



CHINA MEDICAL SYSTEM HOLDINGS LIMITED
康哲藥業控股有限公司*

(於開曼群島註冊成立的有限公司)

(股份代號: 867)

**The Environmental, Social and Governance Committee
Terms of Reference**

(Effective since 22 December 2020)

The Environmental, Social and Governance (the “ESG”) Committee (the “ESG Committee”, the “Committee”) of China Medical System Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) was established in accordance with the resolution passed by the Company’s board of directors (the “Board”) on 22 December 2020. The terms of reference of the Committee (the “Terms of Reference”) were approved by the Board on 22 December 2020. The Terms of Reference are available in English and Traditional Chinese, and the Traditional Chinese version is a translated version for reference only.

1. Composition

- 1.1. The Committee shall be appointed by the Board from its directors. The ESG Committee shall have at least three members (“Member(s)”). The majority of the Members shall be independent non-executive directors, and all of whom shall be appointed and dismissed by the Board.
- 1.2. The ESG Committee shall have one chairman, who shall be appointed to preside over the work of the Committee, and attend the annual general meeting of shareholders to answer questions from shareholders about the affairs of the Committee. The chairman of the Committee shall be appointed and dismissed by the Board.
- 1.3. The Members shall have the same term of office as the directors. The term of office of Members is renewable upon re-election. During which, if Members no longer act as directors of the Company, they shall automatically lose their office as Members from the date of resignation. The Board shall fill the vacancies in accordance with the Terms of Reference.
- 1.4. The company secretary of the Company or its authorized representative is the secretary to the Committee (the “Secretary to the Committee”).

1.5. The ESG Committee shall establish a working group (the “**ESG Working Group**”) as an organ to fully implement the ESG related work of the Group. The ESG Working Group is composed of heads of functional departments and subsidiaries involved in ESG management roles, which are responsible for the implementation of related policies.

2. Meeting Proceedings

2.1. The ESG Committee shall meet at least once a year; in case of important matters requiring resolution, the chairman of the Committee may request an interim meeting.

2.2. The ESG Committee meeting shall be presided over by the chairman of the Committee, and the chairman, if unable to attend, may appoint another Member to preside.

2.3. Meetings of the ESG Committee shall be held by more than two-thirds of the Members attending the meeting. Each Member has one voting right. The resolution adopted at the meeting shall be passed by more than one-half of the Members (or their duly appointed delegates).

2.4. The meeting shall be held in the form of on-site, video or telephone. On the premise that the Members can fully express their opinions, an interim meeting may be held by means of communication voting.

2.5. The members of the ESG Working Group may sit in on the ESG Committee meeting. If necessary, the Committee may invite other directors who are not Members or relevant senior management of the Company to sit in on the meeting and express opinions as attendees without voting rights. External consultants may also be invited to attend the Committee meeting.

2.6. The ESG Committee should be provided with sufficient resources (including employing independent consultant to provide professional advice for decision-making) to perform its duties and relevant departments of the Company shall give cooperation. Any expenses incurred shall be borne by the Company.

2.7. The procedures for convening the meeting, means of voting and resolutions passed at the meetings of the ESG Committee shall comply with applicable laws, regulations, the Articles of Association of the Company (the “**Articles**”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and this Terms of Reference.

2.8. Resolutions and voting results adopted at the meetings of the ESG Committee shall be reported to the Board in writing.

2.9. Members attending and sitting in on the meeting shall keep confidential all matters discussed at the meeting. Disclosure of relevant information without the authorization of

the Board shall be prohibited.

3. Authorities and Duties of the ESG Committee

- 3.1. Formulate and review the Group's ESG administrative policies, strategies and structures; review ESG-related policies, regulations and trends, and to provide decision-making advice to the Board regarding the Group's ESG strategies and operation, to ensure the company to comply with the requirements of applicable laws and regulations.
- 3.2. Monitor and supervise the formulation and implementation of the Group's ESG objectives, establish ESG management objectives and report to the Board for approval, regularly review the progress of the ESG objectives, and provide suggestions and resources on the actions needed to achieve these objectives.
- 3.3. Identify ESG risks and opportunities, report to the Board on important trends affecting the Group's ESG strategies, assess the impact of ESG risks and opportunities on the Group and provide suggestions to the Board accordingly.
- 3.4. Raise questions on major issues of the internal production and operation that affect the Group's performance in social responsibilities, and inspect and push forward the handling procedure and results of these issues.
- 3.5. Monitor the communication with the Group's stakeholders and collect their feedbacks on ESG work.
- 3.6. Guide and review the Group's ESG materiality analysis.
- 3.7. Ensure that the disclosure of ESG report within the annual report or independent ESG report is in accordance with the Listing Rules and other related guidelines, review the ESG report and report to the Board, while recommending specific actions or suggestions to the Board in order to maintain the integrity of the ESG report.
- 3.8. Promote a positive culture throughout the Group and actively incorporate ESG considerations into the business decision-making process.
- 3.9. Other duties assigned by the Board.

4. Authorities and Duties of ESG Working Group

- 4.1. The ESG Working Group shall carry out the ESG management work comprehensively under the guidance of the ESG Committee, and the ESG Committee shall appoint a leader of the ESG Working Group.
- 4.2. The ESG Working Group is composed of, but not limited to, heads of Investor Relations Department, Finance Department, Audit Department, Compliance Department, Legal Department, Human Resources Management Department, Administration Department,

Production Management Department, Quality Management Department, Pharmacovigilance Department, Supply Chain Management Department, Marketing Department, etc. and subsidiaries. Its responsibilities include:

- (a) Formulate and implement specific ESG work plans according to the Group's ESG management policies, strategies and objectives;
- (b) Analyze how to relate the ESG material issues identified to the Group's strategies, vision, values, and business;
- (c) Analyze the relationship between ESG risks and the Group's overall risk management system, and provide advice on risk control;
- (d) Regularly measure and analyze ESG-related KPI data and submit it to the ESG Committee for review, to facilitate the Committee's understanding on the progress of the Group's ESG management performance objectives;
- (e) Regularly review the rating results of external agencies such as MSCI and Hang Seng Index on the Group's ESG performance and maintain communication with these agencies;
- (f) Regularly retrieve the important information or policies of ESG and report them to the ESG Committee for consideration so that Committee can understand the ESG risk of the Group;
- (g) Assist in the preparation of the Group's annual ESG report, and submit it to the ESG Committee and the Board for review and approval for disclosure;
- (h) Provide the ESG Committee and the Board with additional information which is necessary in ESG decision-making, and provide them with directional gap analyses and recommendations on the pros and cons of implementing relevant measures, so that the Board can take ESG factors fully into account when making decisions;
- (i) Proactively deliver feedbacks from key investors and stakeholders to the Committee;
- (j) Other duties assigned by the Committee.

5. Reporting Proceedings

5.1 The Secretary to the Committee shall properly keep complete minutes of meetings of the Committee. The minutes of the meeting may be available for inspection by any Director within any reasonable time after reasonable notice has been given.

5.2 The Secretary to the Committee shall be responsible for preparing the minutes of the meetings of the Committee. The first draft and final draft of the meeting minutes shall be sent to all Members within a reasonable time after the meeting. The first draft is for

Members to express their opinions and the final draft is used for their records.

5.3 Unless restricted by law or regulation, the Committee must report to the Board and must make the Board fully aware of its findings, decisions and recommendations.

6. Supplementary Provisions

6.1. The Terms of Reference shall come into force upon approved by the Board.

6.2. For the matters which are not covered by the Terms of Reference or are conflicting with the provisions of the newly issued or revised laws, regulations and regulatory documents, the Listing Rules and the Articles after the Terms of Reference become effective, the relevant laws, regulations and regulatory documents, the Listing Rules and the Articles shall prevail.

6.3. The right to interpret and amend the Terms of Reference shall reside with the Board.

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