

CHINA EVERBRIGHT WATER LIMITED

Company Registration Number 34074

(Incorporated in Bermuda)

NOMINATING COMMITTEE TERMS OF REFERENCE

TERMS OF REFERENCE FOR NOMINATING COMMITTEE

1. INTRODUCTION

- 1.1 The Code of Corporate Governance 2018 (the “**Code**”) and the listing manual (“**Singapore Listing Manual**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) require companies listed on the SGX-ST to establish a nominating committee (the “**NC**”) which reports to the board of directors (the “**Board**”, each individual director is herein referred to as the “**Director**”) of China Everbright Water Limited (the “**Company**”), with written terms of reference which clearly set out the authority and duties of the NC.
- 1.2 The Corporate Governance Code at Appendix 14 of the Rules Governing the Listing of Securities (the “**HK Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**HKEx**”) (the “**HK CGC**”) recommends companies listed on the HKEx to set up a NC which reports to the Board.
- 1.3 The primary role of the NC is to make recommendations to the Board on all appointments and reappointments of Directors to ensure a formal and transparent process for the appointment and re-appointment of Directors to the Board.
- 1.4 The NC was established by the Board in accordance with the terms of reference approved by the Board.

2. DUTIES AND RESPONSIBILITIES

The function of the NC shall be:

- 2.1 To establish procedures for, review, assess and make recommendations to the Board on the review of board succession plans for Directors, in particular, the Chairman (as defined below), the CEO (as defined below), and the key management personnel (as defined in the Code), the process and criteria for evaluation of the performance of the Board, its board committees and Directors, the review of training and professional development programmes for the Board and the Directors, and the appointment and re-appointment of Directors.
- 2.2 In respect of the process for the selection and appointment of Directors, the NC shall take into account of the composition and progressive renewal of the Board and each Director’s or nominee’s qualifications, skills, experience, gender diversity, competencies, commitment, contribution, performance (e.g. attendance, preparedness and participation and candour) and whether he or she is independent and in the case of a re-nomination, his or her contribution and performance. A description of the process for the selection and appointment of new Directors to the Board shall be disclosed in the annual report. This should include disclosure on the search and nomination process.

- 2.3 At least once every financial year, to review (and thereafter, make recommendations to the Board regarding) the Board structure, size and composition (including the skills, knowledge and experience), taking into account the scope and nature of the operations, the requirements of the business, the diversity of skills, experience, gender and knowledge of the Company and the balance between executive and non-executive Directors (including independent non-executive Directors) and between independent and non-independent Directors so that there is a strong independent element on the Board, and make recommendation on any proposed changes to the Board to complement the Company's corporate strategy and objectives, that may be deemed necessary, having regard at all times to the principles set out in HK CGC and the Code. The NC shall recommend that non-executive Directors should be of sufficient caliber and number for their views to carry weight.
- 2.4 To identify, review, assess and recommend suitably qualified nominee(s) or candidate(s) for appointment or election to the Board.
- 2.5 To identify and make recommendations to the Board as to the Directors who are to retire by rotation and to be put forward for re-election at each annual general meeting of the Company, having regard to the Directors' contribution and performance (such as their attendance, preparedness, participation and candour), including, if applicable, as independent Directors.
- 2.6 All Directors are required to submit themselves for re-nomination and re-appointment at regular intervals and at least once every three (3) years.
- 2.7 Where a Director has multiple board representations, he must ensure that sufficient time and attention is given to the affairs of each Company. The NC has to decide if a Director is able to and has been adequately carrying out his duties as a Director, taking into consideration the Director's number of listed company board representations and other principal commitments. If the NC considers it necessary, the NC shall make recommendations to the Board on the guidelines to be implemented to address the competing time commitments faced by Directors serving on multiple boards and the maximum number of listed company board representations which any Director may hold.
- 2.8 The NC shall review and monitor that:
- (i) at least one-third of the Board shall comprise of independent non-executive Directors (or such other minimum proportion and criteria as may be specified in the HK Listing Rules, the Singapore Listing Manual and the Code from time to time);
 - (ii) the Board must include at least three (3) independent non-executive Directors;

- (iii) at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise (as a public accountant or auditor or as a chief financial officer, controller or principal accounting officer of a public company or through performance of similar functions, experience with internal controls and in preparing or auditing comparable financial statements or experience reviewing or analysing audited financial statements of public companies). It is the responsibility of the Board to determine on a case-by-case basis whether the candidate is suitable for the position. In making its decision, the Board must evaluate the totality of the individual's education and experience; and
- (iv) independent non-executive Directors should make up at least half of the Board if
 - (a) the chairman of the Board (the "**Chairman**") and the chief executive officer (or equivalent) (the "**CEO**") is the same person; (b) the Chairman and the CEO are immediately family members; (c) the Chairman is part of the management team; or
 - (d) the Chairman is not an independent Director.

The term "immediate family" shall have the same meaning as currently defined in the Listing Manual of the Singapore Exchange, i.e. the person's spouse, child, adopted child, step-child, brother, sister and parent.

2.9 To assess the independence of independent non-executive Director on the following basis:

- (i) annually, the NC shall determine whether or not an independent non-executive Director is independent, bearing in mind the circumstances set out in Rule 3.13 of the HK Listing Rules and paragraphs 2.3 and 2.4 of the Code and other salient factors. In the event of differences between the HK Listing Rules on one hand and the Singapore Listing Manual and the Code on the other, the Board shall comply with the more onerous rule and/or requirements;
- (ii) to aid the determination by the NC, every Director shall, on the date of appointment, and subsequently on an annual basis, submit to the company secretary of the Company ("**Company Secretary**") a confirmation as to his independence in accordance with the HK Listing Rules and the Code. The NC shall review the returned annual confirmation to decide if a Director is to be considered independent and make its recommendation to the Board;
- (iii) an independent Director shall immediately notify the Company Secretary if, as a result of a change in circumstances, he may no longer meet the criteria for independence. The NC shall, after considering the change in circumstances in the light of the principles of its terms of reference, the HK Listing Rules, the Singapore Listing Manual and the Code, determine whether such Director continues to be independent and shall make recommendations to the Board on the actions (if any) to be taken to maintain the independent element on the Board;

- (iv) if the NC determines that a Director who has one or more of the relationships mentioned in paragraph 2.3 of the Code is nevertheless independent, it shall disclose in full to the Board the nature of such Director's relationships and shall be responsible for explaining why such Director should be considered independent;
- (v) the Board can consider a Director as independent if any relationship he may have with the Company or with a counter party to a transaction to which the Company is party would not, in the individual case, be likely to affect that Director's exercise of independent judgment. The Board should give its explanation as to why any such Director should be considered independent;
- (vi) conversely, the NC has the discretion to consider that a Director is not independent even if he does not fall under the circumstances set forth in Rule 3.13 of the HK Listing Rules and paragraphs 2.3 and 2.4 of the Code, and should similarly provide its views to the Board for the Board's consideration;
- (vii) for independent non-executive Director who has served on the Board beyond nine (9) years from the date of his first appointment, he should be subject to a rigorous review by the NC and the Board and his further appointment should be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should include the reasons why the board believes he is still independent and should be re-elected;

2.10 Where the Board proposes a resolution to elect an individual as an independent non-executive Director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting:

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

2.11 To develop a process for evaluation of the performance of the Board, the NC, the Remuneration Committee (the "RC"), the Audit Committee (together with NC and RC, the "**Board Committees**") and Directors and assess the effectiveness of the Board as a whole and its Board Committees and for assessing the contribution by the Chairman and each individual Director to the effectiveness of the Board.

- 2.12 To decide how the Board's performance may be evaluated and propose objective performance criteria. Such performance criteria, which allow for comparison with industry peers, should be approved by the Board and address how the Board has enhanced long-term shareholder value. These performance criteria should not be changed from year to year, and where circumstances deem it necessary for any of the criteria to be changed, the onus should be on the Board to justify this decision.
- 2.13 To access individual evaluation of each Director whether he continues to contribute effectively and demonstrate commitment to the role (including commitment of time for meetings of the Board and Board Committees, and any other duties). The Chairman should act on the results of the performance evaluation, and, in consultation with the NC, may propose, where appropriate, new members to be appointed to the Board or seek the resignation of directors.
- 2.14 For the appointment of alternate director to an independent Director, the NC and Board should review and conclude that the person would similarly qualify as an independent Director, before his appointment as an alternate director. Alternate directors bear all the duties and responsibilities of a Director.
- 2.15 To ensure that all Board appointees undergo an appropriate induction programme.
- 2.16 To review training and professional development programs for the Board.
- 2.17 To review and monitor that the Company arranges and funds suitable training, placing an appropriate emphasis on the roles, functions and duties of a Director and to monitor that the Directors provide a record of the training they have received to the Company. A Director who has no prior experience as a director of a company listed on the SGX-ST must undergo training in the roles and responsibilities of a director of a listed company as prescribed by the SGX-ST. If the NC is of the view that training is not required because the Director has other relevant experience, the basis of its assessment must be disclosed.
- 2.18 To put in place plans for succession, in particular, of the Chairman, the CEO and the key management personnel of the Company taking into account the challenges and opportunities facing the Company, and what skills and expertise are therefore needed on the Board in future. The NC should conduct periodical reviews of the succession plan.
- 2.19 To put in place a policy concerning diversity of Board members and should disclose the policy or a summary of the policy in the corporate governance report. When considering appointments to the Board and assessing the composition of the Board, a range of diversity factors should be considered, including but not limited to gender, age, cultural and education background, race, family status, skills or professional experiences.

3. APPOINTMENT

- 3.1 The NC shall be appointed by the Board from amongst its members, and shall comprise of at least three (3) members, a majority of whom, including chairman of the NC (the “**NC Chairman**”) shall be independent. The lead independent Director, if any, should be a member of NC. At least one member of the NC should have broad business experience, business network, knowledge of the procedures of the Company and its subsidiaries as well as commitment and available time, and if there is a need, expert professional advice may be obtained internally or externally.
- 3.2 The NC Chairman shall be elected by members of the NC and shall be an independent Director. The members may determine the period for which the NC Chairman is to hold office. If at any meeting the NC Chairman is not present within ten (10) minutes after the time appointed for holding the meeting, the members present may choose one of the other independent members to be chairman of the meeting.
- 3.3 If a member, for any reason, ceases to be a NC member, the Board shall within three (3) months of that event, appoint a new member having such qualifications so that the number of NC members does not fall below three (3).
- 3.4 A member who wishes to retire or resign from the NC shall notify the Board in writing, giving at least one (1) month’s notice.
- 3.5 The office of a NC member shall become vacant upon the member’s resignation/retirement/removal or disqualification as a Director.

4. ADMINISTRATION

4.1 Meetings

- (i) The meetings of the NC may be conducted by means of telephone conferencing or other methods of simultaneous communication by electronic or telegraphic means whereby all persons participating in the meeting can hear each other and participation in a meeting in this manner shall be deemed to constitute presence in person at such meeting provided that all decisions made are confirmed in writing by all NC members who participated in the said telecommunication discussion.
- (ii) Meetings of the NC will be held as the NC deems appropriate. NC meetings shall be held at least once a year. Special meetings may be called, when necessary, by any member of the NC.
- (iii) The NC shall have full discretion with regard to the calling of the meetings and the proceedings thereat and may invite any Director or management to their meetings.
- (iv) The Company Secretary, failing whom his/her representative, shall attend all NC meetings and minute the proceedings thereof including providing an attendance record of individual members present at all meetings.

- (v) The minutes shall be confirmed by the chairman of the meeting and circulated to all members of the NC. The minutes are to be signed by the chairman of the meeting or by the chairman of the next succeeding meeting.
- (vi) Full minutes of meetings of the NC shall be kept by the secretary of the NC. Draft and final versions of minutes of meetings of the NC shall be sent to all members of the NC for their comment and records respectively, in both cases within seven (7) days after the meeting is held.
- (vii) If the NC Chairman so decides, the minutes shall be circulated to other members of the Board. Any Director may, provided that there is no conflict of interest and with the agreement of the chairman, obtain copies of minutes of NC meetings.

4.2 Notice

The notice of each meeting of the NC, confirming the venue, time and date and enclosing an agenda of items to be discussed, shall other than under exceptional circumstances, be forwarded to each member of the NC not fewer than three (3) working days prior to the date of the meeting. The members of the NC may, however, consent to shorter notice whereupon the requisite period shall be waived.

4.3 Quorum

The quorum shall be two (2) members, including at least one independent non-executive Director.

4.4 Voting

Each member present shall have one (1) vote. All resolutions passed in the meeting shall be by majority votes. If the votes for and against a resolution are equal, the chairman of the meeting shall have a casting vote.

Any member who has an interest in any matters being reviewed or considered by the NC shall abstain from voting on that matter. Each member of the NC will not take part in determination of his own re-nomination or independence, and shall abstain from voting any resolutions in respect of the assessment of his performance or re-nomination as a Director. In the event that any member of the NC has an interest in a matter being deliberated upon by the NC, he will abstain from participating in the review and approval process relating to that matter.

4.5 Written resolutions

A resolution in writing signed by all the members of the NC shall be as valid and effectual as if it had been passed at a meeting of the NC duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more members. The expressions "in writing" and signed include approvals by facsimile, telex, cable or telegram.

4.6 Reporting

- (i) The Company must describe in its annual report its corporate governance practices with specific reference to the principles and the provisions of the Code. The Company must comply with the principles of the Code. Where the Company's practices vary from any provisions of the Code, it must explicitly state, in its annual report, the provision from which it has varied, explain the reason for variation, and explain how the practices it had adopted are consistent with the intent of the relevant principle.
- (ii) The NC shall report from time to time its findings and recommendations to the Board by way of submission of minutes of the NC meetings or by such other mode as the NC Chairman shall in his discretion deems fit. At the next meeting of the Board following a meeting/written resolution to the NC, the secretary of the Company shall submit to the Board copies of the minutes/written resolution setting out the findings, recommendations and decisions of the NC.
- (iii) The Board shall ensure that the following (and such other information as may be required by the HK CGC, the Singapore Listing Manual and the Code from time to time) are disclosed in the Company's annual report and in the corporate governance report:
 - (a) The names of the members of the NC.
 - (b) The key terms of references of the NC, explaining its role and authority delegated to it by the Board.
 - (c) The relationship between the Chairman and CEO must be disclosed if they are immediate family members.
 - (d) The number of NC meetings held during the year and the attendance thereof.
 - (e) The description of search, nomination process and criteria adopted by the NC for selection, appointment/election and re-appointment/re-election of Directors.
 - (f) Key information regarding the Directors, such as academic and professional qualifications, shareholding in the Company and its related corporations, Board Committees served on (and whether as a member or chairman), date of first appointment as Director, date of last re-election as Director, directorships or chairmanships (both current and those held over the preceding three years) in other listed companies, and other principal commitments.

In addition, the Company's annual disclosure on corporate governance should indicate which Directors are executive, non-executive or considered by the NC to be independent. All Directors, including their designations (i.e. independent, non-executive, executive, etc.) and roles (as members or chairmen of the Board or Board Committees), must be identified in the annual report. The names of the Directors submitted for appointment or re-appointment should also be accompanied by details and information to enable shareholders to make informed decisions. Such information, which should also accompany the relevant resolution, would include:

- i. any relationships including immediate family relationships between the candidate and the Directors, the Company or its 10% shareholders;
 - ii. a separate list of all current directorships in other listed companies;
 - iii. details of other principal commitments;
 - iv. a description of the process for the selection and appointment of new Directors to the Board, including disclosure on the search and nomination process; and
 - v. if an external facilitator has been used in the selection and assessment process, whether the facilitator has any other connection with the Company's or any of its Directors.
- (g) Full nature of the relationship as well as views or explanation on why the Director is considered independent or non-independent despite the existence of one or more relationships mentioned in paragraph above or without.
- (h) The Board's policy or a summary of the policy on board diversity, including any measurable objectives that it has set for implementing the policy, and progress on achieving those objectives.
- (i) The policy for the nomination of Directors, performed by the NC during the year. This includes the nomination procedures and the process and criteria adopted by the NC to select and recommend candidates for directorship during the year, including the Board's policy or a summary of the policy on Board diversity, including any measurable objectives that it has set for implementing the policy, and progress on achieving those objectives.
- (iv) The NC should make available its terms of reference explaining its role and the authority delegated to it by the Board by including them on the HKEx's website and the Company's website.
- (v) The NC Chairman (or in his absence, another member of the NC) shall attend the Company's annual general meeting and be prepared to answer questions concerning matters falling within the scope of the NC, including Board appointments and related matters.

5. POWERS OF THE BOARD

The Board may, subject to compliance with the constitution of the Company, the HK Listing Rules, HK CGC, the Singapore Listing Manual, the Code, amend, supplement and revoke these terms of reference.

6. GENERAL

- 6.1 The Company should provide the NC with sufficient resources to perform its duties. Where necessary, the NC should seek independent professional advice, at the Company's expenses, to perform its responsibilities.
- 6.2 The Board will ensure that the NC has the resources and access to independent professional advice in order for it to perform its duties.
- 6.3 Any member of the NC may initiate amendments to its Terms of Reference when the need arises due to changes in the relevant rules or when there are changes in the Company's structure, organisation and/or operations which affect the matters set out in the Terms of Reference.
- 6.4 Amendments to the Terms of Reference shall be submitted to the NC for consideration and tabled at a Board meeting for approval.