
PHARMARON BEIJING CO., LTD.

TERMS OF REFERENCE OF

THE REMUNERATION

AND APPRAISAL COMMITTEE OF THE BOARD

Beijing, the PRC

August 2019

PHARMARON BEIJING CO., LTD.

TERMS OF REFERENCE OF

THE REMUNERATION

AND APPRAISAL COMMITTEE OF THE BOARD

Article 1 These terms of reference (the “**Terms of Reference**”) are formulated for the remuneration and appraisal committee (the “**Remuneration and Appraisal Committee**”) of the board of directors (the “**Board**”) established by the Company in accordance with the Company Law of the People’s Republic of China (the “**Company Law**”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), the Articles of Association of Pharmaron Beijing Co., Ltd. (the “**Articles of Association**”) and other relevant regulations, in order to further establish and enhance a remuneration and appraisal management system for the directors (i.e. non-executive directors) and senior management of Pharmaron Beijing Co., Ltd. (the “**Company**”) and optimise the corporate governance structure of the Company.

Article 2 The Remuneration and Appraisal Committee is a specialised working body under the Board which is principally responsible for formulating the appraisal standards and conducting appraisal for the directors and senior management of the Company, and setting up and reviewing the remuneration policy and plans for the same, and shall report and is held accountable to the Board.

Article 3 The securities affairs department shall be responsible for daily work contact and organization of meetings of the Remuneration and Appraisal Committee. The human resources department of the Company is a daily administrative office of the Remuneration and Appraisal Committee and shall be responsible for all preparatory works to facilitate the decision-making of the Remuneration and Appraisal Committee.

Article 4 Directors mentioned in these Terms of Reference refer to the chairman of the Board and directors (including independent non-executive directors) who receive remuneration from the Company, and senior management refers to general manager, deputy general manager, chief financial officer and the secretary to the Board employed by the Board and other senior management proposed by the general manager to be employed by the Board.

Article 5 The Remuneration and Appraisal Committee shall be composed of five directors, more than half of whom shall be independent non-executive directors, and the chairman thereof shall be an independent non-executive director.

Article 6 The members of the Remuneration and Appraisal Committee shall be nominated by the chairman of the Board or more than half of the independent non-executive directors or one-third of all directors and be elected by the Board.

Article 7 The members of the Remuneration and Appraisal Committee shall have the tenure same as that of the Board. The members are eligible for re-election upon expiry of the tenure. No members shall, before the expiration of his/her term of office, be removed from office without reason except for the circumstances that require dismissal as stipulated in the Company Law, the Listing Rules, the Articles of Association or these Terms of Reference.

Article 8 If any member ceases to be a director of the Company during his/her term of office, he/she shall ipso facto and immediately cease to hold the position of the member of the Remuneration and Appraisal Committee.

The member of the Remuneration and Appraisal Committee may resign before the completion of the term of his office, and shall submit a written resignation report to the Board, the resignation report cannot take effect unless approved by the Board. Additionally, the original members shall perform related duties in accordance with these Terms of Reference before the member elected through by-election takes office.

Article 9 When the members of the Remuneration and Appraisal Committee are reduced due to their resignation, dismissal or other reasons, the Board of the Company shall elect new members as soon as possible in accordance with the provisions of these Terms of Reference.

In the event that the number of the committee member shall fall below two-thirds of the required number due to resignation by or removal of members or such other reasons, the Board shall promptly supplement new candidates. The committee shall suspend performance of its duties pursuant to these Terms of Reference until the number of the committee member is restored back to two-thirds of the required number.

Article 10 The Remuneration and Appraisal Committee has one chairman who shall be an independent non-executive director among the members and shall be elected by the Board.

The chairman shall preside over the work of the committee, convene and chair the committee meetings. The chairman, in case of failure or inability to perform his duties, shall designate a member of the committee, concurrently being an independent non-executive director, to act on his behalf. If the chairman neither performs his duties nor designates other members to act on his behalf, any member shall report relevant information to the Board of the Company, and the chairman of the Company shall designate a member of the committee, concurrently being an independent non-executive director, to act on his behalf.

Article 11 The main duties and responsibilities of the Remuneration and Appraisal Committee include:

- (1) to make recommendations to the Board on the Company's overall remuneration policy and structure for directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (2) to formulate remuneration proposal or plan, which mainly includes but not limited to performance appraisal criteria, procedures and key appraisal system, and major incentive and penalty plans and systems, based on the major scope, responsibility and importance of the respective positions of the directors and senior management and with reference to the Board's corporate goals and objectives, and review and approve proposals on management's remuneration;
- (3) to evaluate the remuneration level of the Company's senior executives on the basis of the industry's remuneration level available in the market;
- (4) to make recommendations to the Board on 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 their office or appointment;

- (5) to make recommendations to the Board on the remuneration of the non-executive directors;
- (6) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Company;
- (7) to review and approve 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 reasonable;
- (8) to review and approve 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;
- (9) to ensure that no director or any of his associates is involved in deciding his own remuneration;
- (10) to review the performance of duties by the directors and senior management of the Company, conduct annual performance appraisals on them and issue a special report to the Board;
- (11) other matters granted by the Board.

Article 12 The Remuneration and Appraisal Committee shall consult the chairman of the Board and/or manager (chief executive officer) on the remuneration proposals of other executive directors, and may seek independent and professional advice when and as necessary.

Article 13 The Board has the right to reject remuneration plans or proposals contrary to the interests of the shareholders.

Article 14 The remuneration plan for the directors of the Company proposed by the Remuneration and Appraisal Committee shall be approved by the Board and submitted to a shareholder's general meeting for approval before implementation; and the remuneration distribution scheme for senior management of the Company shall be approved by the Board.

Article 15 The relevant departments of the Company shall provide support for the committee to perform its duties, with the charges reimbursed by the Company.

Article 16 The human resources department of the Company shall be responsible for making preliminary preparations for the decision making of the Remuneration and Appraisal Committee, and providing relevant information of the Company:

- (1) to provide information on the Company's fulfilment of its main financial and business objectives;
- (2) to provide information on the division of work of the Company's senior management and their main duties;
- (3) to provide information on fulfilment of targets involved in the work performance assessment system of directors and senior management;
- (4) to provide information on the operational performance indicators of the directors and senior management in operational innovation and profitability of operation;
- (5) to provide the basis of measure and calculation in relation to formulating the Company's remuneration distribution plan and method with reference to the performance results of the Company.

Article 17 The human resources department of the Company shall perform the internal approval procedures for the meeting documents in accordance with the Company's internal management system and submit the documents to the securities affairs department.

Article 18 The securities affairs department shall submit the meeting documents to the chairman of the Remuneration and Appraisal Committee for review, and convene the meetings of the Remuneration and Appraisal Committee in a timely manner upon approval.

Article 19 The Remuneration and Appraisal Committee shall approve reports and resolutions or make recommendations by convening a meeting and submit them to the Board of the Company in writing. For those requiring the consideration and approval by the Board meetings or general meetings, the Remuneration and Appraisal Committee shall submit a proposal to the Board, and perform the approval procedures in accordance with the relevant laws, regulations and the Articles of Association.

Article 20 If more than half of the Board members have objections to the reports and resolutions passed by the meetings of the Remuneration and Appraisal Committee, they may submit their written feedback to the Remuneration and Appraisal Committee in a timely manner.

Article 21 Meetings of the Remuneration and Appraisal Committee are divided into regular meetings and extraordinary meetings. The regular meetings shall be convened at least once annually.

Article 22 Meetings of the Remuneration and Appraisal Committee may be held on site or by facsimile, videos, videophone, telephone and other communication means as appropriate.

Article 23 Notices shall be given 7 days before a regular meeting to all members and 3 days before an extraordinary meeting by a securities affairs department.

Article 24 Meetings of the Remuneration and Appraisal Committee shall be held by at least two-thirds of the members present at the meeting.

Article 25 Members of the Remuneration and Appraisal Committee may attend the meetings in person or by appointing other members as their proxies and exercise the voting right on their behalves. Each member of the Remuneration and Appraisal Committee shall appoint only one other member as his proxy to exercise the voting right on his behalf. Where any member appoints two or more members to exercise the voting right on his behalf, such appointment shall be deemed invalid.

Article 26 The Remuneration and Appraisal Committee may, if considered necessary, summon other persons in connection with the proposals to attend the meeting to provide detailed information or express their opinions. Those who are not members of the Remuneration and Appraisal Committee, however, do not have voting rights on the proposals.

Article 27 Items proposed at the meetings of the Remuneration and Appraisal Committee are subject to collective consideration and voting on a case by case basis, i.e. all the proposals are considered by all members present and then are put to the vote one by one according to the order of consideration.

Article 28 When the Remuneration and Appraisal Committee votes on the related matters, the interested members shall abstain from voting thereon.

Article 29 Each member shall be entitled to one vote when voting at the meetings of the Remuneration and Appraisal Committee. Resolutions made by the Remuneration and Appraisal Committee shall not be valid unless passed by more than half of all members voting thereon.

Article 30 Voting at the meetings of the Remuneration and Appraisal Committee may be conducted by open ballot, a show of hands, communications or other means.

Article 31 Proposals and voting results adopted at the meetings of the Remuneration and Appraisal Committee shall be reported to the Board of the Company in writing.

Article 32 The Remuneration and Appraisal Committee shall maintain written meeting minutes on which members present shall sign their names.

Article 33 Archives of the Remuneration and Appraisal Committee meetings, including notices of meetings, meeting materials, meeting attendance books, power of attorney for proxy members, votes, meeting minutes signed by the attending members and resolutions adopted at the meetings etc., shall be kept by the securities affairs department. Archives of the Remuneration and Appraisal Committee meetings shall be kept for 10 years.

Article 34 Before announcement of the resolutions by the Company in accordance with the legal procedure, the attending members, other attendants, and the recording and service personnel shall fulfill confidentiality obligation to the contents of resolutions.

Article 35 Any matters not covered herein shall be subject to the relevant national laws, administrative regulations, departmental rules, the Listing Rules and the Articles of Association.

Where these Terms of Reference conflict with the national laws and regulations, the Listing Rules or the Articles of Association, the Board of the Company shall revise these Terms of Reference immediately for approval by the Board.

Article 36 These Terms of Reference shall be subject to the amendment and interpretation of the Board of the Company. These Terms of Reference shall come into effect after consideration and approval by the Board and from the date on which the overseas-listed foreign shares (H Shares) of the Company are publicly issued and listed on the main board of The Stock Exchange of Hong Kong Limited.

(The remainder of this page is intentionally left blank)