

Fidelity China Special Situations PLC

Terms of Reference for the Nomination & Remuneration Committee

1. Function

- 1.1 The function of the Nomination and Remuneration Committee is to ensure the Company discloses information relating to its directors' remuneration, nomination and other related matters and to ensure that the Company has a formal, considered and transparent nomination and remuneration policy.
- 1.2 As part of this function the Committee is to review the Company's remuneration and nomination systems and report to the Board.

2. Membership

- 2.1 The Committee may comprise all the directors of the Company. A majority of the members of the Committee shall be independent non-executive directors.
- 2.2 The Chairman of the Board shall act as the Chairman of the Committee.
- 2.3 The Company Secretary shall act as the Secretary of the Committee.

3. Meetings

- 3.1 The Committee shall meet annually and at such other times as the Chairman of the Committee shall require.
- 3.2 The quorum for the meetings shall be two independent directors.
- 3.3 Minutes of the Committee meetings shall be kept and copies of the minutes of the meetings will be circulated to all directors.
- 3.4 Meeting papers should be sent in full to all Committee members and at least three days before the intended date of a meeting of the Committee (or such other period as agreed by its members).

4. Authority

- 4.1 The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to obtain, at the Company's expense, outside or other independent professional advice on any matters within its terms of reference and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. It is also authorised to seek any information it requires from any members of the Manager's staff in order to perform its duties and call on any member of the Manager's staff to be questioned by the Committee when required.

5. Duties

The Committee shall:-

- 5.1 make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.
- 5.2 delegate responsibility to determine the specific remuneration packages of all directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors. The Committee shall consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the group and desirability of performance-based remuneration.
- 5.3 review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.
- 5.4 review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company.
- 5.5 review and approve compensation arrangements relating to dismissal or removal of directors 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.
- 5.6 undertake a yearly performance evaluation of the directors with external board evaluations being undertaken once every three years;
- 5.7 ensure that no director or any of his associates is involved in deciding his own remuneration.
- 5.8 advise the shareholders on how to vote with respect to any service contracts of the directors that require shareholders' approval under the Hong Kong Listing Rules.
- 5.9 review regularly the Board structure, size and composition (including the skills, knowledge, experience and gender mix) required of the Board and make recommendations to the Board with regard to any adjustments that are deemed necessary.
- 5.10 be responsible for identifying and nominating candidates for the approval of the board to fill Board vacancies as and when they arise.

- 5.11 recommend whether directors who are retiring by rotation should be put forward for re-election.
- 5.12 Consider successive planning, where appropriate and to review the tenure of directors on a three year cycle
- 5.13 assess the independence of independent non-executive directors.
- 5.14 review the remuneration report which is included in the annual report.
- 5.15 consult the chairman of the Board and/or the chief executive officer about their proposals relating to the remuneration of the other executive directors and have access to professional advice considered necessary.

6. Reporting Responsibilities

- 6.1 The Committee shall report back to the Board and keep the Board fully informed of its decisions and recommendations, unless prohibited by applicable law or regulations.
- 6.2 Adequate information enabling the Committee to make informed decisions should be made available to the Company in a timely manner. The information supplied must be complete and reliable. Where a Committee member requires more information than is volunteered, the relevant member should make additional necessary enquiries. Each member of the Committee shall have separate and independent access to the management of the Company.

7. Resources

- 7.1 The Committee should be provided with sufficient resources to discharge its duties.
- 7.2 Finds will be made available for professional advice (see 3.1 above).

8. Communication with Shareholders

- 8.1 The Committee Chairman, or in his absence, another Committee member, or failing which, his duly appointed alternate, should be present at the AGM to answer questions through the Company Chairman on the Annual Report and the matters within the Committee's remit.

9. Terms of reference available

- 9.1 The Committee should make available its terms of reference, explaining its role and the authority delegated to it by the Board.