

# **Inner Mongolia Yitai Coal Co., Ltd.**

## **Terms of Reference of the Remuneration and Appraisal Committee under the Board of Directors**

### **CHAPTER 1 GENERAL PROVISIONS**

**Article 1** In order to establish and maintain internal control system of performance assessment and compensation of the directors and senior management of Inner Mongolia Yitai Coal Co., Ltd. (hereinafter referred to as the “Company”) and improve the corporate governance structure, the Remuneration and Appraisal Committee is herein established and the Terms of Reference herein is prepared in accordance with the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), the Code of Corporate Governance for Listed Companies in China, the listing rules of the stock exchanges where the Company’s shares are listed, the Code on Corporate Governance of the Hong Kong Listing Rules, the Articles of Association of Inner Mongolia Yitai Coal Co., Ltd. (hereinafter referred to as the “Articles of Association”), the Procedures of Meetings of the Board of Directors of Inner Mongolia Yitai Coal Co., Ltd., and other relevant rules.

**Article 2** The Remuneration and Appraisal Committee is a body specially constituted under the board of directors pursuant to the resolution of the shareholders’ general meeting. It is mainly responsible for making up the assessment criteria for the directors and the senior management of the Company, conducting such assessment and providing advice and studying and reviewing the remuneration policy and proposals for the directors and the senior management of the Company. The Committee shall be responsible and report on its work to the board of directors.

**Article 3** The Senior Management herein refers to the president, the vice president, the board secretary, chief financial officer and other senior management recognized by the board of directors upon the president’s proposal.

### **CHAPTER 2 MEMBERSHIP**

**Article 4** The Remuneration and Appraisal Committee members shall be composed of seven directors, four of whom shall be independent non-executive directors.

**Article 5** The members of the Remuneration and Appraisal Committee shall be nominated by the chairman of the board of directors, more than half of the independent non-executive directors or one-third of all directors and be elected by a simple majority of the members of the Board.

**Article 6** The Remuneration and Appraisal Committee shall have a chairman (a convener) who must be an independent non-executive director and shall take charge of the Committee’s work. The chairman shall be elected from the members of the Committee and shall become effective after the result is reported to, and approved by, the board of directors.

**Article 7** The term of office of the Remuneration and Appraisal Committee shall be consistent with the term of the board of directors. Upon the expiration of his term, a member may serve a consecutive term if re-elected. Where a member ceases to perform the duty as a director of the Company during the term, his membership shall be terminated automatically and the replacement shall be appointed by the Committee in accordance with Articles 4 to 6 above.

**Article 8** The members of the Remuneration and Appraisal Committee shall meet the following conditions:

- (1) does not fall into the categories where a person shall not serve as a director, supervisors and senior management in accordance with the Company Law or the Articles of Association;
- (2) has not been publicly denounced or declared as an unsuitable candidate by a stock exchange within the last three years;
- (3) has not been subject to administrative penalty by the China Securities Regulatory Commission due to gross violation of laws and regulations within the last three years;
- (4) possesses good moral character, familiarity with the industry of the Company, the ability to conduct macroeconomic analysis and make judgments, and relevant expertise and working experience; and
- (5) other requirements in accordance with relevant laws, regulations or the Articles of Association.

**Article 9** The one who does not conform to the qualifications prescribed in the preceding article shall not be elected as a member of the Remuneration and Appraisal Committee. A member of the Remuneration and Appraisal Committee who does not conform to the qualifications prescribed in the preceding article during his term shall resign or be replaced by the board of directors.

**Article 10** The Remuneration and Appraisal Committee shall establish a working team. The specialized duties of the working team are to provide information on the Company's operation and persons to be appraised, preparing for the Remuneration and Appraisal Committee meetings, and implementing the relevant resolutions of the Remuneration and Appraisal Committee.

### **CHAPTER 3 POWERS AND DUTIES**

**Article 11** The principal powers and duties of the Remuneration and Appraisal Committee are:

- (1) to set the overall remuneration policy and structure for the directors and senior management of the Company and to propose to the board of directors in respect of establishing remuneration policy through a formal and transparent procedure;
- (2) to review and approve the remuneration proposals for the management with reference to the corporate goals and objectives made by the board of directors;

- (3) to make recommendations to the board of directors on the remuneration packages (including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment) of certain executive directors and Senior Management;
- (4) to make recommendations to the board of directors on the remuneration of non-executive directors;
- (5) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group;
- (6) to 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;
- (7) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure they are consistent with contractual terms and are otherwise reasonable and appropriate;
- (8) to ensure that no director or any of his associates is involved in deciding his own remuneration; and
- (9) other matters as authorized by the board of directors.

**Article 12** The Remuneration and Appraisal Committee, when exercising its powers, must comply with the Company Law, the listing rules of the stock exchanges where the Company's shares are listed, the Articles of Association and Terms of Reference, and shall not damage the interests of the Company and shareholders.

**Article 13** The remuneration scheme for directors of the Company proposed by the Remuneration and Appraisal Committee shall be approved by the board of directors and the implementation of which is subject to the consideration and approval at the shareholders' general meetings. The remuneration allocation scheme for Senior Management shall be approved by the board of directors.

#### **CHAPTER 4 DECISION-MAKING PROCEDURES**

**Article 14** The working team under the Remuneration and Appraisal Committee shall be responsible for the preliminary preparatory works in relation to the decision-making of the Remuneration and Appraisal Committee, providing the information relevant to the Company:

- (1) providing information on the major financial indicators of the Company and the achievement of operation goals of the Company;

- (2) the information on the assigned scope of works and main duties of the Company's Senior Management;
- (3) providing information on the achievement of the targets involved in the job performance appraisal scheme for directors and Senior Management;
- (4) providing information on the operating performance of the Company in connection to the innovative and profit-creating capabilities of the directors and Senior Management; and
- (5) providing information on the drafting of the relevant estimating basis in relation to the Company's remuneration allocation plan and the way of allocation based on the performance of the Company.

**Article 15** The Remuneration and Appraisal Committee's assessment procedures on the Directors and Senior Management:

- (1) The Directors and Senior Management shall report to the Remuneration and Appraisal Committee on their works and conduct self-evaluation;
- (2) the Remuneration and Appraisal Committee will conduct performance appraisal of the directors and Senior Management in accordance with the standard and procedure of performance appraisal; and
- (3) propose the amount of reward and the way of reward for the directors and Senior Management according to the result of the job performance appraisal and the policy of remuneration allocation, which shall be submitted to the board of directors of the Company after its approval by voting.

## **CHAPTER 5 RULES OF PROCEEDINGS**

**Article 16** The Remuneration and Appraisal Committee shall hold regular meetings at least once every year. All members of the Committee shall be notified seven (7) days prior to such meeting. In the event that the board of directors or the chairman of the Remuneration and Appraisal Committee considers it necessary to hold a special meeting or more than half of the members of the Committee propose to do so, all members of the Committee shall be notified three (3) days prior to such meeting. In case of an emergency or other special events, the aforesaid time and requirements of notice may be waived upon approval of the chairman, and the meeting notice may be sent at any time, but the chairman of the Remuneration and Appraisal Committee shall make an explanation at the meeting. The chairman of the Remuneration and Appraisal Committee shall convene and preside over the meetings of the Remuneration and Appraisal Committee. Where the chairman is unable to perform his duties, he shall appoint another member (independent non-executive director) to perform the duties on his behalf. Where the chairman is unable or fails to perform his duties and he fails to appoint another member to perform the duties on his behalf, any member who shall be elected by more than half of the members of the Committee shall perform the duties of the chairman.

The notice of the Remuneration and Appraisal Committee meetings shall include, as a minimum, the followings:

- (1) the time and venue of the meeting;
- (2) the issues to be discussed at the meeting;
- (3) the contact of the meeting and contact information; and
- (4) the date of the notice of the meeting.

**Article 17** The Remuneration and Appraisal Committee meetings shall be held only with the presence of two thirds of the members or above. Each member shall be entitled to one vote. The resolutions made by the meeting must be approved by one half of all the members or above.

**Article 18** The members of the Remuneration and Appraisal Committee may attend the meetings in person or delegate other members to attend the meetings and exercise the voting rights.

**Article 19** The member of the Remuneration and Appraisal Committee who delegates other members to attend the meetings and exercise the voting rights shall submit a power of attorney to the president of the meeting. The power of attorney shall be submitted to the president of the meeting no later than the voting of the meeting begins.

**Article 20** The power of attorney shall include, as a minimum, the followings:

- (1) the name of the principal;
- (2) the name of the agent;
- (3) the entrusted matters;
- (4) the term of authorization;
- (5) the instruction on how to exercise the voting rights (i.e. for, against, abstain) in respect of the proposals of the meeting and the declaration about whether the agent can vote based on his own decision when there is no specific instruction; and
- (6) the signature of the principal and the signing date.

**Article 21** The member of the Remuneration and Appraisal Committee shall be regarded as absent from the meetings if he does not attend such meetings in person, nor delegate a member to attend such meetings on his behalf. The members of the Remuneration and Appraisal Committee shall be regarded not capable to perform his duty if he does not attend the meetings twice successively and the board of the directors of the Company may revoke his position as a member.

**Article 22** At the Remuneration and Appraisal Committee meetings, voting shall be made by a show of hands or by casting of vote; voting of special meetings may take the form of correspondence.

**Article 23** The directors, supervisors and senior management may be invited to attend the Remuneration and Appraisal Committee meetings as observers if necessary.

**Article 24** If necessary, the Remuneration and Appraisal Committee may appoint intermediaries to provide professional advice for its decision-making at the costs and expenses of the Company.

**Article 25** If the Remuneration and Appraisal Committee meeting discuss issues regarding a member, the member should be avoided therefrom.

**Article 26** The convening procedure and voting method of the Remuneration and Appraisal Committee meetings and the remuneration policy and distribution scheme passed at such meetings shall comply with the relevant laws, regulations, the Articles of Association and these Terms of Reference.

**Article 27** The Remuneration and Appraisal Committee meetings shall have minutes on which members of the Committee attending the meetings shall sign. Any member who objects to the minutes may not sign, but shall submit a written opinion to the board secretary within the aforementioned period. If errors or omissions occur to the minutes, the board secretary shall revise and the members shall sign after such revision. The minutes shall be lodged by the board secretary for ten years.

The minutes of the Remuneration and Appraisal Committee meetings shall include, as a minimum, the followings:

- (1) the date, venue and the convener of the meeting;
- (2) the names of the attendees with indications if an agent is entrusted for the meeting;
- (3) the meeting agenda;
- (4) the key points of the members' speeches;
- (5) the voting method and poll results for each resolution (the poll results shall explicitly indicate the voting numbers in respect of for, against and abstain); and
- (6) other matters need to be indicated and recorded in the meeting minutes.

**Article 28** Resolutions passed and voting results of the Remuneration and Appraisal Committee meetings shall be reported to the board of directors of the Company in writing.

**Article 29** Members present at the meetings shall have an obligation to keep all matters discussed in such meetings confidential, and shall not disclose the relevant information without authorization.

## **CHAPTER 6 SUPPLEMENTARY PROVISIONS**

**Article 30** These Terms of Reference shall come into effect on the date the board resolution is approved.

**Article 31** Any matters not covered by these Terms of Reference shall be implemented in accordance with the provisions of the relevant laws and regulations of the State and the Articles of Association. Should these Terms of Reference conflict with future laws and regulations of the State or the Articles of Association amended through lawful procedures subsequently, the relevant State laws and regulations and the Articles of Association shall prevail, and these Terms of Reference shall be revised immediately and the revision shall be reported to the board of directors for consideration and approval.

**Article 32** The power to formulate, amend and interpret these Terms of Reference rests with the board of directors of the Company.

**Article 33** These Terms of Reference is made in Chinese and the English translation is for reference only. Should there be any inconsistency or discrepancy between the English and the Chinese versions, the Chinese version shall prevail.

Board of Directors of Inner Mongolia Yitai Coal Co., Ltd.

15 August 2016