



**ZTE CORPORATION**

**中興通訊股份有限公司**

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

**(Stock Code: 763)**

## **Remuneration and Evaluation Committee Working Rules**

### **Chapter I - General Provisions**

**Article 1** - In order to further develop and optimize the system for the administration of remuneration and evaluation for the Directors and senior management personnel of the Company and to improve its corporate governance structure, the Company has set up a Remuneration and Evaluation Committee under the Board of Directors ("Board") and formulated these working rules ("Rules") in accordance with the Company Law of the People's Republic of China, Corporate Governance Standards for Listed Companies, Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"), the Articles of Association of ZTE Corporation ("Articles") and other pertinent regulations.

**Article 2** - The Remuneration and Evaluation Committee is a dedicated working body set up by the Board pursuant to a resolution of the general meeting. It is mainly responsible for determining and examining specific remuneration packages and performances of the Directors and the senior management personnel of the Company based on the policies and structures for the administration of remuneration and performance of Directors and senior management personnel laid down by the Board.

**Article 3** – References to "Directors" in these Rules shall include Executive Directors, Non-executive Directors and Independent Non-executive Directors, "senior management personnel" shall include the President, Executive Vice President, Senior Vice President, Board Secretary, Chief Financial Officer and any other persons designated or recognised by the Board of Directors as needed from time to time. References to "remuneration" shall include but not limited to all salaries, bonuses,

allowances, benefits (in cash or in kind), pensions, compensations (including compensation payable in respect of loss or termination of office or appointment), options and gifting of shares.

## **Chapter II – Composition of the Committee**

**Article 4** – The Remuneration and Evaluation Committee shall comprise six Directors, with the majority of them being Independent Non-executive Directors

**Article 5** – Members of the Remuneration and Evaluation Committee shall be nominated by the Board Chairman, more than half of the Independent Non-executive Directors or one-third of all Directors and shall be appointed through election by the Board.

**Article 6**– The Remuneration and Evaluation Committee shall have one convener responsible for presiding over the work of the Committee. The convener must be elected among Committee members who are Independent Non-executive Directors.

**Article 7** – The term of office for a member of the Remuneration and Evaluation Committee shall be concurrent with the term of his/her directorship. A Committee member may be re-elected for appointment upon the conclusion of his/her term of office. A Committee member shall be automatically disqualified as such if during his/her term of office he/she ceases to be a Director of the Company, and the Committee shall make up the number of Committee members in accordance with provisions set out in Articles 4 to 6 above.

**Article 8** – Each member of the Remuneration and Evaluation Committee shall disclose the following to the Remuneration and Evaluation Committee:

(I) any personal financial interest (other than interests in the capacity of a shareholder) in any matters to be determined by the Remuneration and Evaluation Committee; or

(II) any potential conflict of interests as a result of cross-directorships.

If the aforesaid interests do exist, the member shall abstain when the resolution concerned is put to vote and shall not participate in any deliberations of the resolution; he/she shall resign from the Remuneration and Evaluation Committee if so required by the Board.

### **Chapter III - Scope of Authority**

**Article 9** – The principal duties and scope of authority of the Remuneration and Evaluation Committee shall be:

(I) to make recommendations to the Board in respect of the policy and structure of remuneration and performance management for all Directors and senior management personnel (including but not limited to the criteria, procedures and regimes for performance appraisal) and on the establishment of a formal and transparent procedure for developing policy on such policy and structure of remuneration and performance management;

(II) to make recommendations to the Board on the specific remuneration packages of individual executive directors and senior management (This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment) .The Remuneration and Evaluation Committee shall take into consideration remuneration paid by similar companies, the time dedicated by and duties of the Directors, the employment terms of other positions of the Group and the results of performance appraisals, etc;

(III) to make recommendations to the Board on the remuneration of non-executive directors;

(IV) to conduct examination and appraisal of the execution of duties and annual performance of the Directors and senior management personnel by reference to company goals and objectives set by the Board, and to examine and approve the remuneration determined on the basis of their performance;

(V) to determine the annual total amount of remuneration for all Directors and senior management personnel of the Company;

(VI) to review and approve the compensation (if any) payable to Executive Directors and senior management personnel in respect of the loss or termination of office or appointment, to ensure that such compensation is consistent with the relevant contract terms and is fair and reasonable without causing undue burden for the Company;

(VII) to review and approve compensation arrangements (if any) involved in the

dismissal or removal of Directors by reason of misconduct, to ensure that such arrangements are consistent with the relevant contract terms and are reasonable and appropriate;

(VIII) to review from time to time the terms of the agreement for the appointment of Directors;

(IX) to report to the Board so that it is fully informed of the actions, decisions and recommendations of the Committee, unless the same is restricted by pertinent laws or regulatory requirements;

(X) to ensure that no Director or any of his/her associates determines his/her own remuneration, and that the remuneration of Non-executive Directors who are members of the Remuneration and Evaluation Committee be determined by other members of the Remuneration and Evaluation Committee; and

(XI) to deal with other matters as authorized by the Board.

**Article 10** – The Board shall have the power to reject any remuneration proposal which is detrimental to shareholders' interests.

**Article 11** – The remuneration package for Directors of the Company recommended by Remuneration and Evaluation Committee shall be submitted to the Board for approval and tabled at the general meeting for consideration and approval before implementation; the remuneration package for senior management personnel of the Company recommended by the Remuneration and Evaluation Committee shall be submitted to the Board for consideration and approval before implementation.

**Article 12** – In performing its duties in accordance with these terms of reference, the Remuneration and Evaluation Committee shall:

(I) consider the remuneration required to attract, retain and motivate Directors and senior management personnel that meet the needs of the Company, although consideration shall also be given to the avoidance of remuneration beyond that which is reasonably necessary;

(II) consider the position of the Company relative to other companies. The Committee shall inform itself of remuneration levels of comparable companies and consider relative performances in business results. As comparison with other companies might result in the risk of increasing the level of remuneration without corresponding improvements in performance, the Remuneration and Evaluation Committee shall exercise care and caution when doing such comparisons;

(III) inform itself of conditions in the larger remuneration market, including the

salary levels of the Company and other companies, especially when determining the scale of pay rise each year;

(IV) ensure that performance-based remuneration accounts for a significant portion in the total remuneration package of Directors and senior management personnel so as to align their interests with those of the shareholders and to motivate them for improvements in performance; and

(V) consult the Chairman and/or President in connection with remuneration proposals for other Executive Directors and senior management personnel; and to seek professional advice if deemed necessary.

**Article 13** – The Board authorizes the Remuneration and Evaluation Committee to perform its duties within its terms of reference.

#### **Chapter IV - Resources**

**Article 14** – The Remuneration and Evaluation Committee shall be provided with sufficient resources for the due performance of its duties.

**Article 15** – The Remuneration and Evaluation Committee shall set up an office, which shall be mainly responsible for preparatory work and meeting preparations for the decision-making of the Remuneration and Evaluation Committee, for providing the Company with relevant information in respect of the following:

(I) Status of completion of the Company's principal operating targets;

(II) Scope of delegation and principal duties and other relevant information of the Company's senior management personnel;

(III) Status of completion of benchmarks involved in the performance appraisal system for Directors and senior management personnel;

(IV) Remuneration allocation plan for the Company in general and for senior management personnel formulated on the basis of the Company's results;

(V) Summary of annual implementation of the Company's remuneration and performance management; and

(VI) Other information as required.

The head of the Remuneration and Evaluation Office shall be the senior

management personnel in charge of appraisal. Where necessary, the Board Secretary may conduct such coordination as relevant.

**Article 16** – The Remuneration and Evaluation Committee is authorized to obtain from senior management personnel any information it requires relating to remuneration, and the senior management personnel shall duly oblige to facilitate the work of the Remuneration and Evaluation Committee.

**Article 17** – The Remuneration and Evaluation Committee is authorized by the Board to obtain independent professional opinion from external parties if it deems necessary, at the cost of the Company, and to ensure that the meetings concerned are attended by external parties with relevant experience and expertise.

## **Chapter V - Rules of Proceedings**

**Article 18** – The Remuneration and Evaluation Committee shall meet at least once a year, and a notice of meeting shall be served on all members one week before the meeting is convened. The meeting shall be presided over by the convener, or by another member (who is an Independent Non-executive Director) appointed in case the convener is absent for any reason.

**Article 19** – A Remuneration and Evaluation Committee shall only be held with more than half of the members attending; each member shall have one vote; resolutions of the meeting shall be adopted with more than half of the votes from the full Committee voting in favor.

**Article 20** – A Remuneration and Evaluation Committee may be convened by way of on-site meetings, video conferences, conference calls or facsimiles.

**Article 21** – Voting at a Remuneration and Evaluation Committee meeting shall be conducted by way of a show of hands in case of an on-site meeting and by way of signing up through facsimile in case of a meeting convened through communication devices.

**Article 22** – Other Directors, Supervisors and senior management personnel of the Company may be invited to attend the meeting of the Remuneration and Evaluation Committee meeting as non-voting attendees where necessary.

**Article 23** – Where an issue involving a member of the Remuneration and Evaluation Committee is deliberated at a meeting of the Committee, such member

shall be excused from the meeting.

**Article 24** – The procedures of convening a Remuneration and Evaluation Committee meeting, method of voting thereat and remuneration policies and distribution plans passed thereby must be in accordance with provisions of pertinent laws, regulations, the Articles and these Rules.

**Article 25** –Records of a Remuneration and Evaluation Committee meeting shall be kept and members attending the meeting shall sign against the minutes of meeting; the minutes of meeting shall be kept by Board Secretary of the Company in such manner and for such duration as determined by reference to the filing of Board documents. The preliminary draft and finalized version of the Remuneration and Evaluation Committee minutes of meeting shall be respectively delivered to all members of the Remuneration and Evaluation Committee within a reasonable period of time after the meeting, for comments in case of the preliminary draft and filing in case of the finalized version by the members.

**Article 26** – Resolutions and results of voting adopted by a Remuneration and Evaluation Committee meeting shall be reported in writing to the Board of the Company.

**Article 27** – Members attending any meetings of the Committee shall have the obligation to keep confidential all matters discussed at such meetings and shall refrain from unauthorized disclosures of information relating thereto.

**Article 28** – The Committee shall make available the convener of the Committee (or in his absence, at least one of its members) to attend the Company’s annual general meeting to answer shareholders’ questions.

## **Chapter VI - Supplemental Rules**

**Article 29** – These Rules shall come into effect from the date on which they are adopted by way of a Board resolution.

**Article 30** – Matters not provided for under these Rules shall be dealt with in accordance with the provisions of pertinent national laws and regulations and the Articles; in case of any contradiction with laws and regulations promulgated by the State in future and any revised Articles amended through legal procedures, provisions of such national laws and regulations as pertinent and such Articles shall prevail and these Rules shall be amended forthwith and submitted to the Board for

consideration and approval.

**Article 31** – These Rules and the interpretation of the functions of the Remuneration and Evaluation Committee and the authority vested therein by the Board have been published on the Company’s website and the statutory website for information disclosure.

**Article 32** – The authority of interpretation of these Rules shall be vested in the Board of the Company.

Shenzhen, PRC 28 March 2012

**Note:** This Working Rules has been prepared in Chinese and English respectively. In case of discrepancy, the Chinese version shall prevail.