

Jiangsu Hengrui Pharmaceuticals Co., Ltd.
江蘇恒瑞醫藥股份有限公司

Terms of Reference of the Remuneration and Evaluation Committee

Chapter 1 General Provisions

Article 1 In order to further establish a sound evaluation and remuneration management system for directors (the “Directors”) (non-independent Directors) and senior management of Jiangsu Hengrui Pharmaceuticals Co., Ltd. (the “Company”) and to enhance its corporate governance structure, in accordance with the Company Law of the PRC, the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the “Listing Rules of the Hong Kong Stock Exchange”), the Articles of Association, the Rules of Procedure of the Board of Directors and other relevant regulations, the Company has set up an Remuneration and Evaluation Committee (the “Remuneration and Evaluation Committee” or “Committee”) under the board of Directors (“the Board”) and formulated these terms of reference (the “Rules”).

Article 2 The Remuneration and Evaluation Committee is established by the Board in accordance with the resolutions of the shareholders, mainly responsible for formulating the evaluation criteria and conducting evaluation for the Company’s Directors and senior management, and setting up and reviewing the remuneration determination mechanisms, decision-making processes, payment and recourse arrangements, and other remuneration policies and plans for the Company’s Directors and senior management. The Remuneration and Evaluation Committee shall be accountable to the Board.

Article 3 The Directors referred to in the Rules refer to the chairman and the Directors who receive remuneration from the Company, the senior management refers to the general manager (president), executive vice president, senior vice president, secretary to the Board and financial controller.

Chapter 2 Composition

Article 4 The Remuneration and Evaluation Committee shall consist of three to seven Directors, of whom Independent Directors shall account for the majority.

Article 5 Members of the Remuneration and Evaluation 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 shall be elected by the Board.

Article 6 The Remuneration and Evaluation Committee shall have a chairman (convener), who shall be an Independent Director, and shall be responsible for presiding over the work of the Committee. The chairman shall be elected from among the members and shall be subject to the Board’s approval.

Article 7 The Remuneration and Evaluation Committee shall have the same term of office as that of the Board. Members may, upon the expiry of their term of office, be re-appointed for consecutive terms if re-elected. During his/her term of office, if any member ceases to serve as a Director of the Company or any member who should be an Independent Director no longer possesses the independence or qualifications required by laws, regulations, regulatory documents, the listing rules of the place where the shares of the Company are listed and the Articles of Association, such member shall automatically lose the membership of the Committee, and the Committee shall fill the vacancy in accordance with the provisions of Articles 4 to 6 above.

Article 8 The Remuneration and Evaluation Committee shall have a working unit, which is specifically responsible for providing information on the business operation of the Company and the relevant information of the appraisee, as well as the preparation of meetings of the Remuneration and Evaluation Committee and the implementation of relevant resolutions of the Committee.

Chapter 3 Duties and Authorities

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

- (I) to develop the remuneration plan or proposal, policy and structure, based on the main scope, duties and importance of the senior positions taken by Directors and senior management and the remuneration level of the corresponding positions in other comparable companies, and establish the formal and transparent procedure for developing the above remuneration plan or proposal, and make recommendations to the Board;
- (II) to assess the performance of the Executive Directors, to review and approve the terms of the Executive Directors' service contracts;
- (III) to review and approve the remuneration proposals of the management with reference to the corporate goals and objectives set by the Board;
- (IV) to make recommendations to the Board on the determination of the remuneration packages of individual Executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of office or appointment);
- (V) to make recommendations to the Board on the remuneration of Non-executive Directors;
- (VI) to consider the salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group;
- (VII) to review and approve compensation payable to the 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, reasonable and not excessive;
- (VIII) to review and approve the compensation arrangements in relation to the dismissal or removal of Directors as a result of misconduct so as to ensure that such compensation is consistent with contractual terms and is otherwise reasonable and appropriate;

- (IX) to ensure that no Director or any of his/her associates (as defined in the Listing Rules of the Hong Kong Stock Exchange) is involved in deciding his/her own remuneration;
- (X) to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules of the Hong Kong Stock Exchange, formulate or amend equity incentive plans, employee stock ownership plans, eligibility of grantees and vesting conditions of the exercise of rights;
- (XI) the arrangement of stock ownership plans for Directors and senior management in proposed spin-off subsidiaries;
- (XII) other matters required by laws, administrative regulations, regulations of the China Securities Regulatory Commission, the listing rules of the stock exchanges of the place where the Company's shares are listed and the Articles of Association.

Article 10 The Board shall have the right to reject any remuneration plan or proposal which is prejudicial to the interests of the shareholders.

Article 11 Subject to the Board's approval and upon the consideration and approval granted at the shareholders' meeting, the remuneration plan of the Directors of the Company proposed by the Remuneration and Evaluation Committee shall be implemented. The remuneration plan for the senior management of the Company shall be reported to the Board for approval, and explained to the shareholders' meeting.

Chapter 4 Decision-making Processes

Article 12 The working unit under the Remuneration and Evaluation Committee is responsible for making preliminary preparations for the decision-making process of the Remuneration and Evaluation Committee and providing relevant information of the Company in relation to:

- (I) providing the Company's key financial indicators and the completion of business targets;
- (II) information on the division of work of the Company's Directors and senior management and their main duties;
- (III) determining the performance of Directors and senior management in terms of the indicators under a work performance evaluation system;
- (IV) providing the calculation basis for relevant estimations with regard to remuneration distribution plans and distribution methods as proposed according to the Company's performance.

Article 13 The Remuneration and Evaluation Committee's procedures for appraising Directors and senior management are as follows:

- (I) the Remuneration and Evaluation Committee shall determine the evaluation indicators and evaluation methods for Directors and senior management at the beginning of each year based on the actual situation;

- (II) the Directors and senior management of the Company shall report their work and provide self-evaluations to the Remuneration and Evaluation Committee after the end of each year;
- (III) the Remuneration and Evaluation Committee shall conduct performance evaluations of Directors and senior management according to the performance evaluation criteria and procedures;
- (IV) the Committee proposes the amount of compensation and the incentive method for senior management according to the job performance evaluation results and remuneration distribution policies and, upon voting and passing, report to the Board.

The Remuneration and Evaluation Committee shall disclose its terms of reference on the HKEXnews website of The Stock Exchange of Hong Kong Limited and the website of the Company, explaining its role and the power delegated by the Board.

Chapter 5 Rules of Procedure

Article 14 The Remuneration and Evaluation Committee shall convene meetings according to the actual needs, meetings may be convened upon the proposal of two members or when deemed necessary by the chairman, and notices for meetings shall be given to all Committee members at least 3 days, in advance of the date of such meetings. Under special circumstances, the Remuneration and Evaluation Committee may convene a meeting at any time, provided that it is ensured that the notice reaches all members in a timely and effective manner. The meeting shall be presided over by the chairman, who may delegate the chairmanship to one of the other members (an Independent Director) in the event that he/she is unable to attend the meeting.

Article 15 The meetings of the Remuneration and Evaluation Committee shall be convened only with the presence of more than two-thirds of the members. Each member shall be entitled to one vote. Resolutions of a meeting must be adopted by the affirmative votes of more than half of all members. If a member is unable to attend the meeting for any reason, he/she may authorize another member in writing to attend on his/her behalf, which will be deemed as if he/she has attended the meeting.

Article 16 The Remuneration and Evaluation Committee shall vote by a show of hands or by a poll. Meetings may also be convened in the form of vote by communications, and subsequently confirmed by signatures.

Article 17 Directors and senior management of the Company may be invited to attend meetings of the Remuneration and Evaluation Committee, if necessary.

Article 18 If necessary, the Remuneration and Evaluation Committee may engage an intermediary institution to provide professional advice on its decision at the Company's expense.

Article 19 When the affairs of a member of the Committee is discussed at the meetings of the Remuneration and Evaluation Committee, the person concerned shall be absent from such discussion.

Article 20 The procedures for convening a meeting, the way of voting and the remuneration policies and distribution proposals passed at a meeting of the Remuneration and Evaluation Committee shall comply with the provisions of the relevant laws, regulations, the securities regulatory rules of the place where the Company's shares are listed, the Articles of Association and the Rules.

Article 21 Minutes of the Remuneration and Evaluation Committee meetings must be recorded and shall be signed by the attending members. The minutes should detail the matters considered and the resolutions made, including any concerns or dissent expressed by Directors. The complete minutes of the Remuneration and Evaluation Committee shall be kept by the duly appointed Committee secretary (usually the company secretary) and the secretary of the Board. The draft minutes (for members to express opinions) and the final version (for record) should be sent to all Committee members within a reasonable time after the meeting. Directors may review the minutes with reasonable notice within a reasonable timeframe.

Article 22 The proposals and voting results passed at the Remuneration and Evaluation Committee meetings shall be submitted to the Board of the Company in writing.

Article 23 All members attending the meeting are bound by confidentiality regarding the matters discussed and must not disclose any related information without authorization; otherwise, the relevant personnel shall bear all legal liabilities arising therefrom.

Chapter 6 Supplementary Provisions

Article 24 The Rules, after being resolved and approved by the Board, shall become effective and come into effect. Upon the implementation of the Rules, the original Implementing Rules for the Remuneration and Evaluation Committee of the Company shall automatically become invalid.

Article 25 Matters not covered in the Rules shall be implemented in accordance with the provisions of the relevant laws, regulations of the PRC, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association. In case of any conflict between the Rules and any future laws and regulations of the PRC, the securities regulatory rules of the place where the Company's shares are listed or the Articles of Association as amended by legal procedures, the relevant laws and regulations of the PRC, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association shall prevail, and the Rules shall be amended immediately and submitted to the Board for approval.

Article 26 The right of interpretation of the Rules belongs to the Board. The "Independent Director" referred to in the Rules has the same meaning ascribed to it under the Listing Rules of the Hong Kong Stock Exchange.

Board of Jiangsu Hengrui Pharmaceuticals Co., Ltd.