

LENOVO GROUP LIMITED

Terms of Reference for the Compensation Committee

(Adopted by the Board on October 19, 2005 and amended on February 8, 2012)

1. Definitions

“**Board**” shall mean the Board of Directors of Lenovo.

“**Chairman**” shall mean the Chairman of the Board.

“**CEO**” shall mean the Chief Executive Officer of Lenovo.

“**Committee Chairman**” shall mean the Chairman of the Compensation Committee.

“**Committee**” shall mean the Compensation Committee.

“**Exchange’s website**” means the official website of Hong Kong Exchanges and Clearing Limited.

“**Lenovo**” shall mean Lenovo Group Limited.

“**Group**” shall mean Lenovo and its subsidiaries.

“**Listing Rules**” shall mean the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Ltd.

“**Senior Management**” shall mean any persons who are required to be disclosed under paragraph 12 of Appendix 16 of the Listing Rules and / or such other person(s) in the senior management team as the Committee may determine.

2. Constitution

The Board has resolved to establish a committee of the Board known as the Compensation Committee (formerly known as the Remuneration Committee of the Board).

3. Membership

3.1. The Committee shall be comprised of at least 3 members, each of whom shall be appointed by the Board.

3.2. The members of the Committee shall be appointed from the directors of Lenovo, a majority of whom shall be independent non-executive directors of Lenovo.

3.3. The Board shall appoint the chairman of the Committee.

3.4. The Committee Chairman shall be an independent non-executive director of Lenovo.

3.5. Subject to 3.1, 3.2 and 3.4, if a regular member is unable to act due to absence, illness or any other cause, the Committee Chairman may appoint a non-executive director of Lenovo to serve as an alternate member.

4. Secretary

- 4.1. The Company Secretary of Lenovo or his/her nominee shall act as the Secretary of the Committee.

5. Quorum

- 5.1. The quorum necessary for the transaction of business shall be at least 2 members and the majority of the members present to form a quorum shall be independent non-executive directors. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

6. Meetings

- 6.1. The Committee shall meet at least once a year and at such other times as the Committee Chairman shall require.
- 6.2. Meetings can either be held in person or through live electronic means of communication such as teleconference or videoconference.

7. Notice of Meetings

- 7.1. Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of the Committee Chairman with reasonable notice given.
- 7.2. Notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to all members of the Committee, as well as to the Chairman and the CEO, in a timely manner and, whenever practicable, at least 7 days prior to the intended date of the Committee meeting.
- 7.3. Supporting documentation shall be circulated to all members at least 3 days before the intended date of a Committee meeting insofar as it is practicable. Such documentation shall be in a form and quality that enables the Committee to make informed decisions on the matters it will consider.

8. Attendance at Meetings

- 8.1. Lenovo's Chairman and its CEO shall have the right to attend and address any meeting of the Committee; others may be called upon or shall be able to speak by prior arrangement with the Committee Chairman.
- 8.2. A senior vice-president, human resources officer, or vice-president of Lenovo who can provide relevant background information necessary to enable the

Committee to perform its duties shall attend Committee meetings to submit and present the background information to the Committee.

- 8.3. No executive director or member of senior management shall be involved in any decision or be present for any discussions as to his or her own individual remuneration, except for those Lenovo human resources, finance and legal personnel whose presence might be appropriate to provide background information necessary for the Committee's analysis of remuneration or benefit decisions, and then only to the extent the Committee Chairman deems their presence necessary.

9. Authority and Responsibilities of the Committee

- 9.1. The Committee shall have the authority and responsibility to:

- 9.1.1. Make recommendations to the Board on (a) Lenovo's structure and aggregate value of remuneration programs for any person who occupies the position of a director of Lenovo, including the Chairman, CEO and Senior Management; (b) the remuneration of the non-executive directors of Lenovo; and (c) the establishment of a formal and transparent procedure for developing policy on remuneration. In developing its recommendations regarding remuneration of non-executive directors, the Committee shall consult the Chairman and/or CEO and shall have access to independent professional advice if necessary.

- 9.1.2. Determine the specific remuneration packages for: (i) any person who occupies the position of executive director of Lenovo, including without limitation the Chairman and CEO; and (ii) Senior Management. 'Specific remuneration packages' include but are not limited to, cash compensation, bonus plans, benefits in kind, pension rights, equity-based remuneration programs and plans, any performance-based remuneration, and any compensation payable for loss or termination of an individual's office or appointment.

- 9.1.3. Review, approve, and implement:

- 9.1.3.1. policies and terms for remuneration programs for all executive directors and employees, including, but not limited to, cash compensation, bonus plans, benefits in kind, pension rights, equity-based remuneration programs and plans, and any performance-based remuneration by reference to corporate goals and objectives resolved by the Board and other measures of performance adopted by the Board from time to time;

- 9.1.3.2. any compensation payable to executive directors and Senior Management 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 Lenovo;

- 9.1.3.3. any 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; and
- 9.1.4. Set and monitor targets and performance standards for any performance-related payments and individual incentives to executive directors and Senior Management, consistent with the corporate goals and objectives approved by the Board from time to time. This includes, without limitation: (i) setting and monitoring any performance conditions subject to which any options, stock appreciation rights, shares or other long-term incentives may be granted under any remuneration schemes adopted by Lenovo; and (ii) setting and monitoring any annual incentive scheme performance conditions.
- 9.1.5. Ensure that no director or his or her associates is involved in deciding his or her own individual remuneration. 'Associate' shall have the meaning set out in clause 1.01 of the Listing Rules.
- 9.1.6. Consult with the Chairman, CEO and appropriate Senior Management about the Committee's proposals relating to the remuneration of other executive directors of Lenovo and seeking relevant independent professional advice if necessary or appropriate.
- 9.1.7. Make available these terms of reference on the Exchange's website and Lenovo's website.
- 9.1.8. Review and approve the portions of Lenovo's corporate governance report that address Lenovo's compliance with, or deviation from, the provisions of Appendix 14 of the Listing Rules relating to the remuneration committee.
- 9.1.9. Ensure that performance-related elements of remuneration form a significant proportion of the total remuneration package of executive directors of Lenovo.
- 9.1.10. Determine the eligibility and participation of members of the Board, Senior Management, and other employees of Lenovo in any discretionary share or other share-based or long-term incentive scheme operated by Lenovo.
- 9.1.11. Without limiting the Committee's authority and responsibilities under clauses 9.1.2 and 9.1.3, make recommendations to the Board and/or

review and approve the remuneration and related provisions of the service agreements of executive directors and Senior Management.

9.1.12. Prepare a draft annual report on the payment of remuneration by Lenovo for the shareholders of Lenovo in accordance with clause 11 below.

9.1.13. Advise shareholders of Lenovo on how to vote with respect to any service contracts of directors requiring shareholder approval under rule 13.68 of the Listing Rules.

9.2. In making recommendations and determining the specific remuneration packages under clauses 9.1.1 and 9.1.2, the Committee shall consider factors such as salaries, fees, and total remuneration paid by comparable companies; salaries, fees and total remuneration paid in relevant geographic markets; the time commitment, responsibilities, experience and qualifications of the position of directors and Senior Management; employment conditions elsewhere in the Group; the desirability of performance-based remuneration; and the actual performance of Lenovo and the individual. The Committee shall adhere to the principle that all remuneration recommended, determined and approved under clauses 9.1.1, 9.1.2 and 9.1.3 should be sufficient to attract and retain the directors needed to run Lenovo successfully and should avoid paying more than is necessary for this purpose.

9.3. For the avoidance of doubt, 'directors' include both executive directors and non-executive directors of Lenovo.

9.4. Without limiting any of the authority or responsibilities set forth elsewhere in these Terms of Reference, the Committee shall be responsible for:

9.4.1. ensuring that Lenovo's remuneration policies and practices support the attraction and retention of, and appropriately motivates, top quality talent;

9.4.2. ensuring that, in general, Lenovo's remuneration policies and administration are aligned with Lenovo's business strategy and consistent with relevant best practices and the requirements of the Listing Rules and other applicable laws and regulations; and

9.4.3. obtaining relevant information on internal and external changes in total remuneration levels, practices, and relevant regulatory and governance issues, including commissioning benchmarking analyses, studies and other reviews.

- 9.5. The Committee is authorized by the Board to seek any information it considers necessary from any employee of Lenovo in order to perform its duties. The Committee shall have regular access to the Senior Vice President, Human Resources, the Chief Financial Officer and the General Counsel and such other Lenovo officers and employees as may be helpful to the Committee in exercising its duties.
- 9.6. In connection with the performance of its duties, the Committee may select and appoint remuneration consultants at Lenovo's expense.

10. Minutes of Meetings

- 10.1. The Secretary of the Committee shall prepare minutes of the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 10.2. Minutes of the Committee meetings shall record in sufficient detail the matters considered by the Committee and decisions reached, including any concerns raised by members of the Committee and any dissenting views expressed.
- 10.3. Except where prohibited by the Listing Rules or applicable laws, minutes of the Committee meetings shall be circulated to all members of the Committee and to all members of the Board.

11. Reporting to Shareholders

- 11.1. The Committee shall prepare and submit to the Board a draft report, on an individual and named basis, identifying the remuneration of directors of Lenovo as approved by the Board and/or the Committee. Once approved, the report should form part of, or be annexed to, Lenovo's annual report and accounts. This report shall provide a general description of the remuneration policy, any long-term incentive schemes of the Group, the basis of determining the remuneration payable, and such other information deemed appropriate by the Committee and the Board. The report also shall contain any other information required to comply with the Listing Rules or applicable laws.

12. Annual General Meeting

- 12.1. The Committee Chairman shall attend the Annual General Meeting of Lenovo and be prepared to respond to any shareholder's questions on the Committee's activities.

13. Miscellaneous

- 13.1. Lenovo will provide sufficient resources to allow the performance of the Committee's duties.
- 13.2. These terms will be effective upon approval by the Board.