing Rules); or
  - (ii) to make recommendations to the Board on the remuneration packages of individual executive Directors and key management personnel.

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

- (f) to make recommendations to the Board on the remuneration of non-executive Directors;
  - (g) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group;
  - (h) review and approve compensation payable to executive Directors and key management personnel 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;
  - (i) review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
  - (j) ensure that no Director or any of his associates is involved in deciding his own remuneration.
  - (k) undertake such other functions and duties as may be required by statute of the Act, the Listing Manual and the Code and the HK Listing Rules, or by such amendments as may be made thereto from time to time.
23. In reviewing and recommending remuneration, the RC shall take into account the following:
- (a) the remuneration packages should be comparable within the industry and in comparable companies and shall include a performance-related elements coupled with appropriate and meaningful measures of assessing individual Directors' and key management personnel's performance. A significant and appropriate proportion of executive directors' and key management personnel's remuneration should be structured so as to link rewards to corporate and individual performance. There should be appropriate and meaningful measures for the purpose of assessing executive Directors' performance.
  - (b) The remuneration of non-executive Directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Directors.
  - (c) In the case of service contracts, there should be a fixed appointment period for all executive Directors. Service contracts should not be excessively long or with onerous removal clauses. The RC should review what compensation commitments the Directors' contracts of service, if any, would entail in the event of early termination.
  - (d) the remuneration packages of employees related to executive directors, CEO (if CEO is not a director) and substantial or controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels

of responsibility.

- (e) the level and structure of remuneration should be aligned with the long-term interests and risk policies of the Company and Guidelines 8.1 to 8.4 of the Code.
- (f) the Company's obligations arising in the event of termination of the executive directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses.

## **GENERAL**

- 24. The RC in carrying out its tasks under these terms of reference may obtain at the Company's expense such external or other independent professional advice as it considers necessary to carry out its duties.
- 25. The Board will ensure that the RC has the resources access to independent professional advice at the Company's expense in order for it to perform its duties.
- 26. The RC shall initiate amendments to its Terms of Reference when the need arises due to changes in legislation governing corporate governance. Any director may propose such amendments to the RC's Terms of Reference, as he deems fit, by reason of changes in the Company's structure, organisation and/or operations which affect the matters set out in the Terms of Reference. All amendment to the Terms of Reference shall be submitted to the RC for approval.

## **Restriction**

- 27. No Director shall be allowed to take part in proceedings to decide on his own remuneration.

*Amended on 28 October 2016*