

# **PegBio Co., Ltd.**

## **TERMS OF REFERENCE OF THE NOMINATION COMMITTEE OF THE BOARD OF DIRECTORS**

### **Chapter 1 General Provisions**

**Article 1** Pursuant to the Company Law of the PRC (the “**Company Law**”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), the Corporate Governance Code as set out in Appendix C1 to the Listing Rules and other relevant laws, regulations, regulatory documents as well as the Articles of Association of PegBio Co., Ltd. (the “**Articles of Association**”) applicable after the issuance of H Shares, PegBio Co., Ltd. (the “**Company**”) hereby establishes the Nomination Committee of the Board and formulates the Terms of Reference of the Nomination Committee of the Board of Directors of PegBio Co., Ltd. (the “**Terms of Reference**”) based on the actual conditions of the Company, in order to regulate the appointment of directors and senior management, optimize the composition of the Board and enhance its corporate governance structure.

**Article 2** The Nomination Committee is a specialized working body under the Board, and is principally responsible for considering selection of directors (including independent non-executive directors) and senior management, the selection criteria and procedures thereof, as well as putting forward opinions and recommendations to the Board.

The senior management mentioned in the Terms of Reference refers to the general manager, deputy general manager (hired according to the needs of the Company), chief financial officer, secretary to the Board and other personnel appointed by the Board as senior management. The “general manager” mentioned in the Terms of Reference refers to the “manager” mentioned in the Company Law.

### **Chapter 2 Composition**

**Article 3** The Nomination Committee shall consist of three or an odd number of over three directors, with a majority being independent non-executive directors.

**Article 4** Members of the Nomination Committee shall be nominated by the chairman of the Board or jointly by more than one-third of the directors, and shall be elected by a majority of the directors of the Board. After the proposal for electing members of the Nomination Committee has been approved, the new members of the Nomination Committee shall take office immediately after the conclusion of the meeting of the Board.

**Article 5** The Nomination Committee shall have one convener, being the chairman of the Nomination Committee, who shall be an independent non-executive director. The chairman of the Nomination Committee shall be appointed and removed by the Board and shall be in charge of the work of the Nomination Committee. When the chairman of the Nomination Committee is unable to or fails to perform his/her duties, an independent non-executive director shall be jointly elected by more than half of the members to perform the chairman’s duties.

**Article 6** The term of office of the Nomination Committee shall be the same as that of the Board. A member may serve consecutive terms if re-elected upon expiry of his/her term of office. During his/her term of office, if any member ceases to be a director, or any member with the capacity of an independent non-executive director ceases to have the independence as stated in the Company Law, the Articles of Association or the Listing Rules, he/she shall automatically be disqualified as a member of the Nomination Committee. A member may submit his/her resignation report in writing to the Board prior to the expiry of his/her term of office to resign from his/her position in the Nomination Committee. The resignation report shall include a statement of the reasons for such resignation and if necessary the matters that should be brought to the attention of the Board. Where the composition of the Nomination Committee fails to meet the requirements specified in Article 3 and Article 5 of the Terms of Reference, the Board shall, according to the requirements of the Listing Rules, immediately make adjustments or fill the vacancy as soon as possible. The term of office for the member filling the vacancy shall expire upon the expiration of his/her term of office as a director. A member of the Nomination Committee shall not, before the expiry of his/her term of office, be relieved of his/her duties without causes except for the situations that prevent such member from holding office as specified in the Company Law, the Articles of Association or the securities regulatory rules of the place where the Shares of the Company are listed, etc.

The office of the Board shall be responsible for the Nomination Committee's daily communication, arrangement of meetings and implementation of the relevant resolutions of the Committee.

### **Chapter 3 Duties and Authorities**

**Article 7** The specific duties of the Nomination Committee mainly include:

- (I) to consider and draw up the criteria and procedures for selecting directors and senior management and make recommendations thereon to the Board. Factors to be considered include but are not limited to cultural, educational background and work experience;
- (II) to identify candidates suitably qualified to become directors and make nominations to the Board, to review and make recommendations on candidates for directors (in particular the chairman of the Board);
- (III) to identify candidates suitably qualified to become senior management, to review and make recommendations on candidates for senior management (in particular the general manager);
- (IV) to review the independence of independent non-executive directors, where the Board proposes to elect an individual as an independent non-executive director at the general meeting, the Nomination Committee should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting:
  - 1. the procedures used for identifying the individual, the reasons why the Board believes the individual should be elected and the reasons why it considers the individual to be independent;
  - 2. if the proposed independent non-executive director will be holding his/her seventh (or more) listed company directorship, why the Board believes the individual would still be able to devote sufficient time to the Board;

3. the perspectives, skills and experience that the individual can bring to the Board;  
and
  4. how the individual contributes to diversity of the Board.
- (V) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least once a year, assist the Board in maintaining a Board skills matrix and make recommendations on any proposed changes to the Board to complement the Company's strategies; to make recommendations to the Board on the appointment or reappointment of directors and succession planning for directors, in particular the chairman of the Board and the general manager (if applicable); to assess the structure of the specialized committees under the Board, recommend members to the relevant specialized committees from among the directors, and submit to the Board for approval; and to support the Company to conduct regular assessments on the Board's performance;
- (VI) to establish talent reserve plans for directors and senior management, and to update and supplement the plans at any time;
- (VII) to evaluate the director's work, and put forward opinions or suggestions on the replacement, appointment, reappointment or succession of directors (including the chairman of the Board and the general manager) to the Board based on the evaluation results;
- (VIII) to formulate, and, where appropriate, review and implement the Board diversity policy adopted by the Board from time to time, review the progress of achieving goals, and disclose the relevant reviewed policies or their summary in the Company's annual report; and
- (IX) other matters prescribed by relevant laws, administrative regulations, the securities regulatory rules of the place where the Shares of the Company are listed and the Articles of Association and authorized by the Board.

**Article 8** The Nomination Committee has the right to exercise any authority granted by the Board when deemed necessary.

**Article 9** The Nomination Committee shall be accountable to the Board and proposals shall be submitted to the Board for consideration and approval, among which, resolutions on the nomination of candidates for directors shall, upon approval by the Board, be submitted to the general meeting for consideration and approval prior to implementation. In the absence of sufficient reasons or reliable evidence, the controlling shareholders shall fully respect the proposals made by the Nomination Committee and shall not propose substitutive candidates for directors and senior management.

The operating management is responsible for providing the Nomination Committee with sufficient appropriate information to enable the Nomination Committee to make decisions with relevant information. The data provided by the operating management must be complete and reliable.

**Article 10** The Nomination Committee shall make available the Terms of Reference explaining its role and the authority delegated to it by the Board on the websites of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") and the Company.

## **Chapter 4 Working Procedures**

**Article 11** The human resources department of the Company is the day-to-day working body of the Nomination Committee. It is responsible for the preliminary preparation of the Nomination Committee meetings and assist in preparing relevant materials for the meetings.

**Article 12** The selection procedures of directors and senior management are as follows:

- (I) the human resources department and the Nomination Committee of the Company shall actively communicate with the relevant departments of the Company to assess the Company's demand for new directors and senior management, and come up with written materials;
- (II) the Nomination Committee may extensively seek for candidates for directors and senior management within the Company, its controlled (invested) enterprises as well as the job market;
- (III) the Nomination Committee shall collect and learn the information of the occupation, education background, job title, detailed working experience and all the part-time jobs of the initially proposed candidates, and produce materials in writing;
- (IV) to seek for the nominee's written consent to the nomination, otherwise, he/she shall not be considered as a candidate for directors and senior management;
- (V) to convene meetings of the Nomination Committee to review the qualifications of the initially proposed candidates according to the job requirements of directors and senior management;
- (VI) to submit proposals and the relevant materials to the Board in respect of candidates for directors and senior management within a reasonable period of time prior to the election of new directors and appointment of new senior management;
- (VII) to carry out other follow-up work according to the decision and feedback of the Board.

**Article 13** The chairman of the Nomination Committee or (if the chairman is absent) another member of the Nomination Committee (who must be an independent non-executive director) shall attend the annual general meeting of the Company and respond to the enquiries from shareholders regarding the activities and responsibilities of the Nomination Committee.

## **Chapter 5 Rules of Procedure**

**Article 14** Members of the Nomination Committee shall undertake the duties of loyalty and diligence towards the Company in accordance with laws, administrative regulations, the regulatory rules of the place where the Shares of the Company are listed and the Articles of Association. Proposals or recommendations raised by the Nomination Committee must comply with the requirements of laws, administrative regulations, the regulatory rules of the place where the Shares of the Company are listed and the Articles of Association.

**Article 15** There shall be regular and extraordinary meetings of the Nomination Committee.

**Article 16** Regular meetings shall be held at least once a year. Extraordinary meetings may be convened by the chairman of the Nomination Committee as he/she deems it necessary, upon the proposal of at least one half of the members or recommendation of the chairman of the Board.

**Article 17** The meetings of the Nomination Committee shall be convened by the chairman of the Nomination Committee. Notices of meetings, signed by the chairman of the Nomination Committee, and materials for meetings shall be delivered to all members of the Nomination Committee three days prior to the meeting (excluding the date of the meeting). Upon unanimous consent of all members of the Nomination Committee, the requirement for such prior notice period may be exempted.

**Article 18** Meetings of the Nomination Committee shall be presided over by the chairman of the Nomination Committee; if the chairman is unable to attend, he/she may entrust another member (who shall be an independent non-executive director) to preside over the meeting.

**Article 19** The quorum of meetings of the Nomination Committee shall be at least two-thirds of the members, including at least one independent non-executive director. If a member is unable to attend a meeting, he/she may by a written power of attorney appoint another member to attend and vote at the meeting on his/her behalf. The power of attorney shall set out the name of the proxy, the matters delegated, the scope of authorization and the validity period, and shall be signed or stamped by the appointer and submitted to the presider of the meeting no later than the time when voting takes place in the meeting. If a member fails to attend a meeting of the Nomination Committee and fails to appoint another member to attend on his/her behalf, he/she shall be deemed to have waived his/her right to vote at that meeting.

The resolutions made by the Nomination Committee shall be approved by a majority of all members, and relevant resolutions and minutes of meetings shall be signed by the participating members. Each member shall have one vote and may vote “for”, “against” or “abstain” from voting on a given matter. Where the respective votes for and against a resolution are equal in number, the chairman of the Nomination Committee shall have a casting vote.

**Article 20** Meetings of the Nomination Committee may be held by on-site meetings, teleconferences, video conferences, circulation of documents, facsimile, email or other appropriate means.

**Article 21** Directors, supervisors, senior management and external advisors may be invited to attend meetings of the Nomination Committee when necessary. Persons attending the meetings may explain or illustrate the matters discussed at the meetings, but non-members of the Nomination Committee shall have no voting rights.

**Article 22** The Company should provide the Nomination Committee with sufficient resources to perform its duties. If necessary, the Nomination Committee may engage independent intermediary institutions to provide professional opinions for its decision-making. The employment term and service fees of the relevant intermediary institutions shall be decided by the Nomination Committee. The reasonable expenses shall be borne by the Company.

**Article 23** The convening procedures, voting method and resolutions passed at the meetings of the Nomination Committee shall comply with the relevant laws, administrative regulations, the regulatory rules of the place where the Shares of the Company are listed, the Articles of Association and the Terms of Reference.

**Article 24** The Nomination Committee shall keep written minutes of its meetings, which should record in sufficient detail the matters considered and decisions reached at the meetings, including any concerns raised or dissenting views expressed by the directors. Draft and final versions of the minutes of the meetings shall be circulated to all members within a reasonable time after the end of the meetings. The draft versions are for their comment and the final versions are for their record. The minutes of the meetings shall be signed by the members present at the meetings. The minutes of the meetings shall be kept by a duly appointed secretary of the meeting and should be open for inspection at any reasonable time on reasonable notice by any director.

**Article 25** The Nomination Committee shall form a clear and definite conclusion on the proposal under consideration, including: approval, rejection or consideration pending supplementary information. The proposal passed at the meetings of the Nomination Committee and the voting results shall be reported in writing to the Board.

**Article 26** Members present at meetings of the Nomination Committee and persons attending such meetings shall perform a duty of confidentiality regarding matters discussed at such meetings. No unauthorized disclosure of such information shall be allowed, unless otherwise stipulated under relevant laws, administrative regulations, regulatory rules of the place where the Shares of the Company are listed or the relevant regulatory bodies such as the securities regulatory authorities of the place where the Shares of the Company are listed.

## **Chapter 6 Avoidance System**

**Article 27** Where a member or his/her immediate relatives, or enterprises controlled by the member or his/her immediate relatives are interested, directly or indirectly, in any issue discussed at the meetings of the Nomination Committee, the member shall disclose as soon as possible the nature and extent of the interest to the Nomination Committee.

**Article 28** In the event of any circumstances above, the interested member shall give a detailed explanation of the relevant circumstances at the meetings of the Nomination Committee and clearly indicate that he/she will recuse himself/herself from voting. However, if other members unanimously agree after discussion that such interests will not have a significant impact on the matter to be voted on, the interested member may participate in the voting.

In case the Board considers it inappropriate for the interested member to participate in the voting as mentioned in the preceding paragraph, it may revoke the voting results of relevant proposals, and require the uninterested members to vote on the relevant proposals again.

**Article 29** The meeting of Nomination Committee shall consider and make a resolution on the proposal without counting interested members as a quorum. In case the number of members attending the meeting of the Nomination Committee after the recusal of interested members is less than the minimum quorum, all the members (including interested members) shall make a resolution on the procedural issues regarding submitting such proposals to the Board for consideration, and the Board shall consider such proposals.

**Article 30** The minutes and resolutions of meeting of Nomination Committee shall specify the fact that the interested members were not counted as a quorum and did not participate in the voting.



## **Chapter 7 Supplementary Provisions**

**Article 31** The phrase “more than” as referred to herein is inclusive of the number while “majority” is exclusive of the number.

**Article 32** The Terms of Reference shall be deliberated and approved by the Board, and shall come into force and be implemented from the day on which H Shares of the Company in the public offering are listed and traded on the main board of Hong Kong Stock Exchange. The Terms of Reference shall be amended and interpreted by the Board.

**Article 33** Matters not covered herein shall be implemented in accordance with the relevant provisions of relevant laws, administrative regulations, regulatory documents, regulatory rules of the place where the Shares of the Company are listed and the Articles of Association. Where the Terms of Reference conflicts with any provisions of relevant laws, administrative regulations, regulatory documents, regulatory rules of the place where the Shares of the Company are listed or the Articles of Association, such provisions of relevant laws, administrative regulations, regulatory documents, regulatory rules of the place where the Shares of the Company are listed and the Articles of Association shall prevail. Where the Terms of Reference conflicts with the laws, administrative regulations, regulatory documents or regulatory rules of the place where the Shares of the Company are listed which are promulgated in the future or the Articles of Association as amended through lawful procedures, such provisions of relevant laws, administrative regulations, regulatory document, regulatory rules of the place where the Shares of the Company are listed and the Articles of Association shall prevail, and the Terms of Reference shall be amended accordingly as soon as practicable and submitted to the Board for consideration and approval.