

Revised and Adopted on 25 February 2014



# Courage Marine Group Limited

## (勇利航業集團有限公司) \*

(Incorporated in Bermuda with limited liability)

(Hong Kong Stock Code: 1145)

(Singapore Stock Code: E91.SI)

### TERMS OF REFERENCE FOR REMUNERATION COMMITTEE COURAGE MARINE GROUP LIMITED (THE "COMPANY")

#### 1. Membership

- 1.1 The Remuneration Committee (the "**Committee**") shall be appointed by the Board of Directors of the Company (the "**Board**") from amongst its members, and shall comprise not fewer than three (3) members.
- 1.2 The Chairman of the Committee shall be elected by the Board.
- 1.3 The Committee shall comprise entirely of Non-Executive Directors (See Note 1 below), the majority of whom, including the Chairman of the Committee, shall be independent Directors (see Note 2 below).
- 1.4 The Board shall ensure that the members are appropriately qualified to discharge their responsibilities.
- 1.5 The Committee should consult the Chairman and/or Chief Executive Officer about their proposals relating to remuneration of other executives. If necessary, the Committee should seek expert advice inside the Company or from appointed remuneration consultants on remuneration of all Directors. The Committee should ensure that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants.
- 1.6 A member who wishes to retire or resign from the Committee shall notify the Board in writing, giving at least one (1) month's notice, unless otherwise agreed by the Committee.
- 1.7 The office of a member shall become vacant upon the member's resignation, retirement, removal or disqualification as a Director of the Company.
- 1.8 Any vacancy in the Committee shall be filled within two (2) months.

#### Note 1

**"Non-Executive Director"** means a Director who is not an employee of, and does not hold any other office of profit in, the Company or any subsidiary or associated company of the Company in conjunction with his office of Director and his membership of the Committee.

## Note 2

An "**Independent**" Director is one who does not have a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the functions of the Committee.

An "**Independent**" Director is one who has no relationship with the Company, its related companies (i.e. its subsidiaries, fellow subsidiaries or parent company) or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company. Examples of relationships which would deem a Director not to be independent, include:-

- (a) a Director being employed by the Company or any of its related companies for the current or any of the past three (3) financial years;
- (b) a Director who has an immediate family member (i.e. spouse, child, adopted child, step-child, brother, sister and parent) who is, or has been in any of the past three (3) financial years, employed by the Company or any of its related companies as a senior executive officer whose remuneration is determined by the Company's Remuneration Committee;
- (c) a Director, or an immediate family member, accepting any significant compensation from the Company or any of its related companies for the provision of services for the current or immediate past financial year, other than compensation for board service; or
- (d) a Director, or an immediate family member, being a substantial shareholder of or a partner in (with 5% or more stake), or an executive officer of, or a Director of any for-profit business organisation to which the Company or any of its subsidiaries made, or from which the Company or any of its subsidiaries received, significant payments or material services in the current or immediate past financial year. As a guide, payments (except for transactions involving standard services with published rates or routine and retail transactions and relationships (for instance, credit card or bank or brokerage or mortgage or insurance accounts or transactions), unless special or favourable treatment is accorded) aggregated over any financial year in excess of S\$200,000 should generally be deemed significant.
- (e) a Director who is a 10% shareholder or an immediate family member of a 10% shareholder of the Company; or
- (f) a Director who is or has been directly associated with a 10% shareholder of the Company, in the current or immediate past financial year.

The six relationships set out above are not exhaustive, and are examples of situations which would deem a Director to be not independent. In addition to the above relationships, the factors set out in Rule 3.13 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong ("**HKEx Rules**") shall be taken into account in assessing whether a Non-Executive Director is "**independent**". In the event of any conflict between the above relationships and the factors set out in Rule 3.13 of HKEx Rules, the more onerous provisions shall prevail. Furthermore, the independence of a Director who has served on the Board beyond nine (9) years from the date of his first appointment should be subject to particularly rigorous review.

If the Company wishes, in spite of the existence of one or more of the relationships in the paragraph above or the factors set out in Rule 3.13 of HKEx Rules, to consider the Director as independent, it should disclose in full the nature of the Director's relationship and bear responsibility for explaining why the Director should be considered independent prior to his appointment.

A "**10% shareholder**" shall refer to a person who has an interest or interests in one or more voting shares in the Company and the total votes attached to that share, or those shares, is not less than 10% of the total votes attached to all the voting shares in the Company. "Voting shares" exclude treasury shares.

A Director will be considered "**directly associated**" with a 10% shareholder when the Director is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the 10% shareholder in relation to the corporate affairs of the corporation in the current or immediate past financial year. A Director will not be considered "**directly associated**" with a 10% shareholder by reason only of his or her appointment having been proposed by that 10% shareholder.

## **2. CONSTITUTION AND AUTHORITY**

2.1 The Remuneration Committee shall have the authority to:-

- (a) establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors, provided that no Director shall be involved in deciding his own remuneration;
- (b) take such action within its terms of reference as it deems fit, having regard to the principles of corporate governance, the Singapore Code of Corporate Governance 2012 and the Corporate Governance Code of the HKEx Rules, including but not limited to requiring information from the officers and employees of the Company; and
- (c) seek expert advice within or outside the Company on the remuneration of all Directors and key executives.

## **3. Administration**

### **3.1 Meetings**

- (a) The Committee shall meet at least once a year and is authorised to meet together at any place for the despatch of business, adjourn and otherwise regulate their meetings as they think fit and questions arising at any meeting shall be decided by a majority of votes. In the event of an equality of votes, the Chairman of the meeting at which the proceedings were held shall have a casting vote.
- (b) The Committee may meet together either in person or by conference telephone, conference television or similar communication equipment or any other form of audio or audio-visual communication by which all persons participating in the meeting are able to hear and be heard by all other participants, for the despatch of business, adjourn and otherwise regulate their meetings as they think fit and the quorum for such teleconference meetings shall be the same as the quorum required by a meeting of the Committee. A resolution passed by such a conference shall, notwithstanding that the members of the Committee are not present together at one (1) place at the time of the conference, be deemed to have been passed at a meeting of the Committee held on the day and at the time at which the conference was held and shall be deemed to have been held at the office of the Company, unless otherwise agreed and the members of the Committee participating at the meeting shall be deemed to be present at that meeting.

- (c) The Chairman of the Committee shall preside at each meeting. If the Chairman of the Committee is not present within fifteen minutes after the time appointed for holding the meeting, the members present may choose one of their number to be Chairman of the meeting so long as the appointed Chairman is an Independent Director.
- (d) Any member of the Committee shall have full discretion to invite any Director or member of the Management of the Company to attend meetings of the Committee.
- (e) The Committee shall cause minutes of all proceedings of the Committee to be entered in the Minute Book of the Company and those minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.
- (f) Unless a meeting is required to be convened by law or regulation, a resolution in writing signed by all the members of the Committee (excluding members who abstain or who are disqualified from voting) for the time being shall be valid and effectual as a resolution duly passed at a meeting of the Committee duly convened and held notwithstanding that such signing may take place at different times or places.
- (g) The notice and agenda of meetings shall be circulated at least seven (7) days before the scheduled meetings to all members of the Board/Committee, unless otherwise agreed by the Committee.
- (h) A member of the Committee who is in any way whether directly or indirectly interested in a contract or proposed contract or arrangement with the Company shall declare the nature of his interest at a meeting of the Committee.
- (i) A member of the Committee shall not vote in respect of any contract or proposed contract or arrangement with the Company in which he has directly or indirectly a personal material interest and if he shall do so his vote shall not be counted.
- (j) A member of the Committee shall abstain from voting on any resolutions in respect of his own remuneration package and the remuneration packages of persons related to him.

### **3.2 Quorum**

No business shall be transacted at any meeting of the Committee unless a quorum is present when the meeting proceeds to business. For all purposes the quorum shall comprise a majority of the members of the Committee.

## **4. Duties and Responsibilities**

4.1 The duties and responsibilities of the Committee shall be as follows:-

- (a) recommend to the Board a general framework of remuneration for the Board and senior Management, and the specific remuneration packages for each Director, the Chief Executive Officer ("CEO") (or executive of equivalent rank) (if the CEO is not a Director) and Management (see Note 3);
- (b) review and approve the Management's remuneration proposals with reference to the Board's corporate goals and objectives;

- (c) develop a formal and transparent procedure for executive remuneration and for fixing the remuneration packages of individual Directors, and recommend to the Board remuneration packages of individual Directors, CEO and senior Management (see Note 4 below);
- (d) review what compensation commitments the Directors' and senior Managements' contracts of service (see Note 5 below), if any, would entail in the event of early termination and to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The Committee should aim to be fair and avoid rewarding poor performance;
- (e) 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;
- (f) 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;
- (g) consider whether Directors should be eligible for benefits under long-term incentive schemes (see Note 6 below);
- (h) prepare a remuneration report annually providing clear disclosure of the Company's remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, for recommendation to the Board for inclusion in the Company's annual report (see Note 7 below);
- (i) to report to the Board its findings from time to time on matters arising and requiring the attention of the Committee;
- (j) to undertake such other reviews, projects, functions, duties and responsibilities as may be requested by the Board; and
- (k) ensure that no Director or any of his associates is involved in deciding his own remuneration.

#### Note 3

*The Committee's recommendations should be submitted for endorsement by the entire Board. The Committee should cover all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment).*

#### Note 4

*The level of remuneration should be appropriate to attract, retain and motivate the Directors required to run the Company successfully, but the Company should avoid paying more than is necessary for this purpose. A significant proportion of Executive Directors' remuneration should be structured so as to link rewards to corporate and individual performance.*

*In setting remuneration packages, the Company should be aware of payment and employment conditions within the industry and in comparable companies and consider factors such as time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. But the Company should use such comparison with caution, in view of the risk of an upward ratchet of remuneration levels with no corresponding improvements in performance.*

*The performance-related elements of remuneration should be designed to align the interests of Executive Directors with those of shareholders of the Company and link rewards to corporate and individual performance. There should be appropriate and meaningful measures for the purpose of assessing Executive Directors' performance.*

*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. Non-Executive Directors should not be over-compensated to the extent that their independence may be compromised.*

#### Note 5

*There should be a fixed appointment period for all Executive Directors in their service contracts. Service contracts should not be excessively long or have onerous removal clauses.*

*Notice periods in service contracts should be set at a period of six (6) months or less. If it is necessary to offer longer notice periods to new Directors recruited from outside, such period should reduce to six (6) months or less after the initial notice period.*

#### Note 6

*Long-term incentive schemes are generally encouraged. The costs and benefits of long-term incentive schemes should be carefully evaluated. In normal circumstances, offers of shares or granting of options or other forms of deferred remuneration should vest over a period of time. The use of vesting schedules, whereby only a portion of the benefits can be exercised each year, is also strongly encouraged. Directors should be encouraged to hold their shares beyond the vesting period, subject to the need to finance any costs of acquisition and associated tax liability.*

#### Note 7

*In the remuneration report, the Company should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key executives, and performance.*

*The Company should report to the shareholders of the Company each year on the remuneration of Directors and at least the top five (5) key management personnel (who are not also Directors or the CEO) of the Company. This annual remuneration report should form part of, or be annexed to the Company's annual report of its Directors. It should be the main vehicle through which the Company reports to shareholders on remuneration matters. The members of the Committee should be listed in the report. The annual remuneration report should include the aggregate amount of any termination, retirement and post-employment benefits that may be granted to Directors, the CEO and the top five (5) key management personnel (who are not Directors or the CEO).*

*The Company should fully disclose the remuneration of each individual Director and the CEO on a named basis. For administrative convenience, the Company may round off the disclosed figures to the nearest thousand dollars. There should be a breakdown (in percentage or dollar terms) of each Director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives.*

*The Company should name and disclose the remuneration of at least the top five (5) key management personnel (who are not Directors or the CEO) in bands of S\$250,000. The Company need only show the applicable bands. There should be a breakdown (in percentage or dollar terms) of each key Management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives. In addition, the Company should disclose in aggregate the total remuneration paid to the top five (5) key management personnel (who are not directors or the CEO).*

*For transparency, the annual remuneration report should disclose the details of the remuneration of employees who are immediate family members (i.e. spouse, child, adopted child, stepchild, brother, sister and parent) of a Director or the CEO, and whose remuneration exceeds S\$50,000 during the year. This will be done on a named basis with clear indication of the employees' relationship with the relevant Director or the CEO the employee is related to. Disclosure of remuneration should be in incremental bands of S\$50,000.*

*The annual remuneration report should also contain details of employee share schemes to enable shareholders of the Company to assess the benefits and potential cost to the Company. The important terms of the share schemes, including the potential size of grants, methodology of valuing stock options, exercise price of options that were granted as well as outstanding, whether the exercise price was at the market price or otherwise on the date of grant, the market price on the date of exercise, the vesting schedule, and the justifications for the terms adopted, should be disclosed.*

*The Company should disclose more information on the link between remuneration paid to the Executive Directors and key management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met.*

## **5. Reporting Procedure**

- 5.1 The minutes of all meetings of the Committee shall be circulated to all members of the Board.

*Note:*

*In the event of any inconsistency, the English language text of these terms of reference shall prevail over the Chinese language text.*