

CHINA RESOURCES PHARMACEUTICAL GROUP LIMITED
(華潤醫藥集團有限公司)
(Incorporated in Hong Kong with limited liability)

Terms of Reference for Remuneration and Appraisal Committee
(adopted on 14 September 2016 and amended on 28 December 2022)

Definitions

1. For the purposes of these terms of reference (the “*Terms*”):

Board means the board of directors of the Company.

Company means China Resources Pharmaceutical Group Limited.

Company Secretary means the company secretary of the Company.

connected person has the meaning ascribed to it under the Listing Rules.

Directors mean the members of the Board.

Group means the Company and its subsidiaries from time to time, and, for the period before the Company became the holding company for such subsidiaries, the entities which carried on the business of the Group.

Listing Rules means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time).

principal subsidiary has the meaning ascribed to it under Chapter 17 of the Listing Rules.

Remuneration and Appraisal Committee means the remuneration and appraisal committee (formerly known as Remuneration Committee) established by the resolution of the Board in accordance with clause 3 of these Terms.

Senior Management means the executive Directors and other members of senior management referred to in the Company’s prospectus issued in connection with its initial listing on the Stock Exchange or in its most recent annual report and any such other officer of the Group determined by the Board from time to time as senior management of the Company.

share schemes has the meaning ascribed to it under Chapter 17 of the Listing Rules.

Shareholders mean the shareholders of the Company.

Stock Exchange means The Stock Exchange of Hong Kong Limited.

2. The word “remuneration”, as used in these Terms, includes without limitation any salaries, bonuses, allowances, benefits (in cash or in kind), pension arrangements, reimbursements, compensation payments (including any compensation payable for loss or termination of office or appointment), incentive payments, share awards and share options.

Constitution

3. The Remuneration and Appraisal Committee (formerly known as Remuneration Committee) was established by resolutions of the Board on 20 May 2016.

Membership

4. The members of the Remuneration and Appraisal Committee shall be appointed by the Board from time to time from among the Directors and shall consist of not less than three members, a majority of whom shall be independent non-executive Directors. There shall be one chairman of the Remuneration and Appraisal Committee, who shall be appointed by the Board and shall be an independent non-executive Director.
5. Each member of the Remuneration and Appraisal Committee shall disclose to the Remuneration and Appraisal Committee:
 - (a) any personal financial interest (other than as a Shareholder of the Company) in any matter to be decided by the Remuneration and Appraisal 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 and Appraisal 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 and Appraisal Committee.
6. At the invitation of the chairman of the Remuneration and Appraisal Committee, the chairman of the Board and/or executive Directors, external advisers and other persons may be invited to attend meetings.
7. The Company Secretary shall be the secretary of the Remuneration and Appraisal Committee. The Remuneration and Appraisal Committee may, from time to time, appoint any other person with the appropriate qualification and experience as secretary of the Remuneration and Appraisal Committee.

Frequency and conduct of meetings

8. Meetings shall be held at least once a year. A meeting shall be convened if necessary or upon the request of the chairman of the Remuneration and Appraisal Committee.
9. Notice of any meetings shall be given at least 3 days prior to any such meeting being held, unless the members of the Remuneration and Appraisal Committee attending a particular meeting in person unanimously waive such notice. Irrespective of the length of notice being given, attendance of a meeting by a member of the Remuneration and Appraisal Committee shall be deemed waiver of the requisite length of notice by such member. An agenda and accompanying meeting papers should be sent in full to all members of the Remuneration and Appraisal Committee in a timely manner and at least 3 days before the intended date of a meeting of the Remuneration and Appraisal Committee (or such other period as agreed by its members). The agenda and accompanying meeting papers may be in paper form or electronic form, and may be delivered by post, by email or any other delivery method that could be received by members.
10. The quorum for meetings of the Remuneration and Appraisal Committee shall be two members. Members shall attend the meetings in person, or by telephone (or other similar communication equipment), as long as all the attendants of the meeting could listen and talk among themselves during the meeting. Under such circumstances, the attendants shall be considered as attending the meeting in person, counted in the quorum and entitled to vote.
11. Each member shall have one vote. Resolutions of the Remuneration and Appraisal Committee at any meetings shall be passed by a majority of votes of the members of the Remuneration and Appraisal Committee present. A resolution in writing signed by all the members of the Remuneration and Appraisal Committee shall be as valid and effectual as if it had been passed at a meeting of the Remuneration and Appraisal Committee duly convened and held.
12. The Senior Management is obliged to supply the Remuneration and Appraisal Committee with adequate information in a timely manner, in order to enable it to make informed decisions. The information supplied must be complete and reliable. Where a member of the Remuneration and Appraisal Committee requires more information than is volunteered by the Senior Management, the relevant member of the Remuneration and Appraisal Committee should make additional necessary enquiries. The Remuneration and Appraisal Committee and each of its members shall have separate and independent access to the Senior Management.

Authority

13. The Remuneration and Appraisal Committee is authorised by the Board to discharge its duties within these Terms. It is authorised to seek any remuneration information it requires from the Directors and/or Senior Management who are directed to co-operate with the Remuneration and Appraisal Committee.
14. The Remuneration and Appraisal Committee is authorised by the Board to obtain external independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if the Remuneration and Appraisal Committee considers this necessary. The Remuneration and Appraisal Committee shall be provided with sufficient resources to discharge its duties. The Remuneration and Appraisal Committee should be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any external remuneration consultant who advises the Remuneration and Appraisal Committee.

Duties

15. The duties of the Remuneration and Appraisal Committee shall include:
 - (a) making 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) being responsible for either (i) determining, with delegated responsibility, the remuneration packages of individual executive Directors and Senior Management; or (ii) making recommendations to the Board on the remuneration packages of individual executive Directors and Senior Management (this should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment);
 - (c) making recommendations to the Board on the remuneration of non-executive Directors;
 - (d) considering salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

- (e) reviewing and approving the Senior Management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (f) reviewing and approving 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) reviewing and approving 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) ensuring that no Director or any of his associates is involved in deciding his own remuneration;
- (i) advising the Shareholders on how to vote with respect to any service contracts of the Directors that require Shareholders' approval under the Listing Rules;
- (j) reviewing the Group's policy on expense reimbursements for the Directors and Senior Management;
- (k) reviewing and/or approving matters relating to share schemes of the Company and/or its principal subsidiaries as required under Chapter 17 of the Listing Rules;
- (l) studying, formulating and making recommendations to the Board on material policies and proposals of the Company for remuneration allocation in accordance with relevant requirements and procedures, including the mechanism for managing the allocation of total remuneration, correlation mechanism between remuneration and work efficacy, systems for dynamically monitoring total remuneration of employees, the Company's budget for total remuneration, adjustments to the budgeting and settlement plans;
- (m) organizing the formulation of the Senior Management's performance and remuneration management policies, establishing mechanism for differentiated assessments, to robust remuneration incentives and incentive limits, etc, and making recommendation to the Board on the above matters;
- (n) reviewing and making recommendations to the Board on annual and term-wide operating performance pledges of the Senior Management; and
- (o) organizing and launching operating performance appraisals on the Senior Management in accordance with relevant requirements and procedures, making recommendations to the Board on the appraisal results, and reviewing and making recommendations to the Board on the Senior Management's remuneration allocation proposals with reference to the corporate goals and objectives.

16. In carrying out its duties under these Terms, the Remuneration and Appraisal Committee should:
- (a) consult the chairman of the Board and/or the chief executive about their remuneration proposals for other executive Directors and have access to independent professional advice if necessary;
 - (b) provide the packages needed to attract, retain and motivate executive Directors of the quality required without paying more than necessary;
 - (c) judge where to position the Group relative to other companies. They should be aware what comparable companies are paying and should take account of relative performance;
 - (d) be sensitive to the wider scene, including pay and employment conditions within the Group and elsewhere, especially when determining annual salary increases;
 - (e) ensure that the total remuneration package of executive Directors 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 awards and/or share options offered by the Company and/or its principal subsidiaries to its Directors, Senior Management or any other connected persons (if any) are in accordance with Chapter 17 of the Listing Rules, as applicable.
17. Without prejudice to the generality of these Terms, the Remuneration and Appraisal Committee shall:
- (a) operate the Company's share award schemes, share option schemes or other incentives schemes (if any) as they apply to, and recommend to the general meeting of Shareholders grants of award to be made to Directors and/or Senior Management. It shall recommend to the Board the total aggregate amount of any grants to employees (with the specific grants to individuals to be at the discretion of the Board) and make amendments to the terms of such schemes (subject to the provisions of the schemes relating to amendment). It should consider, review and/or approve matters relating to the share schemes of the Company and/or its principal subsidiaries (including but not limited to the length of vesting period, performance targets, clawback mechanism, and the grants to the Directors and Senior Management), and provide its views on those matters, as required by the Listing Rules;
 - (b) liaise with the trustee of any employee share scheme which is created by the Company for the benefit of employees, Senior Management or Directors (if any);
 - (c) review the terms of executive Directors' service contracts from time to time; and

- (d) advise the Board in relation to the preparation of the Board's remuneration report (if any) to Shareholders; and
- (e) handle any other designated matters as authorized by the Board.

Reporting procedures

- 18. Minutes of the Remuneration and Appraisal Committee's meetings shall be kept by a duly appointed secretary of the meeting (who should normally be the Company Secretary), and such minutes shall be available for inspection at any reasonable time on reasonable notice by any Director.
- 19. Minutes of meetings of the Remuneration and Appraisal Committee shall record in sufficient detail the matters considered by the Remuneration and Appraisal Committee and decisions reached, including any concerns raised by Directors, members or dissenting views expressed. Draft and final versions of minutes of the meetings should be sent to all members of the Remuneration and Appraisal Committee for their comment and records within a reasonable time after the meetings.
- 20. Without prejudice to the generality of the duties of the Remuneration and Appraisal Committee set out in these Terms, the Remuneration and Appraisal Committee shall report back to the Board and keep the Board fully informed of its decisions and recommendations, unless there are legal or regulatory restrictions on its ability to do so.

Terms available

- 21. The Remuneration and Appraisal Committee shall make available these Terms by inclusion on the website of the Stock Exchange and the Company's official website for corporate communications.