



Datang Environment Industry Group Co., Ltd.*

大唐環境產業集團股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1272)

DATANG ENVIRONMENT INDUSTRY GROUP CO., LTD. TERMS OF REFERENCE OF THE REMUNERATION AND EVALUATION COMMITTEE OF THE BOARD OF DIRECTORS

Chapter 1 GENERAL PROVISIONS

Article 1 Pursuant to the Company Law of the People's Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter refer to as the "Listing Rules"), including the Corporate Governance Code as set out in Appendix C1 thereof and applicable regulatory rules, the Articles of Association of Datang Environment Industry Group Co., Ltd. (hereinafter refer to as the "Articles of Association"), and the Rules of Procedures of the Board Meetings of Datang Environment Industry Group Co., Ltd., the rules have been laid down to further establish a sound evaluation and remuneration management system for directors and senior management members of Datang Environment Industry Group Co., Ltd. (hereinafter refer to as the "Company") and improve its corporate governance structure.

Article 2 The Remuneration and Evaluation Committee, established by the board of directors (the "Board") as a special committee, is mainly responsible for setting out the assessment standards for directors and senior management members of the Company and conducting assessment and formulating and reviewing the remuneration policies and proposals of directors and senior management members of the Company and shall be accountable to the Board. In fulfilling its responsibilities, the Remuneration and Evaluation Committee shall abide by the applicable laws, regulations, the Articles of Association and the rules herein. By virtue of legislative requirements, the Remuneration and Evaluation Committee shall be subject to the supervision by the shareholder's meeting and Audit Committee of the Company.

Article 3 The directors herein refer to the chairman and directors who receive remuneration from the Company, the senior management members herein refer to the general manager, deputy general manager, chief financial officer, secretary of the Board and other personnel to be appointed by the Board.

Chapter 2 COMPOSITION OF COMMITTEE

Article 4 The Remuneration and Evaluation Committee comprises three directors with more than half of independent non-executive directors.

Article 5 The members of the Remuneration and Evaluation Committee are nominated by the chairman, more than half of the independent non-executive directors or one-third of all the directors and elected by the Board.

Article 6 The Remuneration and Evaluation Committee shall have one chairman, who shall be an independent non-executive director. The chairman shall oversee the operation of the Remuneration and Evaluation Committee and perform as the convener of meetings. The chairman elected shall be members of the Remuneration and Evaluation Committee.

Article 7 The Remuneration and Evaluation Committee shall have the same term of office as the Board. A member of the Remuneration and Evaluation Committee may serve consecutive terms if re-elected upon the expiration of his/her term. If any member ceases to hold office as a director of the Company during the term, such director shall lose his/her position as a member of the Remuneration and Evaluation Committee accordingly. The vacancy shall be filled by the Board in accordance with the rules.

Article 8 The human resources department of the Company is an administrative office of the Remuneration and Evaluation Committee. It is responsible for providing information related to human resources as well as individuals to be assessed, preparing for meetings of the Remuneration and Evaluation Committee and implementing relevant resolutions of the Remuneration and Evaluation Committee.

Article 9 The relevant departments of the Company have the responsibility of coordinating with the Remuneration and Evaluation Committee to carry out its work and providing relevant materials.

CHAPTER 3 DUTIES AND AUTHORITIES

Article 10 The Remuneration and Evaluation Committee shall have the following duties and responsibilities:

- (i) to make recommendations to the Board on the Company's policy and structure for all directors' and senior management members remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (ii) to review and approve the management's remuneration proposals based on the Board's corporate goals and objectives;
- (iii) to determine the specific remuneration packages for all the executive directors and senior management members, including but not limited to basic salary, share options and benefits in kind, pension rights and bonus as well as compensation payments (including the compensation payable in the event of loss or termination of office or appointment);
- (iv) to make recommendations to the Board on the remuneration of non-executive directors;

- (v) consider salaries paid by comparable companies, time commitment and responsibilities, of directors employment elsewhere in the Group and others factors such as whether any part of the compensation package should be performance-based;
- (vi) to review and approve compensation payable to executive directors and senior management members for any loss or termination of office or appointment to ensure that it is consistent with relevant contractual terms and is otherwise fair and will not cause excessive expenditure to the Company;
- (vii) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with relevant contractual terms and are otherwise reasonable and appropriate;
- (viii) to ensure that director or any of his/her associates shall not be involved in deciding his/her own remuneration;
- (ix) to review and/or approve matters related to share plan mentioned in Chapter XVII of the Listing Rules;
- (x) to ensure that the share plans (if any) granted by the Company to its directors or senior management members are in compliance with the requirements of Chapter XVII of the Listing Rules;
- (xi) to manage, review and/or approve the share incentive plans (if any) of the Company applicable to directors and/or senior management members (if any), subject to the requirements of the Listing Rules. The Remuneration and Evaluation Committee shall make recommendations to the Board on total number granted to employees (specific number of shares granted to directors and/or senior management members shall be determined by the Remuneration and Evaluation Committee at its discretion), and, if applicable, to make amendments to the terms of the relevant plans, subject to revised terms of the plans;
- (xii) to review and approve the proposed service contracts to be entered into with any director or senior management member and to make recommendations to the human resources department of the Company on amendments to the terms of such contracts prior to the execution of relevant contracts;
- (xiii) to review the performance of the directors and senior management members of the Company and evaluate their annual performance;
- (xiv) to make recommendations to the Board on formulation or modification of the equity incentive scheme, the employee stock ownership plan, the grant of interests to the participants and the fulfilment of the conditions for exercise of options; and
- (xv) other matters authorized by the Board or stipulated in the Listing Rules.

Article 11 The Board shall have the rights to reject any remuneration plan or proposal which is prejudicial to the interests of the shareholders.

Article 12 The remuneration plans for directors of the Company proposed by the Remuneration and Evaluation Committee shall be submitted to the Board for approval and shall then be presented to the shareholders' meeting for consideration and approval before implementation. The remuneration distribution proposal for senior management members of the Company shall also be submitted to the Board for approval.

CHAPTER 4 WORKING PROCEDURES

Article 13 The human resources department and other relevant departments of the Company are in charge of the preliminary preparation for the decision-making of the Remuneration and Evaluation Committee and shall provide the following materials of the Company:

- (i) to provide information on whether and to what extent the Company's major financial indicators and operational targets have been achieved;
- (ii) to provide information on the scope of work and major job duties and responsibilities assigned to each of the senior management members of the Company;
- (iii) to provide information on whether and to what extent the targets stipulated in the performance appraisal system for the directors' and senior management members have been achieved;
- (iv) to provide information on the operating efficiency resulting from innovation capability in business and profit-making capability of the directors and senior management; and
- (v) to provide information on the calculation basis for the remuneration distribution plans and methods based on the Company's operating results.

Article 14 The procedures for the Remuneration and Evaluation Committee's appraisal of directors, supervisors and senior management members are as follows:

- (i) the directors and senior management members of the Company shall submit work report and self-evaluation to the Remuneration and Evaluation Committee;
- (ii) the Remuneration and Evaluation Committee conducts performance appraisal on the directors and senior management members following the performance appraisal standards and procedures; and

(iii) the Remuneration and Evaluation Committee proposes the remuneration amount and incentive methods for the directors and senior management members based on the job performance appraisal results and remuneration allocation policy for voting. Upon approval by the Remuneration and Evaluation Committee, such remuneration amount and incentive methods shall be submitted to the Board of the Company for approval.

CHAPTER 5 RULES OF PROCEDURES

Article 15 The Remuneration and Evaluation Committee shall convene meetings according to the needs of the business development of the Company. Seven days' notice shall be given to all members of the committee prior to the meeting. The meetings shall be presided over by the chairman, or, where the chairman is unable to preside over the meetings, one of the members (whom shall be an independent non-executive director) as authorized by the chairman. In case of an emergency, the abovementioned time of notice can be exempt under the approval of more than half of all members.

Article 16 The quorum of the meetings of the Remuneration and Evaluation Committee shall be more than two-thirds. Each member shall have one vote and the resolutions of the meetings shall be passed by more than half of all members.

Article 17 The meetings of the Remuneration and Evaluation Committee shall be convened under the principle of onsite meeting. Provided that members may fully express their opinions, meetings may be convened by way of video, telephone, facsimile transmission or email if necessary. The meetings of the committee can also be convened onsite and via other methods simultaneously.

Article 18 Resolutions at the meetings of the Remuneration and Evaluation Committee shall be determined by show of hands, by poll or by communication.

Article 19 If deemed necessary for the meetings of the Remuneration and Evaluation Committee, directors, members of the Audit Committee and senior management members of the Company can be invited to present at the meetings.

Article 20 The Remuneration and Evaluation Committee may engage intermediary agencies to provide professional advice for its decisions making, if necessary, and the expenses incurred shall be borne by the Company.

Article 21 Where there are connected relationship or conflicts of interests between a member and the matter to be discussed at meetings or in other circumstances that such member shall abstain from voting on such relevant matter, such member shall abstain from such discussion.

Article 22 The procedures for convening a meeting, the method of voting and the remuneration policies and distribution proposals adopted by a meeting of the Remuneration and Evaluation Committee shall be in conformity to the provisions of the relevant laws, regulations, Articles of Association and the rules.

Article 23 The Remuneration and Evaluation Committee shall keep written minutes of its meetings. Members present at a meeting shall sign the minutes of that meeting. The meeting minutes shall be kept by the secretary of the Board.

Article 24 The Remuneration and Evaluation Committee may delegate the secretary of the Board to handle the following day-to-day affairs:

- (i) to distribute the meeting agenda and relevant supporting materials to members of the Remuneration and Evaluation Committee 7 days prior to the date of the meeting; and
- (ii) to sort out the opinions of members present and prepare a statement of members' opinions after the meetings and send the same to each of them for signature.

Article 25 The resolutions and poll results at the meetings of the Remuneration and Evaluation Committee shall be submitted to the Board of the Company in written form.

Article 26 Members who attend the meetings shall keep confidential all matters discussed in the meetings. Unauthorized disclosure of the relevant information shall be prohibited.

CHAPTER 6 SUPPLEMENTARY PROVISIONS

Article 27 In the rules, the meaning of “more than” includes the underlying number, the meaning of “exceeding” excludes the underlying number, and “day(s)” refers to business day(s). Unless otherwise stated, technical terms used herein shall have the same meanings as they appear in the Articles of Association.

Article 28 The rules shall come into effect from the date when it is considered and passed by the Board.

Article 29 For any matters that are not covered in the rules or contravene relevant laws, regulations, regulatory documents and the Articles of Association, the abovementioned laws, regulations, regulatory documents and the Articles of Association shall prevail and the rules shall be amended in a timely manner.

Article 30 The rules shall be revised and interpreted by the Board of the Company.

Important Note: The English version is for reference only. Should there be any inconsistency between the English and Chinese versions, the latter shall prevail.