



Haier Smart Home Co., Ltd.*

海爾智家股份有限公司

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

Stock Code: 6690

Haier Smart Home Co., Ltd.

**Implementation Rules for the Remuneration and Appraisal Committee
under the Board of Directors**

CHAPTER 1 GENERAL PROVISIONS

Article 1 In order to further establish a sound system of assessment and remuneration management for directors (non-independent directors) and senior management of the Company, and perfect its corporate governance structure, the Company has set up the Remuneration and Appraisal Committee under the Board of Directors and formulated the implementation rules in accordance with the Company Law of the People's Republic of China, the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Hong Kong Listing Rules"), the Articles of Association of Haier Smart Home Co., Ltd. (hereinafter referred to as the "Articles of Association") and other relevant requirements.

Article 2 The Remuneration and Appraisal Committee is a specific working body set up by the Board in accordance with the resolutions at the general meeting. Its main responsibilities are to formulate standards for appraising directors and senior management of the Company and conduct assessments; formulate and review the policies for and proposals on the remuneration of directors and senior management of the Company. The Remuneration and Appraisal Committee shall be accountable to the Board.

Article 3 Directors mentioned in the implementation rules refer to the Chairman and Vice Chairman of the Board and directors who receive remuneration from the Company; and senior management refer to president and vice-president, the secretary of the Board and the financial controller engaged by the Board and other senior management proposed by president to the Board for approval.

* For identification purpose only

CHAPTER 2 COMPOSITION

Article 4 The Remuneration and Appraisal Committee shall consist of three to five directors with independent directors as the majority.

Article 5 The members of the Remuneration and Appraisal Committee shall be nominated by the Chairman of the Board, more than half of the independent directors, or one-third of all directors, and is subject to election by the Board.

Article 6 The Remuneration and Appraisal Committee shall have one chairman (convener) who shall be an independent director and be responsible for leading the work of the Committee. The chairman of the Committee shall be elected from the members, and shall be subject to the approval of the Board. The Remuneration and Appraisal Committee shall have a vice chairman to assist the chairman in discharging duties; the vice chairman of the Committee shall be elected from the members, and shall be subject to the approval of the Board.

Article 7 The term of office of the Remuneration and Appraisal Committee shall be identical to that of the Board. A member may offer himself/herself for re-election upon the expiration of his/her term of office. During his/her term of office, if any member ceases to be a director of the Company, his/her membership in the Remuneration and Appraisal Committee shall lapse automatically, and the vacancy shall be filled by the person elected by the Remuneration and Appraisal Committee in accordance with Article 4 to 6 as mentioned above.

Article 8 The Remuneration and Appraisal Committee shall establish a working unit, which specifically be responsible for providing information related to the operation of the Company and the relevant information of the persons to be appraised. The working unit shall also be responsible for the preparation of meetings of the Remuneration and Appraisal Committee and the implementation of relevant resolutions of the Committee.

CHAPTER 3 RESPONSIBILITIES AND AUTHORITIES

Article 9 The primary responsibilities and authorities of the Remuneration and Appraisal Committee include:

- (I) to make recommendations to the Board based on the main function scope, duties and importance of the management positions taken by directors and senior management and the remuneration policy and structure for directors and senior management and from the perspective of developing remuneration plans or proposals for the establishment of a formal and transparent procedure;
- (II) to review and approve the management's remuneration proposals with reference to the Board's corporate policies and objectives; remuneration plans or proposals mainly include but not limited to performance appraisal criteria, procedures and key appraisal system, and major incentive and penalty plans and systems;

- (III) to make recommendations to the Board on the remuneration packages of individual executive directors and senior management, including non-pecuniary benefits, pension rights and compensation payments (including the compensation payable for loss or termination of their office or appointment);
- (IV) to make recommendations to the Board on the remuneration of non-executive directors;
- (V) to consider remuneration paid by the comparable companies, time commitment and responsibilities and employment conditions of other positions in the Company;
- (VI) to review and approve compensation payable to executive directors and senior management for any loss or termination of their office or appointment to ensure that it is consistent with contractual terms; if it is inconsistent with contractual terms, it shall be fair, reasonable and not excessive;
- (VII) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms; if they are inconsistent with contractual terms, they shall be reasonable and appropriate;
- (VIII) to ensure that no director or any of his/her associates (as defined in Hong Kong Listing Rules) is involved in deciding his/her own remuneration;
- (IX) to review the performance of duties of directors (non-independent directors) and senior management of the Company and to conduct annual performance appraisals on them and make recommendations;
- (X) to be responsible for supervising the implementation of the Company's remuneration system;
- (XI) to review and/or approve matters relating to share schemes under Chapter 17 of the Hong Kong Listing Rules; and
- (XII) to handle other matters as required by laws, regulations and listing rules of the place where the Company's securities are listed and as authorized by the Board.

The Remuneration and Appraisal Committee shall consult the chairman and/or president on the remuneration proposals for other executive directors when performing its duties within the scope of authorities. The Remuneration and Appraisal Committee shall be able to seek independent professional opinions if necessary at the cost of the Company.

Article 10 The Board has the right to reject remuneration plans or proposals which do harm to the interests of the shareholders.

Article 11 The remuneration plan for the directors of the Company proposed by the Remuneration and Appraisal Committee shall be reported to the Board for approval and submitted to the general meeting for consideration and approval before implementation. The remuneration distribution plan for the senior management of the Company shall be reported to the Board for approval.

CHAPTER 4 DECISION-MAKING PROCEDURES

Article 12 The working unit under the Remuneration and Appraisal Committee shall be responsible for the preliminary preparations for decision-making of the Remuneration and Appraisal Committee, and providing relevant information of the Company:

- (I) to provide information on the fulfillment of the main financial targets and business objectives of the Company;
- (II) to provide information on the division of work of the Company's senior management and their main duties;
- (III) to provide information on the fulfillment of targets involved in the work performance assessment system of directors and senior management;
- (IV) to provide information on the operational performance of directors and senior management in terms of the capability in business innovation and profit-making;
- (V) to provide the basis for relevant measurement and calculation adopted in the proposed formulation of remuneration distribution plans and distribution methods of the Company according to the performance of the Company.

Article 13 The procedures for appraising directors and senior management adopted by the Remuneration and Appraisal Committee include:

- (I) the directors and senior management of the Company shall report their work and make self-assessments to the Remuneration and Appraisal Committee under the Board of Directors;
- (II) the Remuneration and Appraisal Committee shall carry out performance assessments of the directors and senior management according to the performance assessment standards and procedures;
- (III) the Remuneration and Appraisal Committee shall propose the remuneration amount and form of reward for the directors and senior management according to the performance appraisal results and remuneration distribution policy, and shall report the same to the Board of Directors after they are passed by voting;
- (IV) in the event that the Remuneration and Appraisal Committee is evaluating the performance of a director or determining his/her remuneration, such director shall abstain from the meeting.

CHAPTER 5 PROCEDURAL RULES

Article 14 The Remuneration and Appraisal Committee shall send the notice of meeting to all the members two days before convening the meeting and the time limit of sending the above notice could be exempted for the temporary meetings held under special or emergency circumstances. The meeting of Remuneration and Appraisal Committee shall be presided over by the chairman of the Committee. When the chairman is unable to attend the meeting, he/she may appoint vice chairman or another member of the Committee (an independent director) to preside over the meeting on his/her behalf.

Article 15 The meeting of Remuneration and Appraisal Committee may only be convened with the presence of more than two-third of the members. Each member has one vote. Resolutions of the Meeting shall only be passed by more than half of all the members of the Remuneration and Appraisal Committee voting in favor of such resolutions.

Article 16 Votes may be made by a show of hands or by poll in the meeting of Remuneration and Appraisal Committee, while for voting at an extraordinary meeting of the Committee may also be by correspondence.

Article 17 The Remuneration and Appraisal Committee may also invite directors, supervisors and senior management of the Company to present at its meetings if necessary.

Article 18 The Remuneration and Appraisal Committee may, if necessary, engage an intermediary to provide professional advice on its decision-making at the cost of the Company.

Article 19 Members of the Remuneration and Appraisal Committee shall abstain from discussing and voting on the subject matters referring to him/her.

Article 20 The procedures for convening the meeting of the Remuneration and Appraisal Committee, its voting methods and the remuneration policies and distribution plan to be passed at such meeting must comply with the provisions of relevant laws, regulations, the Articles of Association and the implementation rules.

Article 21 Minutes shall be taken on all meetings of the Remuneration and Appraisal Committee and signed by each attending member. All meeting minutes shall be kept by the Secretary of the Board of the Company for no less than ten years.

Article 22 The resolutions passed at the meeting of the Remuneration and Appraisal Committee and the voting results must be reported in written to the Board of the Company.

Article 23 Members present at such meeting are obliged to keep all matters discussed at such meeting confidential, and shall not disclose any relevant information without authorization.

CHAPTER 6 ADDENDUM

Article 24 The matters which are not covered herein, shall be conducted in accordance with the requirements of the relevant state laws, regulations, the relevant regulatory rules of the securities regulatory agencies and stock exchanges where the Company's securities are listed and the Articles of Association. In case any of the implementation rules conflicts with the state laws, regulations, the relevant regulatory rules of the securities regulatory agencies and stock exchanges where the Company's securities are listed which are to be issued in the future or the Articles of Association as legally modified, the requirements of the relevant laws, regulations, regulatory rules and the Articles of Association shall prevail. In such case, corresponding amendments shall be made to the implementation rules immediately and submitted to the Board for consideration and approval.

Article 25 The implementation rules shall be construed and interpreted by the Board of the Company.

Article 26 The implementation rules shall be implemented from the date of approval by the Board. Since the effective date of the implementation rules, the Company's original Implementation Rules for the Remuneration and Appraisal Committee under the Board of Directors of Haier Smart Home Co., Ltd. automatically lapsed.

Haier Smart Home Co., Ltd.
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