

# **China Mengniu Dairy Company Limited (the “Company”)**

## **Remuneration Committee Terms of Reference**

### **1 Constitution**

The board of directors of the Company (the “**Board**”) hereby constitutes and establishes a remuneration committee (the “**Remuneration Committee**”) with authority, responsibility and specific duties as described below.

### **2 Membership**

2.1 The Remuneration Committee shall be appointed by the Board and a majority of the members of the Remuneration Committee shall be independent non-executive directors. The members of the Remuneration Committee shall appoint its chairman (the “**Chairman**”) who must be an independent non-executive director. The Remuneration Committee shall consist of at least three (3) members. A quorum necessary for transaction of business shall be two (2) members, one (1) of whom shall be an independent non-executive director.

2.2 Each member of the Remuneration Committee shall disclose to the Remuneration Committee:

- (a) Any personal financial interest (other than as a shareholder) in any matter to be decided by the Remuneration Committee;
- (b) Any potential conflict of interest arising from a cross-directorship; or
- (c) Any such member shall abstain from voting on resolutions of the Remuneration Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so required by the Board) shall resign from the Remuneration Committee.

### **3 Secretary**

The secretary of the Remuneration Committee (the “**Secretary**”) shall be the company secretary of the Company or any other person designated as such by the Remuneration Committee from time to time.

#### **4 Authority**

The Remuneration Committee is authorised by the Board to investigate any activity within this terms of reference. It is authorised to seek any information it requires from any employee, and all employees are directed to co-operate with any request made by the Remuneration Committee. The Remuneration Committee is authorised by the Board to obtain independent professional advice as necessary to assist the Remuneration Committee. The Remuneration Committee shall be provided by the Company with sufficient resources to perform its duties.

#### **5 Duties**

5.1 The duties of the Remuneration Committee shall include:

- (a) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (b) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (c) to make recommendations to the Board on the remuneration packages of individual executive 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;
- (d) to make recommendations to the Board on the remuneration of non-executive directors;
- (e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company's group;
- (f) 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;
- (g) 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;

- (h) to ensure that no director or any of his associates is involved in deciding his own remuneration;
- (i) to prepare a summary of the work of the Remuneration Committee (including determining the remuneration policy of executive directors, assessing performance of executive directors and approving the terms of their service contracts during the year) for inclusion in the Company's corporate governance report; and
- (j) to report back to the Board on its decisions or recommendations (unless there are legal or regulatory restrictions on its ability to do so).

5.2 In this terms of reference, "senior management" refers to the same persons referred to in the Company's annual report and required to be disclosed under paragraph 12 of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

5.3 In carrying out its duties under these terms of reference, the Remuneration Committee should:

- (a) ensure the packages are sufficient to attract, retain and motivate directors to run the Company successfully without paying more than necessary;
- (b) be sensitive to the wider scene, including pay and employment conditions elsewhere, especially when determining annual salary increases;
- (c) ensure that the remuneration package of executive directors should be designed to align their interest with those of shareholders and to give these directors keen incentives to perform at the highest levels; and
- (d) ensure that share options (if any) are offered in accordance with the Listing Rules.

5.4 The Remuneration Committee should consult the chairman and/or the chief executive of the Company about their remuneration proposals for other executive directors and should seek independent professional advice where necessary.

## **6 Frequency and proceedings of meetings**

6.1 The Remuneration Committee should meet as least once per year. Additional meetings shall be held as the work of the Remuneration Committee or

circumstances require. The Chairman may convene additional meetings at his discretion.

- 6.2 Proceedings of meetings of the Remuneration Committee shall be governed by the provisions of the Company's Articles of Association.

## **7 Attendance**

- 7.1 As necessary or desirable, the Chairman may request that members of management be present at the meeting of the Remuneration Committee.
- 7.2 Meetings may be held by way of such telephonic, electronic or other communication facilities that permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously.

## **8 Minutes**

- 8.1 Full minutes of the Remuneration Committee meetings shall be kept by the Secretary.
- 8.2 The Secretary shall send the draft and final version of the minutes to all members of the Remuneration Committee for their comment and records within a reasonable time after the meeting.

## **9 General**

- 9.1 The Remuneration Committee should make available these terms of reference, explaining its role and the authority delegated to it by the Board by including them on The Stock Exchange of Hong Kong Limited's website and the Company's website.
- 9.2 The Chairman (in his absence, another member of the Remuneration Committee) shall make himself available to attend the annual general meetings of the Company to answer questions thereat.

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