

**WEICHAI POWER CO., LTD.****Terms of Reference of the Remuneration Committee**

*(Amended at the Company's 2021 third extraordinary general meeting held on 26 October 2021)*

**Chapter 1 General Provisions**

Article 1 With a view to further establishing a sound appraisal and remuneration management system for Directors and Management Personnel of Weichai Power Co., Ltd. (the "Company") and refining the corporate governance structure, the Company has set up a remuneration committee of the Board of Directors and formulated these terms of reference in accordance with the "Company Law of the People's Republic of China", "Code of Corporate Governance for Listed Companies", "Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited", the "Articles of Association of Weichai Power Co., Ltd." and other relevant regulations.

Article 2 The Remuneration Committee is a dedicated body established by the Board to be primarily responsible for formulating the appraisal criteria of the Directors and management personnel of the Company and conducting appraisal and providing suggestions; responsible for formulating and reviewing the remuneration policies and schemes of the Directors and management personnel of the Company. It shall be accountable to the Board.

Article 3 For the purpose of these terms, a "Director" refers to a director or independent director who receives remuneration from the Company. A "Management Personnel" refers to general manager, executive president, vice-president, secretary to the Board, financial controller, other senior management officers recognised by the Board and the personnel defined under Rule 2 of 《潍柴动力股份有限公司高管及核心人员绩效考核与薪酬激励管理办法》 (Policies and Procedures for Performance Appraisal and Remuneration and Incentive of Senior Management and Core Personnel of Weichai Power Co., Ltd.).

**Chapter 2 Composition**

Article 4 The Remuneration Committee shall consist of three to seven Directors, more than one-half of whom shall be independent Directors.

Article 5 Members of the Remuneration Committee shall be nominated by the chairman of the Board, more than one-half of the independent Directors or one-third of all Directors and be elected by the Board.

Article 6 The Remuneration Committee shall have a chairman (convener) who should be an independent Director and be responsible for chairing the Remuneration Committee. The chairman shall be elected from among the members and shall report to the Board for approval.

Article 7 The term of office of the Remuneration Committee shall be the same as the term of the Board. A member may be re-elected upon the expiration of his/her term of office. Any member who ceases to act as a Director of the Company during the term shall lose his/her membership of the Remuneration Committee automatically and the vacancy shall be filled by the Remuneration Committee as required under Articles 4 to 6 above.

Article 8 The Remuneration Committee shall establish a remuneration working unit which shall specifically be responsible for providing relevant information on the business operation of the Company and on the personnel to be appraised, preparing the meetings of the Remuneration Committee and proposing proposals of remuneration and incentives. The working unit shall comprise the chairman of the Board and persons-in-charge from major departments of the Company. The chairman of the Board shall be the leader.

The working unit may engage external professionals for professional advice.

### **Chapter 3 Duties and Authorities**

Article 9 The main duties and authorities of the Remuneration Committee are as follows:

- (1) to formulate remuneration policies, plans, proposals or structures in accordance with the main areas of responsibilities, duties and importance of the management positions held by Directors and Management Personnel and the level of remuneration of the corresponding positions of other relevant enterprises. Such remuneration policies, plans, proposals or structure mainly include, but are not limited to, performance appraisal standards and procedures, the principal appraisal system, as well as the principal proposals and policies on incentives and punishments;
- (2) to formulate proposals, policies and structures for the basic remuneration of Directors of the Company and to recommend them for approval by the Board, which upon successful adoption shall be proposed for approval by the general meeting of shareholders before implementation; to formulate the proposals, policies and structures on the basic remuneration of the Management Personnel and to recommend them for approval by the Board for adoption;
- (3) to make recommendations to the Board on the establishment of a formal and transparent procedure for developing remuneration policies;

- (4) to review and approve the management's remuneration proposal with reference to the Board's corporate goals and objectives;
- (5) to perform either one of the following:
  - 1. to determine, with delegated responsibility, the remuneration packages of individual Directors and Management Personnel; or
  - 2. to make recommendations to the Board on the remuneration packages of individual executive Directors and Management Personnel.

Remuneration above shall include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

- (6) to monitor the performance of responsibilities by the Company's Directors and Management Personnel, appraise their annual performance and to recommend their annual bonuses for approval by the Board. Bonus proposals shall include but not limited to, cash, assets (including movable and immovable property), share rights, shares or any other manner considered proper (including but not limited to holding of shares via third party trustee subject to any vesting conditions determined by the Remuneration Committee for any Director and/or Management Personnel) by the Remuneration Committee to reward any Director and/or Management Personnel;
- (7) to review and approve the compensation payable to executive Directors and Management Personnel 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;
- (8) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- (9) to monitor the implementation of the Company's remuneration policies, proposals and structures;
- (10) to ensure that no Director or his associates is involved in determining his own remuneration;
- (11) to attend to any other matters authorized by the Board

Article 10 The Board has the right to reject remuneration policies, plans, proposals or structures which are detrimental to the interests of the shareholders.

Article 11 Remuneration policies, plans, proposals and structures approved by the Company and annual performance bonus of Directors etc approved by the Board shall be disclosed to the public in accordance with the relevant regulations in respect of the disclosure of information.

#### **Chapter 4 Procedures of Decision-making**

Article 12 The chairman of the Board shall be responsible for arranging the working unit under the Remuneration Committee in the preliminary preparations for decision-making of the Remuneration Committee and providing relevant information of the Company:

- (1) on the progress of fulfillment by the Company of its key financial targets and business objectives;
- (2) on the division of labour of the Company's Management Personnel and their duties;
- (3) on target completion, such target being involved in the appraisal system of working performance of Directors and Management Personnel;
- (4) on the operational performance of the Directors and Management Personnel based on their business innovative and profit-making ability;
- (5) on the basis for formulating the Company's plans and methods for fixing remunerations based on its results;
- (6) the specific proposals, policies and structures on the basic remuneration and annual performance incentives. However, the remuneration proposals, policies and structures of the chairman of the Board shall be proposed by other members of the Remuneration Committee and reported to the Board for consideration.

If the working unit holds different opinions from the majority of the members of the Remuneration Committee, it shall, at the same time, report such disagreement to the Board for consideration.

Article 13 The procedures for appraising Directors and Management Personnel by the Remuneration Committee are as follows:

- (1) The Directors and Management Personnel of shall report their work and make self-appraisals to the Remuneration Committee;
- (2) The Remuneration Committee shall carry out performance appraisal of the Directors and Management Personnel according to the performance appraisal standards and procedures;

- (3) A proposal on the amount of remuneration and incentive methods for the Directors and Management Personnel based on the results of performance appraisal and under the remuneration policies shall be made and, after being approved by the Remuneration Committee, shall be reported to the Board.

## **Chapter 5 Rules of Procedures**

Article 14 The Remuneration Committee shall hold meetings from time to time. Two days' notice shall be given to all members before each meeting. The chairman of the Remuneration Committee or, if he is absent, another member (independent Director) delegated by the chairman shall chair the meetings.

Article 15 Meetings of the Remuneration Committee shall only be held where more than two-thirds of its members are present. Each member shall be entitled to one vote. Resolutions at any meeting shall be passed by a simple majority of votes of all the members. In the case of an equality of votes, the chairman shall be entitled to a casting vote.

Article 16 Votes shall be taken by a show of hands or on a poll at the meetings of the Remuneration Committee. The voting at a provisional meeting may be done by way of voting correspondence.

Article 17 Directors, supervisors and senior management officers of the Company may also be invited to attend such meetings if necessary.

Article 18 Intermediaries may be engaged by the Remuneration Committee at the expense of the Company to give independent professional advice on its decision-making if considered necessary.

Article 19 When the Remuneration Committee discusses any matter relating to a member of the relevant committee at a meeting, such member shall be absent from such meeting.

Article 20 The proceedings and voting methods of a meeting of the Remuneration Committee and the remuneration policies and distribution proposals passed at such meetings must comply with the requirements of the relevant laws, regulations, the Company's Articles of Association and these terms of reference.

Article 21 Minutes shall be taken on all meetings of the Remuneration Committee. The minutes of meetings shall be signed by each attending member and kept by the secretary to the Board.

Article 22 Resolutions passed at a meeting of the Remuneration Committee and the voting results thereon shall be reported to the Board in writing.

Article 23 All members attending or observing at a meeting are obliged to keep confidential all matters discussed at the meeting and shall not disclose such information without authorisation.

## **Chapter 6 Supplementary Provisions**

Article 24 These terms of reference shall take effect from the date on which they are passed by the general meeting of the Company.

Article 25 Any matter not regulated under these terms of reference shall be enforced under the requirements of the relevant laws and regulations of the State, the listing rules of the place where the Company's shares are listed and the Articles of Association. Where any of these terms of reference is in conflict with the laws and regulations which are newly promulgated by the State, the new listing rules of the place where the Company's shares are listed or the Articles of Association as legally modified, such terms of reference shall be enforced subject to the requirements of the relevant laws and regulations of the State, the listing rules of the place where the Company's shares are listed and the Articles of Association. In such case, corresponding amendments shall be made to these terms of reference immediately and be submitted to the Board for consideration and approval.

Article 26 The terms of reference contained herein shall be interpreted by the Board.

Article 27 The specific management of performance appraisal and remuneration incentives of the Directors and Management Personnel of the Company shall be implemented in accordance with relevant policies including 《潍柴动力股份有限公司高管及核心人员绩效考核与薪酬激励管理办法》 (Policies and Procedures for Performance Appraisal and Remuneration and Incentive of Senior Management and Core Personnel of Weichai Power Co., Ltd.).

WEICHAI POWER CO., LTD.

26 October 2021

(Important notice: This Terms of Reference is published in Chinese and English version. In case of inconsistency, the Chinese version shall prevail.)