

THE HONGKONG AND SHANGHAI HOTELS, LIMITED

(the “Company”)

REMUNERATION COMMITTEE

TERMS OF REFERENCE

1. CONSTITUTION

The Board of Directors of the Company (the “Board”) adopted this set of Terms of Reference for the Remuneration Committee (the “Committee”) by resolution passed on 1st March 2005.

2. PURPOSE

To review, recommend and determine remuneration issues and policies and packages for the executive directors and members of the Group Management Committee of the Company.

3. RESPONSIBILITIES

- 3.1 To recommend to the Board on the Company’s policy and structure for all remuneration of executive directors, Group Management Committee members and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- 3.2 To determine the specific remuneration packages of all executive directors, group management committee members including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment. A significant portion of executive directors’ remuneration should be structured so as to link rewards to corporate and individual performance. The Committee should consult the Chairman and/or Chief Executive Officer of the Company about their proposals relating to the remuneration of other executive directors;
- 3.3 To recommend to the Board remuneration and terms of appointment of non-executive directors;
- 3.4 In determining and recommending remuneration, to consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration;

- 3.5 To review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- 3.6 To review and approve the compensation payable to executive directors and members of the Group Management Committee 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;
- 3.7 To 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;
- 3.8 To ensure that no director is involved in deciding his own remuneration and that, as regards the remuneration of a non-executive director who is a member of the Committee, his remuneration should be determined by the other members of the Committee;
- 3.9 To take approved action in accordance with Company Management Authority Manual; and
- 3.10 To address and deal with such other matters as may be delegated by the Board to the Committee and report back to the Board on their decisions or recommendations.

4. MEMBERS

- 4.1 The Chairman of Committee shall be a non-executive director nominated by the Board.
- 4.2 Other members of the Committee shall be appointed by the Board and the Board may, from time to time, at their discretion, revoke the setting up of the Committee or the appointment of any members thereof.
- 4.3 The Committee shall consist of a majority of independent non-executive directors appointed by the Board from time to time.

5. PROCEEDINGS

- 5.1 Unless otherwise specified by the Board, two members of the Committee with at least one non-executive director shall form a quorum. Attendance may be in person or through electronic means of communication.
- 5.2 No member of the Committee should have a role in determining his own compensation.

6. MEETINGS

- 6.1 The Committee shall meet no less than two times a year and when necessary for the proper discharge of its duties.
- 6.2 When necessary, written resolutions are circulated to all Committee members for approval in between meetings.
- 6.3 Regular Committee meeting dates are advised to all Committee members at the end of previous year. For all other Committee meetings, reasonable notice of no less than two days shall be given.

7. MINUTES AND RECORDS

- 7.1 The Company Secretary or a duly appointed secretary of the meeting keeps minutes of Committee meetings. Any Committee member may inspect the minutes of the Committee meetings at any reasonable time on any reasonable notice.
- 7.2 Minutes of Committee meetings shall record in sufficient detail the matters considered by the Committee and decisions reached, including any concerns raised by Committee members or dissenting views.
- 7.3 Draft and final versions of minutes of the Committee meetings should be sent to all members for their comment and records respectively, within a reasonable time (normally within one month) after the meeting is held.

8. ADVICE

- 8.1 All Committee members can have access to the advice and services of the Company Secretary who is responsible to the Committee for ensuring that Committee procedures, and all applicable rules and regulations, are followed.

- 8.2 Committee members may upon reasonable request to the Chairman of the Committee, seek independent professional advice at the Company's expense to assist them to discharge their duties to the Company.
- 8.3 The Committee shall be provided with sufficient resources to discharge its duties.

9. DISCLOSURES

- 9.1 The Committee shall make available on the Company's website this set of Terms and Reference, and to explain the role of the Committee and the authority delegated to it by the Board.
- 9.2 In the event that the Board resolves to approve any remuneration or compensation arrangements which the Committee has previously resolved not to approve, the Board shall disclose the reasons for its resolution in the Company's next annual report.