



**Smart Link Better Life.**

**Yangtze Optical Fibre and Cable Joint Stock Limited Company\***

**長飛光纖光纜股份有限公司**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 6869)**

**TERMS OF REFERENCE FOR NOMINATION AND REMUNERATION  
COMMITTEE OF THE BOARD OF DIRECTORS**

*(Adopted on May 6, 2014 and updated on January 17, 2020)*

**DEFINITIONS**

In these terms of reference, unless the context otherwise requires, the following terms have the meanings set out below:

<b>“Articles of Association”</b>	means the Articles of Association of Yangtze Optical Fibre and Cable Joint Stock Limited Company approved by the 2013 Annual Shareholders General Assembly of the Company and the amendments thereof from time to time;
<b>Board</b>	means the Board of Directors of the Company;
<b>Committee</b>	means the Nomination and Remuneration Committee of the Board of the Company;
<b>Company</b>	means Yangtze Optical Fibre And Cable Joint Stock Limited Company;
<b>Company Law</b>	means the Company Law of the People's Republic of China;
<b>Directors</b>	means the directors of the Company, and “Director” means any one of them;
<b>Group</b>	means the Company and its subsidiaries;
<b>Independent Non-executive Directors</b>	means non-executive Directors meeting the requirements of independence set out in the Listing Rules, and “ <b>Independent Non-executive Director</b> ” means any one of them;
<b>Listing Rules</b>	means the applicable listing rules of the stock exchange(s) on which the Company's shares are listed;
<b>Senior Management</b>	means the president, the senior vice president, the vice president, the chief financial officer (the “CFO”), secretary to the Board and other persons prescribed by the Articles of Association.

\* For identification purpose only

## CHAPTER 1 GENERAL PROVISIONS

- ARTICLE 1.** In order to strengthen the internal control of the Company and enhance the Company governance structure, the Board has established a Nomination and Remuneration Committee and formulated these terms of reference pursuant to the Company Law, the Articles of Association and other relevant rules. Upon the listing of the Company on domestic and overseas stock exchanges, these terms of reference should comply with the Listing Rules and other applicable laws and regulations as amended from time to time. If these terms of reference inconformity with, contradictory to or there exists any conflicts with any applicable relevant laws, regulations, the Articles of Association and the Listing Rules, the most rigorous provisions should be implemented based on the principle of “as strict as possible”.
- ARTICLE 2.** The Committee is a specialized working organ established by the Board in accordance with the Articles of Association, which is primarily responsible for studying, examining and providing recommendations on the standards and procedures for the selection of the Senior Management as well as the candidates for Senior Management positions. It shall examine, assess and provide recommendations on the standards for evaluating the Senior Management and employees and on salary policies and schemes.

## CHAPTER 2 COMPOSITION

- ARTICLE 3.** The Committee shall consist of not less than three directors, the majority of whom shall be Independent Non-executive Directors.
- ARTICLE 4.** The members of the Committee shall be nominated by the chairman, one-half or more of the Independent Non-executive Directors or one-third or more of the Directors and shall be elected by the Board.
- After the proposal of electing members of the Committee has been approved, the new members shall take offices immediately after the meeting of the Board.
- ARTICLE 5.** The Committee shall have one chairman who must be an Independent Non-executive Director. The chairman shall chair the work of the Committee and shall be appointed by the Board.
- ARTICLE 6.** The term of office of the member of the Committee shall be the same as his term of office in the Board, and the member of the Committee may serve consecutive terms if re-elected upon expiration of the term of office. Where a member ceases to be a Director or a member who is also the Independent Non-executive Director but is no longer considered independent under the Articles of Association and the Listing Rules, he will be disqualified as a member of the Committee accordingly. The Board shall fill the vacancy pursuant to the above Article 3 to Article 5. A member of the Committee shall not be removed from office without cause before the expiration of his term of office except where the circumstances arise rendering such member not qualified to serve his position under the Company Law, the Articles of Association and the Listing Rules.
- ARTICLE 7.** A working group shall be set up for the Committee as a daily work organ under the Committee, which shall be responsible for daily liaison, organizing meetings and implementing resolutions of the Committee as well as handling other related issues. A secretary shall be appointed by the Committee officially.

### CHAPTER 3 DUTIES AND AUTHORITY

**ARTICLE 8.** The major duties and authority of the Committee are:

- (1) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- (2) to formulate and review the policy concerning diversity of the Board, review the measurable objectives and the progress on achieving such objectives set out in the policy and disclose the said policy or a summary of the said policy in the corporate governance report of the Company;
- (3) to develop and implement the policy of the nomination of Directors as appended ("Director Nomination Policy"), to review the Director Nomination Policy from time to time and to make disclosure of such policy or summary of such policy in the corporate governance report of the Company;
- (4) to identify individuals suitably qualified to become Board members, president and other Senior Management, and select or make recommendations to the Board on the selection of individuals nominated for Board members, president and other Senior Management;
- (5) to assess the independence of Independent Non-executive Directors;
- (6) 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 president;
- (7) to evaluate the working performance of the Directors and make advices or recommendations on the replacement of Directors based on the evaluation results;
- (8) to research the standard and process for performance appraisal and the measures for remuneration, incentives and disincentives of the Directors and Senior Management, and submit them to the Board for approval;
- (9) to make 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;
- (10) to assess the performance of the Directors and Senior Management and evaluate and assess their performance;
- (11) to supervise the implementation of the remuneration system of the Company;
- (12) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

- (13) to consider and decide the remuneration packages of all 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 and make recommendations to the Board on the remuneration of nonexecutive Directors under the authorization of the Board. The Committee shall consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group as well as whether to decide the remuneration based on his performance;
- (14) to make recommendations to the Board on the remuneration on the non-executive Directors;
- (15) 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 not excessive which cannot cause heavily burden to the Company;
- (16) 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;
- (17) to ensure that no Director or any of his associates (as defined in the Listing Rules) is involved in deciding his own remuneration;
- (18) to consult with the Chairman of the Board and/or the president about their remuneration proposals for other executive Directors, and if necessary, may seek professional advices; and
- (19) any other matters as authorized by the Board.

**ARTICLE 9.** The Committee shall be responsible to the Board and the proposal of the Committee shall be submitted to the Board for deliberation. The remuneration plans for the Directors of the Company may be implemented only upon approval from the General Meeting of Shareholders after obtaining the Board's consent, and the remuneration distribution plan for Senior Management shall be submitted to the Board for approval, and the other proposals shall be decided after the examination of the Board.

**ARTICLE 10.** The Board shall have the rights to reject any remuneration plan or proposal which is prejudicial to the interests of the Company and the Shareholders.

**ARTICLE 11.** The relevant departments of the Company have the responsibility of coordinating with the Committee to carry out its work and providing relevant materials. The Committee shall be provided with sufficient resources to discharge its duties.

**ARTICLE 12.** The major duties and authority of the chairman of the Committee are:

- (1) to convene and preside over the meeting of the Committee;
- (2) to take charge of day-to-day work of the Committee;
- (3) to examine and approve as well as sign the reports and other important documents of the Committee;
- (4) to examine the implementation of resolutions and suggestions of the Committee;
- (5) to report to the Board about the Committee's work on behalf of the Committee; and
- (6) any other duties the chairman of the Committee shall perform.

When the chairman of the Committee is unable to perform his duties for any reason, an Independent Non-executive Director designated by the chairman shall perform the duties of the chairman on his behalf.

#### **CHAPTER 4 DECISION-MAKING PROCESS**

**ARTICLE 13.** The working group under the Committee shall duly carry out preparation work before the decision-making process of the Committee and provide information of the Company in written form for decision-making in relation to the following:

- (1) to provide information on whether and to what extent the Company's major financial indicators and operational targets have been achieved;
- (2) to provide information on the scope of work and major job duties and responsibilities assigned to each of the Senior Management;
- (3) to provide information on the targets stipulated in the performance appraisal system for the Directors ' and Senior Management and whether and to what extent these targets have been achieved;
- (4) to provide information on the operating efficiency resulting from innovation capability and profit-making capability of the Directors and Senior Management; and
- (5) to provide information on the calculation basis for the remuneration distribution plans and methods based on the Company's operating results.

**ARTICLE 14.** The selection process of candidates for the positions of Directors, president and other Senior Management are:

- (1) The Committee shall actively communicate with relevant departments of the Company and analyze the demand for the positions of Directors, president and other Senior Management of the Company, and shall formulate written proposals;
- (2) The Committee may extensively identify individuals as candidates for the positions of Directors, president and other Senior Management within the Company, its subsidiaries, enterprises in which it has equity interests and in the employment market, etc.
- (3) The Committee shall collect the information of the candidates, such as occupation, educational qualification, title of his position, detailed working experience, including part-time jobs, and shall formulate written materials;
- (4) The Committee shall request the written consent from the individuals being nominated, otherwise, the individuals shall not be regarded as the candidates for the position of Directors, president and other Senior Management;
- (5) The Committee shall convene meetings and examine the qualifications of the individuals according to the requirements for positions of Directors, president and other Senior Management;
- (6) In respect of the election of Directors and the appointment of the president and other Senior Management, the Committee shall provide the Board with its recommendation with relevant materials two weeks before the election and appointment;
- (7) The Committee shall follow up any subsequent work according to the Board's decision and feedback.

**ARTICLE 15.** The evaluation procedures for the Directors and Senior Management of the Committee are:

- (1) The Directors and Senior Management make reports about performance of his duty and make self-evaluation to the Committee;
- (2) The Committee will evaluate the performance of the Directors and Senior Management in accordance with the standard and procedures for performance appraisal;
- (3) The Committee will propose the scheme for the amount and method of compensation for the Directors and Senior Management based on the performance evaluation results and remuneration distribution policy, and the scheme for the Directors shall be submitted to the General Meeting of Shareholders for approval after obtaining the Board's consent while the scheme for the Senior Management shall be submitted to Board for approval.

**ARTICLE 16.** On the basis of the requirements of relevant laws, regulations and the Articles of Association, and according to the actual conditions of the Company, the Committee shall analyze the prerequisite for becoming the Director, president and other Senior Management of the Company, the selecting process and the term of office and shall keep a record of the resolution which shall be submitted to the Board for approval and be implemented accordingly.

## CHAPTER 5 RULES FOR PROCEEDINGS OF MEETINGS

**ARTICLE 17.** The meetings of the Committee shall be divided into regular meetings and interim meetings.

**ARTICLE 18.** The regular meeting shall be convened at least once each year. The chairman of the Committee shall be responsible for convening the meetings. Where the chairman cannot perform the function for any reason, an Independent Non-executive Director designated by the chairman shall convene such a meeting, and where the chairman fails to make the designation, one of the Independent Non-executive Director members of the Committee shall convene the meeting. An interim meeting of the Committee shall be held where one of the following situations occurs:

- (1) When the Board proposes to convene such a meeting;
- (2) When the chairman of the Committee proposes to convene such a meeting;
- (3) When two members or more of the Committee propose to convene such a meeting; and
- (4) When the chairman of the Board proposes to convene such a meeting.

**ARTICLE 19.** Seven days' notice shall be given to all members before the meeting of the Committee. The meeting shall be chaired by the chairman, or, where the chairman is unable to present at the meeting, another Independent Non-executive Director member as authorized by the chairman.

The requirement of the above notice period shall not apply to the convening of an interim meeting.

**ARTICLE 20.** The meetings of the Committee shall only be held when two-thirds or more of members are present. Each member shall have one vote. Resolutions made at the meeting shall be passed by more than half of all members (excluding the members who shall abstain from voting).

**ARTICLE 21.** Resolutions at the meetings of the Committee shall be determined by show of hands or by poll. Interim meetings may be held through any communication facilities. A member of the Committee who entrusts another member to attend the meeting and exercise voting rights on behalf of him shall submit a power of attorney to the moderator of the meeting no later than the commencement of voting.

- ARTICLE 22.** The member shall abstain from voting when the meeting of the Committee discusses a proposal related with him. If deemed necessary by the Committee, it may invite Directors, supervisors, president or other Senior Management of the Company to sit in the meetings.
- ARTICLE 23.** The meeting shall be convened at least once each year only between the Committee and the external auditing body.
- ARTICLE 24.** Where necessary, the Committee may appoint intermediary agencies, such as the accounting firms, law firms etc. to attend the meeting of the Committee and provide independent and professional advice for its decision-making and the fees and expenses as reasonably incurred shall be borne by the Company.
- ARTICLE 25.** The convening procedures, the methods of voting and the resolutions passed at the meetings of the Committee shall be in accordance with the relevant law, regulations, Articles of Association and the rules in these terms of reference.
- ARTICLE 26.** Minutes shall be taken for the meetings of the Committee. Draft and final versions of minutes of the meetings should be sent to all Committee members for their comments and records respectively, in both cases within a reasonable time after the meeting. Members present at the meeting shall sign on the final version of the minutes and the minutes shall be kept by the secretary of the Committee and shall be open for inspection by any Directors. The minutes of the meeting shall be retained for at least ten years.
- ARTICLE 27.** The recommendations, resolutions and voting results at the meeting of the Committee shall be reported to the Board of the Company in written form.
- ARTICLE 28.** Members who attend the meetings shall keep confidential all the proceedings at the meetings and shall not disclose any relevant information without authorization unless the relevant laws, regulations and/or regulatory authorities require the member to do so.

## CHAPTER 6 ABSTENTION SYSTEM

**ARTICLE 29.** When the member of the Committee or his immediate relatives or the other companies controlled by the Committee member and/or his immediate relatives have the direct or indirect interests with the proposals discussed at the meeting of the Committee, he shall disclose the nature and extent of the interests to the Committee as soon as possible.

**ARTICLE 30.** If the situation mentioned in the above Article 29 happens, the interested member shall explain the relevant conditions in detail and express clearly that he will abstain from voting voluntarily. However, where the other members of the Committee unanimously agree that the interests shall not have material impact on the proposal after discussion, such member may vote on this proposal.

The Board has the right to revoke the voting results of relevant proposal and require the members who do not have interests with this proposal to vote again, if it considers the interested member described above is inappropriate for voting.

**ARTICLE 31.** The meeting of the Committee examines the proposal and makes a resolution under the circumstances where the votes of interested members are not counted towards the total number of valid votes. If a quorum is not present at the meeting when the interested member is not counted towards quorum, all members of the Committee (including the interested member) shall make resolutions on the procedural issues including on whether a proposal shall be submitted to the Board. Such proposal shall be considered and approved by the Board.

**ARTICLE 32.** The minutes and resolutions of the Committee's meeting shall specify the situations that the votes of the interested member has been excluded from the total number of valid votes and that such member has abstained from voting.

## CHAPTER 7 MISCELLANEOUS

**ARTICLE 33.** In these terms of reference, the terms "not less than" and "not more than" include the figure itself, while "more than" do not include the figure itself.

**ARTICLE 34.** These terms of reference will come into effect from the date on which it is approved at the Board meeting of the Company.

**ARTICLE 35.** Matters which are not provided for in these terms of reference shall be governed by the requirements of the relevant laws and regulations in the People's Republic of China, the Articles of Association, the Listing Rules and other applicable laws and regulations. If these terms of reference conflict with any applicable laws, regulations promulgated by relevant governments in the future or the Articles of Association as modified through procedures in compliance with laws or the Listing Rules as amended from time to time, the terms of reference shall be implemented in accordance with the requirements of relevant laws, regulations and Articles of Association as well as the Listing Rules and shall be modified forthwith and submitted to the Board for approval.

**ARTICLE 36.** The Board shall have the right to interpret these terms of reference.



**Smart Link Better Life.**

**Yangtze Optical Fibre and Cable Joint Stock Limited Company\***

**長飛光纖光纜股份有限公司**

(the “Company”)

*(a joint stock limited company incorporated in the People’s Republic of China with limited liability)*

## **DIRECTOR NOMINATION POLICY**

(Adopted by the Company pursuant to the Board resolution passed on January 30, 2019)

### **1. PURPOSE**

This Director Nomination Policy (the “**Policy**”) aims to:

- set out the criteria and process in the nomination and appointment of directors of the Company;
- ensure that the board of directors (the “Board”) of the Company has a balance of skills, experience and diversity of perspectives appropriate to the Company; and
- ensure the Board continuity and appropriate leadership at Board level.

### **2. SCOPE**

This Policy applies to the directors of the Company and where applicable, senior management prepared for Board positions under the succession planning of the Company.

### **3. RESPONSIBILITIES**

The Board may delegate its authority and duties for matters relating to selection and appointment of directors of the Company to the Nomination and Remuneration Committee of the Company and set out the same in the terms of reference of the Nomination and Remuneration Committee. Save as otherwise provided, the ultimate responsibility for selection and appointment of directors of the Company rests with the entire Board.

\* For identification purpose only

## 4. NOMINATION AND APPOINTMENT OF DIRECTORS

### 4.1 CRITERIA

In evaluating and selecting any candidate for directorship, the following criteria should be considered:

- Character and integrity.
- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy.
- Any measurable objectives adopted for achieving diversity on the Board.
- Requirement for the Board to have independent directors in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.
- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity.
- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.
- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination and Remuneration Committee from time to time for nomination of directors and succession planning.

### 4.2 NOMINATION PROCESS

#### (a) Appointment of New Director

- (i) The Nomination and Remuneration Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents.
- (ii) The Nomination and Remuneration Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.
- (iii) If the process yields one or more desirable candidates, the Nomination and Remuneration Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

- (iv) The Nomination and Remuneration Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.
- (v) For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination and Remuneration Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination and Remuneration Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of director at the general meeting.

**(b) Re-election of Director at General Meeting**

- (i) The Nomination and Remuneration Committee and/or the Board should review the overall contribution and service to the Company of the retiring director and the level of participation and performance on the Board.
- (ii) The Nomination and Remuneration Committee and/or the Board should also review and determine whether the retiring director continues to meet the criteria as set out above.
- (iii) The Nomination and Remuneration Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as director at the general meeting, the relevant information of the candidate will be disclosed in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations. In particular, the Board should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting:

- (a) the process used for identifying the candidate and why the Board believes the candidate should be elected and the reasons why it considers the candidate to be independent;
- (b) if the proposed independent non-executive director will be holding their seventh (or more) listed company directorship, why the Board believes the candidate would still be able to devote sufficient time to the Board;
- (c) the perspectives, skills and experience that the candidate can bring to the Board; and
- (d) how the candidate contributes to diversity of the Board.

## **5. MONITORING AND REPORTING**

A summary of this Policy including the nomination procedures and the process and criteria adopted for selection and recommendation for directorship, should be disclosed in the Company's Corporate Governance Report.

## **6. REGULAR REVIEW**

The Nomination and Remuneration Committee will conduct regular review on the structure, size and composition of the Board and this Policy and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and business needs.

*Note: If there is any inconsistency between the English and Chinese versions of this document, the Chinese version shall prevail.*