
Sun Art Retail Group Limited
(Incorporated in Hong Kong with limited liability)
(Stock Code: 06808)
Terms of Reference for the
Remuneration Committee

Constitution

The Board of Directors (the “**Board**”) of Sun Art Retail Group Limited (the “**Company**”) hereby constitutes and establishes a Remuneration Committee (the “**Committee**”) with authority, responsibilities and duties as described below.

Purpose

The Committee is appointed by the Board of the Company with a view to assist the Board in overseeing and reviewing the compensation and benefit policies, plans and programs of the Company, and the evaluation and compensation of the Company’s directors, chief executives and senior management.

Membership

1. Members of the Committee shall be appointed by the Board from amongst the directors of the Company.
2. The Committee shall consist of not less than three members, with the majority of the members of the Committee being independent non-executive directors.
3. The Chairman of the Committee shall be appointed by the Board and shall be an independent non-executive director. The Chairman shall be excused from the Committee’s discussion of his/her own compensation.
4. Appointments to the Remuneration Committee shall be for a period of up to three years, which may be extended by the Board provided that a majority of the committee members remain independent non-executive Directors.
5. The directors shall devote sufficient time and make contributions to the Company upon his/her acceptance of appointment as a member of the Remuneration Committee.
6. Each member of the Remuneration Committee shall disclose to the Remuneration Committee:
 - a) any personal financial interest (other than as a Shareholder of the Company) in any matter to be decided by the Remuneration Committee; or
 - b) any potential conflict of interest arising from a cross-directorship.

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 shall (if so required by the Board) resign from the Remuneration Committee.

Quorum

A quorum shall be at least two members of the Committee of whom at least one shall be an independent non-executive Director.

Secretary

Unless it is agreed otherwise, the Company Secretary of the Company shall assume the role of Secretary for the Committee, who is well positioned to facilitate communication between the Board and the Committee and to access information required by Committee members in pursuit of their duties.

Meetings

1. Meetings of the Remuneration Committee shall be held as and when appropriate, but not less than once a year. The chairman of the Remuneration Committee shall convene a meeting upon request by any member of the Remuneration Committee.
2. An agenda and other relevant documents should be sent in full to all committee members in a timely manner and at least three days before the intended date of a meeting of the Remuneration Committee (or such other period as may be agreed by its members).
3. Meetings of the Remuneration Committee may follow the same procedures as those for meetings of the Board under the relevant provisions in the Company's articles of association, as amended from time to time.
4. Board members shall also have the right of attendance.
5. Full minutes of the Committee should be kept by the Secretary of the Committee.
6. The draft and final versions of the minutes of the Committee meetings should be sent to all members for their comment and records respectively within a reasonable time after each meeting.
7. The Secretary of the Committee shall maintain records of all approved minutes and reports.

External Advice

As appropriate and necessary, the Chairman of the Committee may obtain external professional advice and invite members of management including but not limited to any Director, the head of human resources, and representatives of external advisors to be present at meetings of the Committee.

Authority

The Board authorizes the Committee:

1. to perform activities within the scope of these terms of reference;
2. to utilize sufficient resources to perform its duties including access to independent counsel and other professional advisers at the Company's expense as the Committee considers necessary in performing of its duties;
3. to obtain information required by Committee members in pursuit of their duties, and have access to members of management and other employees for such purpose; and
4. to disclose the directors' remuneration policy, details of any remuneration payable to members of senior management by band in their annual reports.

Duties and Responsibilities

1. The duties of the Committee shall be:
 - 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) (i) to determine with delegated responsibility the remuneration packages of individual executive directors and senior management; or (ii) to make recommendations to the board on the remuneration packages of individual executive directors and senior management.

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

- c) to make recommendations to the Board on the remuneration of non-executive directors;
- d) to consider factors such as salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group;
- e) to review and approve the management's remuneration proposals with reference to the board's corporate goals and objectives resolved by the Board from time to time;
- 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 for the Company;

- g) 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;
 - h) to ensure that no director or any of his associates is involved in deciding his own remuneration;
 - i) to attend the annual general meetings of the Company by the Chairman of the Committee (or in his/her absence, another member of the Committee or failing this, his/her duly appointed delegate) and to be prepared to respond to the questions from the shareholders about the Committee's work and responsibilities;
 - j) to review the Group's policy on expense reimbursements for the Directors and Senior Management;
 - k) to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules (as amended from time to time), and to make recommendations to the following matters:
 - if a shorter vesting period is appropriate and its explanation;
 - if they agree or not that a grant of share award/option without performance target(s) and/or clawback mechanism(s) is appropriate and the explanation of how the grants align the grantees' interests with those of the Company and its shareholders; and
 - any other matters required by Chapter 17 of the Listing Rules (as amended from time to time).
 - l) to conform to any requirements, direction, and regulation that may from time to time be prescribed by the Board, the articles of association of the Company or any other applicable laws and regulations; and
 - m) at least once a year, to review its own performance, constitution and terms of reference and recommend any changes it considers necessary to the Board for approval.
2. In carrying out its duties under the Terms, the Remuneration Committee should:
- a) consult the chairman of the Board and/or the chief executive about their remuneration proposals for the executive Directors and senior management. The remuneration committee should have access to independent professional advice if necessary;
 - b) assess the packages needed to attract, retain and motivate executive Directors and senior management of the quality required, but avoid paying more than it is necessary for this purpose;

- c) assess the Group's position relative to other comparable companies which have a similar post and its remuneration package and performance target associated to the post;
- d) consider the salary and employment conditions in the industry especially when determining annual salary increases;
- e) ensure that the performance-related elements of remuneration form a significant proportion of the total remuneration package of executive Directors and are designed to align their interests with those of Shareholders and to give the Directors incentives to perform at the highest levels; and
- f) ensure that share award and share options offered by the Company to its Directors or Senior Management (if any) are in accordance with Chapter 17 of the Listing Rules, as applicable.

Reporting responsibilities

The Committee should regularly update the Board about its activities and report to the Board on their findings, decisions and recommendations.

Terms available

The Remuneration Committee shall make these Terms available on The Stock Exchange of Hong Kong Limited and the Company's website, respectively, in order to explain its role and the authority delegated to it by the Board.

Note: This document has versions in English and Chinese. In case of any inconsistency, the English version shall prevail.

(16th May, 2023)