

ZHEJIANG SANHUA INTELLIGENT CONTROLS CO., LTD.

TERMS OF REFERENCE FOR THE STRATEGY MANAGEMENT AND ESG COMMITTEE OF THE BOARD OF DIRECTORS

Chapter I General Provisions

Article 1 To satisfy the requirements of the strategy development of Zhejiang Sanhua Intelligent Controls Co., Ltd. (hereinafter referred to as the “Company”), ensure the scientific basis of the development plan and strategic decision-making of the Company, enhance the sustainable development capability of the Company, improve the corporate governance structure and elevate the performance of environmental, social responsibility and corporate governance (ESG) of the Company, the Company has established a strategy management and ESG committee of the board of directors and formulated these terms of reference in accordance with the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), the Securities Law of the People’s Republic of China, the Code of Governance for Listed Companies, the Self-Regulatory Guidelines for Listed Companies on the Shenzhen Stock Exchange No. 1 – Standardized Operation of Listed Companies on the Main Board and the relevant provisions of Articles of Association of Zhejiang Sanhua Intelligent Controls Co., Ltd. (hereinafter referred to as the “Articles of Association”).

Article 2 The Strategy Management and ESG Committee of the board of directors is a special working body established by the board of directors, which is mainly responsible for researching the Company’s long-term development strategy, developing the Company’s strategic development plan, providing guidance for the formulation of the Company’s ESG strategy and overseeing the Company’s ESG matters.

Chapter II Composition of Members

Article 3 The members of the Strategy Management and ESG Committee shall be comprised of the following members: chairman of the board of directors, independent non-executive directors and other professionals.

Article 4 The Strategy Management and ESG Committee shall have a chairman.

Article 5 The professional members of the Strategy Management and ESG Committee shall be nominated by the chairman, more than half of the independent non-executive directors or one-third of all directors, and shall be appointed or dismissed by the board of directors.

The chairman of the Strategy Management and ESG Committee is responsible for convening and presiding over the committee’s meetings. Where the chairman of the Strategy Management and ESG Committee is unable or fails to perform his/her duties, he/she shall designate another member to act on his/her behalf. Where the chairman of the Strategy Management and ESG Committee neither performs his/her duties nor designates another member to act on his/her behalf, any member may report the situation to the board of directors of the Company, and the board of directors of the Company shall appoint a member to perform the duties of the chairman of the Strategy Management and ESG Committee.

Article 6 Members of the Strategy Management and ESG Committee must meet the following requirements:

- (I) having not fallen into the circumstances where a person shall not serve as a director, supervisor or senior management in accordance with the Company Law or the Articles of Association;
- (II) having not been publicly censured or declared as an unsuitable candidate by a stock exchange within the last three years;
- (III) having not been subject to administrative penalty by China Securities Regulatory Commission due to material violation of laws and regulations within the last three years;
- (IV) having strong comprehensive analysis and judgment capabilities, being able to deal with complex issues related to the Company's development strategy and major strategic investments, and having the ability to work independently;
- (V) adhering to the principle of integrity, maintaining self-discipline and honesty, remaining loyal to duties, and actively working to safeguard the interests of the Company and its shareholders;
- (VI) complying with relevant laws and regulations or other conditions stipulated in the Articles of Association.

Article 7 A person who does not conform to the qualifications prescribed in the preceding article shall not be elected as a member of the Strategy Management and ESG Committee. The term of office of the members of the Strategy Management and ESG Committee is the same as that of directors of the board of directors, and members may be re-elected upon expiration of their terms of office. If a member ceases to serve as a director of the Company or hold other corresponding positions during the term, he/she shall cease to be a committee member automatically, and the vacancy in the committee shall be filled in accordance with the relevant provisions.

Article 8 The ESG project working group is the daily working body of the Strategy Management and ESG Committee, responsible for the committee's routine communication and meeting organization.

Article 9 The provisions of the Company Law and the Articles of Association shall apply to members of the Strategy Management and ESG Committee.

Chapter III Duties and Authority

Article 10 The primary duties and authority of the Strategy Management and ESG Committee are as follows:

- (I) to discuss the long-term development plans, business goals and development directions of the Company and make recommendations;

- (II) to discuss the major investments and business plans that require the approval of the board of directors as provided in the Articles of Association and make recommendations;
- (III) to discuss the major strategic investments and financing proposals of the Company and make recommendations;
- (IV) to discuss the business strategies of the Company, including but not limited to product strategy, market strategy, marketing strategy, research and development strategy and talent strategy, and make recommendations;
- (V) to discuss the business innovation that affect the Company's mid-long-term development and make recommendations;
- (VI) to discuss the Company's ESG governance and provide decision-making consultation suggestions, and to inspect the implementation of the Company's ESG strategy and goals and make recommendations;
- (VII) to discuss other major issues that affect the development of the Company and make recommendations;
- (VIII) to follow-up and inspect the implementation of the above matters;
- (IX) other matters authorized and entrusted by the board of directors of the Company.

Article 11 The chairman of the Strategy Management and ESG Committee shall perform the following duties:

- (I) convening and presiding over the meetings of the committee;
- (II) reviewing and signing the reports of the members;
- (III) reporting to the board of directors on behalf the committee;
- (IV) other duties that shall be performed by the chairman of the committee.

Where the chairman is unable to perform his/her duties for any reasons, he/she shall designate another member to act on his/her behalf.

Article 12 The duties of the Strategy Management and ESG Committee are:

- (I) to carry out duties in accordance with the laws, administrative regulations and the Articles of Association and protect the interests of the Company;
- (II) not to disclose the confidential information of the Company unless required by the laws or with the approval of the shareholders' general meeting and the board of directors;
- (III) to ensure the authenticity and compliance of the reports submitted to the board of directors.

Article 13 After considering the matters set out in the previous article of these terms of reference, the Strategy Management and ESG Committee shall form a resolution at the meeting of the Strategy Management and ESG Committee and submit it to the board of directors of the Company together with relevant proposals.

Article 14 The Strategy Management and ESG Committee shall exercise its powers in accordance with the relevant provisions of the Company Law, the Articles of Association and these terms of reference and shall not harm the interests of the Company or its shareholders.

Article 15 When performing its duties, the Strategy Management and ESG Committee shall be assisted by the relevant departments of the Company and the costs incurred shall be borne by the Company.

Chapter IV Decision-making Procedures

Article 16 The ESG project working group is in charge of the preliminary preparation for the decision-making of the Strategy Management and ESG Committee and provides the following materials of the Company as required by the work of the committee:

- (I) preliminary feasibility reports on major investments, business innovations, ESG-related matters and other relevant information of the relevant departments of the Company or holding (shareholding) enterprises;
- (II) opinions on the approval of project preliminarily reviewed and issued and reported to the Strategy Management and ESG Committee by the working group;
- (III) discussions and reports to the working group by the relevant departments of the Company or holding (shareholding) enterprises with external parties regarding the agreements, contracts, articles of association and feasibility reports;
- (IV) opinions reviewed and issued and the proposals submitted to the Strategy Management and ESG Committee by the working group.

Article 17 The Strategy Management and ESG Committee shall convene a meeting based on the relevant information submitted by the working group to discuss and submit the discussion results to the board of directors of the Company.

Chapter V Rules of Procedure

Article 18 Attendance at meetings

- (I) The meeting of the Strategy Management and ESG Committee shall be held only when more than two-thirds of the members are present;

- (II) The meeting of the Strategy Management and ESG Committee shall be attended by members in person. If a member is unable to attend the meeting due to special circumstances, he/she may authorize another member to attend the meeting and exercise his/her right to vote on his/her behalf, provided that the member so authorized shall have a clear written authorization opinion on the matters to be considered at the meeting;
- (III) A member of the Strategy Management and ESG Committee who is unable to attend a meeting in person or appoint another member to attend on his/her behalf shall be deemed to be absent from such meeting;
- (IV) Where a member fails to attend two consecutive meetings of the Strategy Management and ESG Committee, he/she shall be deemed to be unable to carry out his/her duties and the board of directors of the Company may revoke his/her membership.

Article 19 Consideration of the resolutions

- (I) The members of the Strategy Management and ESG Committee would be free to discuss the subject matters considered at the meeting;
- (II) The Strategy Management and ESG Committee may, if considered necessary, invite other persons in connection with the resolutions to attend the meeting to provide detailed information or express their opinions. Those who are not members, however, do not have voting rights on the resolutions;
- (III) Matters proposed by the Strategy Management and ESG Committee are subject to collective consideration and voting on a case-by-case basis, i.e. all resolutions are considered by all members present and then are put to vote one by one according to the order of resolutions.

Article 20 Voting on the resolutions

- (I) Members may vote at the meeting by the show of hands or by poll;
- (II) Resolutions made by the Strategy Management and ESG Committee shall not be valid unless passed by more than half of all members (including those who are not present) voting thereon;
- (III) Each member of the Strategy Management and ESG Committee shall have one vote;
- (IV) Resolutions of the Strategy Management and ESG Committee meetings in which there is an interest shall be avoided by voting, and such resolutions shall be valid only if they are approved by a majority vote of the members who are not interested in.

Article 21 Resolutions of meetings

Resolutions of the Strategy Management and ESG Committee come into effect after being signed by the members present.

Members present at the meeting shall consider the resolutions and give full expression of their personal opinions with a conscientious and responsible attitude, and members shall be responsible for their own votes. Resolutions of the Strategy Management and ESG Committee may be made by email, provided that the members are protected from expressing their opinions adequately.

Although no meeting is convened, a written resolution signed and agreed to by all members has the same effect as a resolution passed at a meeting of the Strategy Management and ESG Committee.

Article 22 Minutes of the meetings

The Strategy Management and ESG Committee shall maintain the minutes of the meeting, and members who attend the meeting shall sign their names thereon. The ESG project working group is responsible for taking minutes of the meetings and reporting them in a timely manner to the office of the board of directors for retention. During the period of continued existence of the Company, the retention period shall not be less than 10 years.

Article 23 The members of the Strategy Management and ESG Committee or the secretary to the board of directors of the Company shall notify the board of directors of the Company of the meeting resolutions no later than the day after the resolution of the meeting takes effect.

Article 24 The Strategy Management and ESG Committee shall convene a meeting and may invite the directors, supervisors and other senior management of the Company to attend the meeting, if necessary.

Article 25 With the consent of the board of directors, the Strategy Management and ESG Committee may engage intermediaries to provide professional advice for its decision-making as required, and the cost shall be borne by the Company.

Article 26 The resolutions and poll results passed at the meeting of the Strategy Management and ESG Committee shall be reported in writing to the board of directors of the Company.

Article 27 The convening procedures, voting methods and resolutions passed at the meeting of the Strategy Management and ESG Committee must comply with the requirements under relevant laws, regulations, the Articles of Association and these terms of reference.

Article 28 Members attending the meeting shall be obliged to keep confidentiality regarding the matters discussed at the meeting, and shall not disclose relevant information without authorization, nor to make use of the information that they know for insider trading or for others to engage in insider trading.

Chapter VI Supplementary Provisions

Article 29 These terms of reference shall be implemented from the date of passing of the resolution of the board of directors.

Article 30 The matters not covered herein shall be implemented in accordance with the relevant national laws and regulations and the Articles of Association. In case of any conflicts between these terms of reference and any laws and regulations promulgated by the state or the Articles of Association as amended under lawful procedures, the relevant laws and regulations promulgated by the state and the Articles of Association shall prevail, in which case the terms of reference shall be amended forthwith and submitted to the board of directors for consideration and approval.

Article 31 The board of directors of the Company shall be responsible for the interpretation and revision of these terms of reference.

The board of directors of Zhejiang Sanhua Intelligent Controls Co., Ltd.