

2024 Environmental, Social and Governance Report



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About the Report

This report is the second *Environmental, Social, and Governance (ESG) Report* published by Zhejiang Sanhua Intelligent Controls Co., Ltd., disclosing the Company's philosophy held, the regulations established, the measures implemented, and the results achieved on ESG topics in its operations to all stakeholders.

Reporting Scope

The reporting scope covers Zhejiang Sanhua Intelligent Controls Co., Ltd. (hereinafter referred to as "Sanhua Intelligent Controls" or "the Company") and its subsidiaries. Unless otherwise stated, the reporting scope is consistent with the scope of the consolidated financial statements of Sanhua Intelligent Controls (stock code: 002050) for the same period.

Reporting Period

The reporting period for this report is from 1 January 2024 to 31 December 2024. The data in this report, unless otherwise specified, pertains to this period.

Reporting Approach

This report has been compiled in accordance with the *Self-Regulatory Guidelines No. 17 for Companies Listed on Shenzhen Stock Exchange—Sustainability Report (For Trial Implementation) (April 2024)*, the *Self-regulatory Guidelines No. 1 for Companies Listed on Shenzhen Stock Exchange – Standardised Operations of Companies Listed on the Main Board (December 2023)*, the *Self-regulatory Guidelines No. 3 for Companies Listed on Shenzhen Stock Exchange – Sustainability Report Compilation (January 2025)*, with reference to Global Sustainability Standards Board (GSSB) *GRI Sustainability Reporting Standards (2021)* and the United Nations Sustainable Development Goals (SDGs).

Data Collection

The financial data in this report is sourced from the 2024 financial report, while other data is sourced from internal documents and real records of actual operations.

The financial data in this report is presented in RMB. In case of discrepancies between the financial data in this report and the Company's annual financial report, the figures in the annual financial report shall prevail.

Reporting Access

This report is available in both Simplified Chinese and English. In case of any discrepancies between the two versions, the Simplified Chinese version shall prevail. The electronic version of the report can be obtained from the Company's official website, the Shenzhen Stock Exchange (<http://www.szse.cn>), and the CNINFO website (<http://www.cninfo.com.cn>).

Contact Us

If you have any suggestions regarding this report, you can contact us through the following methods:

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Reporting principles

○ Materiality

The Company identifies the material topics related to its operations that are of concern to stakeholders and focuses on them in this report. While disclosing material topics, the Company also considers the characteristics of the industry and business operations. The process and results of materiality assessment are detailed in the "Double Materiality Assessment" section of this report.

○ Accuracy

This report ensures the accuracy of information to the best of the Company's ability. For quantitative information, the data scope, calculation basis, and assumptions are clearly explained to ensure that the calculation error range does not mislead information users. The quantitative information and notes are provided in the "ESG Data and Notes" section of this report.

○ Balance

The content of this report reflects objective and truthful facts, with both positive and negative information about the Company disclosed impartially. No negative events that should have been disclosed were omitted during the reporting period.

○ Clarity

This report is published in both Simplified Chinese and English. It includes tables, models, and other supporting information to aid in the understanding of the textual content. To help stakeholders access the information more quickly, this report includes content indexes.

○ Quantification

This report discloses key quantitative information and, where possible, provides historical data.

○ Comparability

For the same quantitative indicators, the statistical methods and disclosure approach remain consistent across different reporting periods. If there are changes in data collection, measurement, or calculation methods, the relevant data will be retrospectively adjusted, and the adjustments and reasons will be explained in the notes. This ensures that stakeholders can conduct meaningful analysis and evaluate the trends in the Company's ESG data.

○ Completeness

The scope of disclosure in this report aligns with the scope of the Company's consolidated financial statements.

○ Timeliness

This report is an annual report, covering the period from 1 January 2024 to 31 December 2024.

○ Verifiability

The cases and data in this report are sourced from the Company's actual operational records or financial reports. The data sources and calculation processes disclosed in the report are traceable and can support external verification checks.

Statement of the Chairman

As a global leader in the manufacturing of automotive thermal management system components and refrigeration and air-conditioning control components, we consistently stand at the forefront of industry. We drive industry upgrade through technological innovation and expand our growth boundaries with a global strategic layout. In 2024, we are resolutely advancing, accelerating the upgrade of low-carbon technologies, deeply engaging in the global energy transition, and continuously expanding our influence within the global industry value chain.

Industry Upgrade: Shaping the Future through Technology

Technological advancements are reshaping the global industrial landscape, with the electric vehicle and refrigeration industries undergoing profound transformation. We continue to break new ground in our core business areas, offering more efficient and intelligent thermal management solutions to our global clients.

In the **Automotive Components sector**, we have maintained our leadership edge, with products such as electronic expansion valves, electronic water pumps, and electric oil pumps covering three critical scenarios: cabinet thermal management, battery thermal management, and electrical/control system thermal management. These products have made us a key partner to leading global automotive companies. Through precise temperature control management, we help optimize energy efficiency in new energy vehicles ("NEVs"), enhance driving range, and contribute to a more efficient, safer, and sustainable future.

In the **Refrigeration and Air-conditioning Product Components sector**, we drive industry advancement through technological innovation, actively promoting the use of new eco-friendly refrigerants and heat pump technologies to reduce energy consumption in cooling equipment. Our products, including electronic expansion valves, four-way reversing valves, and micro-channel heat exchangers, are widely used in air conditioners, refrigerators, washing machines, industrial refrigeration, cold-chain transport, heat pump heating, and data centres, empowering energy-efficient buildings, heating, ventilation and air-conditioning ("HVAC") systems and household appliances thermal management systems.

ESG Strategy Upgrade: from Social Responsibility to Long-Term Value Creation

Sustainability for enterprises is not only about economic growth but also about enhancing environmental responsibility, social responsibility, and governance capabilities. We recognize that exceptional ESG management is the foundation for long-term corporate success. In 2024, we have fully upgraded our ESG management system, integrating sustainability principles into business decision-making processes.

In **Environmental Management**, we have fully implemented carbon reduction initiatives, continually optimizing energy usage efficiency and reducing greenhouse gas ("GHG") emissions. We are also advancing the development of low-carbon products, leveraging innovative technologies to contribute to global climate action.

In **Employee Management**, we persist in advancing talent development strategies, optimizing our global talent distribution, and ensuring diversity and inclusion. We are committed to promoting vocational education and developing the next generation of green technology talent.

In **Intelligent Manufacturing**, we continue to optimize energy efficiency in factories, driving the upgrade of intelligent and digital production processes. In multiple global production bases, we are accelerating the adoption of automation equipment and data analysis platforms, optimizing production workflows and improving efficiency.

In **Supply Chain Management**, we emphasize global collaboration, ensuring the stability and sustainability of our supply chain. By optimizing procurement strategies, we continuously enhance manufacturing efficiency and product quality, leveraging our global layout to strengthen supply chain resilience.

In **Corporate Governance**, we adhere to principles of transparency, compliance, and responsibility. We are constantly refining our ESG governance structure, strengthening data security, and ensuring compliance and risk management to ensure the stable development of the Company.

Thanks to our exceptional ESG management practices, we have received multiple global ESG recognitions in 2024. Our ratings with EcoVadis and CDP for climate change have significantly improved, reflecting our global leadership in sustainability.

Our growth journey is a history of transformation driven by technological innovation and a continuous exploration of sustainability. We understand that the global industry is undergoing profound changes, and we are committed to being a practitioner, leader, and promoter of this transformation. Looking to the future, we will continue to drive technological innovation, leverage our global strategic layout, and uphold sustainability as our core value, collaborating with global partners to create a smarter, more efficient, and sustainable future.

Chairman Zhang Yabo

01

About Sanhua Intelligent Controls



三花工业园

Company Overview

Zhejiang Sanhua Intelligent Controls Co., Ltd. was established in 1994. The Company primarily engages in the research and development ("R&D"), manufacturing, and sales of refrigeration and air-conditioning product components, as well as automotive components. With a core focus on the R&D and application of heat pump technology and thermal management systems, the Company is dedicated to developing efficient heat exchange and temperature control solutions for environmental thermal management.

Over the years, the Company has expanded from offering a single valve product to providing a broader range of refrigeration and air-conditioning product components and automotive components. In 2005, the Company was listed on Shenzhen Stock Exchange and was further included in major indices such as the CSI 300 Index, SZSE 100 Index, MSCI, FTSE Russell, etc.

Company Profile

Company Chinese Name	浙江三花智能控制股份有限公司
Company English Name	ZHEJIANG SANHUA INTELLIGENT CONTROLS CO.,LTD.
Headquarter Address	Xinchang County, Shaoxing City, Zhejiang Province
Listed Date	2005
Stock Code	002050.SZ

Business Layout

Sanhua Intelligent Controls is the world's largest manufacturer of refrigeration and air-conditioning control components and a global leader in automotive thermal management system components. In line with the mission to develop an intelligent, low-carbon economy and create a sustainable, quality living environment, the Company has been dedicated to the R&D, promotion and adoption of thermal management technology, providing customers across the globe with energy-efficient solutions through the Company's industry-leading products of the finest quality. Embracing globalization, the Company has established a business that spans two major sectors: refrigeration and air-conditioning product components and automotive components.

In 2024, the Company achieved significant success in multiple business sectors, as follows:

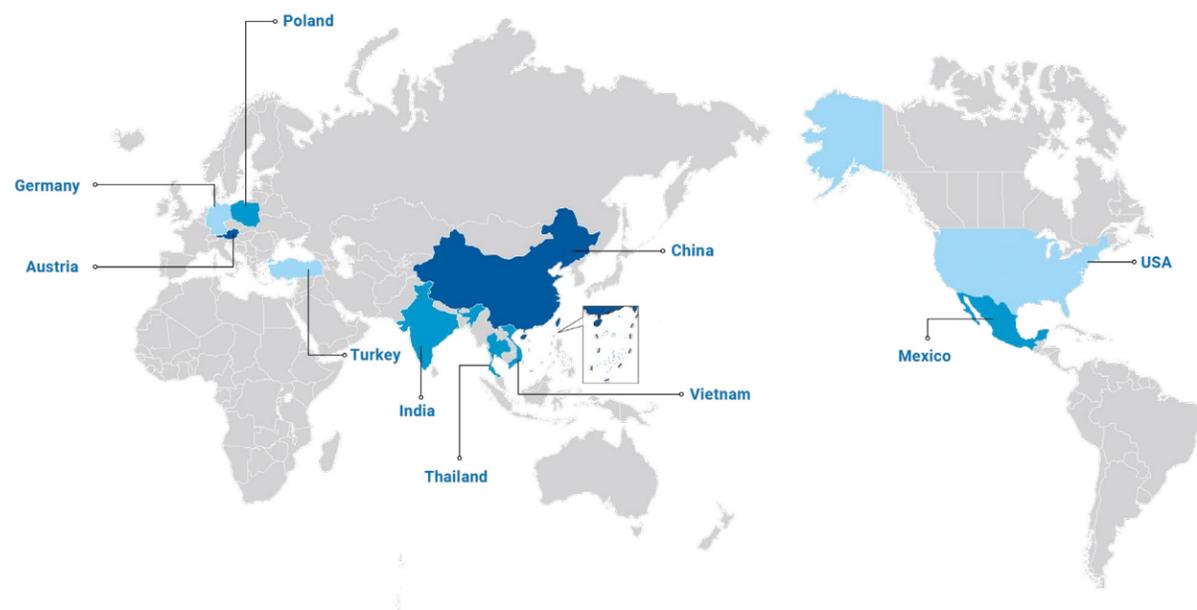


Under the refrigeration and air-conditioning product component business, the Company mainly engages in the development and application of control components, subsystems and technology solutions which empower energy-efficient buildings, heating, ventilation and air-conditioning systems and household appliances thermal management systems. The Company is a key supplier of automatic control components and system technology solutions, serving the global market for residential and commercial air-conditioning, commercial and industrial refrigeration and small household appliances, among others.

Under the automotive components business, the Company is committed to offering essential and comprehensive thermal management and control solutions for NEVs and providing high-performance products that enhance energy efficiency and reduce emissions for traditional fuel vehicles. The Company spearheads the R&D of valves, pumps, heat exchangers and integrated modules, especially under cabinet thermal management, battery thermal management and electrical/control system thermal management, designed to achieve effective thermal management in automotive operations.

As a pioneer that leads the development of thermal management technologies, the Company has accumulated abundant experiences and expertise in developing and manufacturing a considerable number of electric motors. By leveraging the Company's motor manufacturing expertise, scalability and cost-control capabilities, the Company has successfully ventured into the production of bionic robot electromechanical actuators. The Company strives to provide lighter, smaller and more precise electromechanical actuators through independent R&D.

The Company has built 8 production bases globally, which serve as production centres comprising factory clusters, warehouses and logistics hubs, designed to support key nearby markets. Factories across the globe are deployed with R&D resources. The Company's R&D system consists of one R&D Center and six R&D bases, with three located in China, two in the United States, and one in Germany.



As of December 31, 2024, our products had reached the America, Europe, Asia, Oceania, and Africa, covering over 80 countries and regions worldwide.

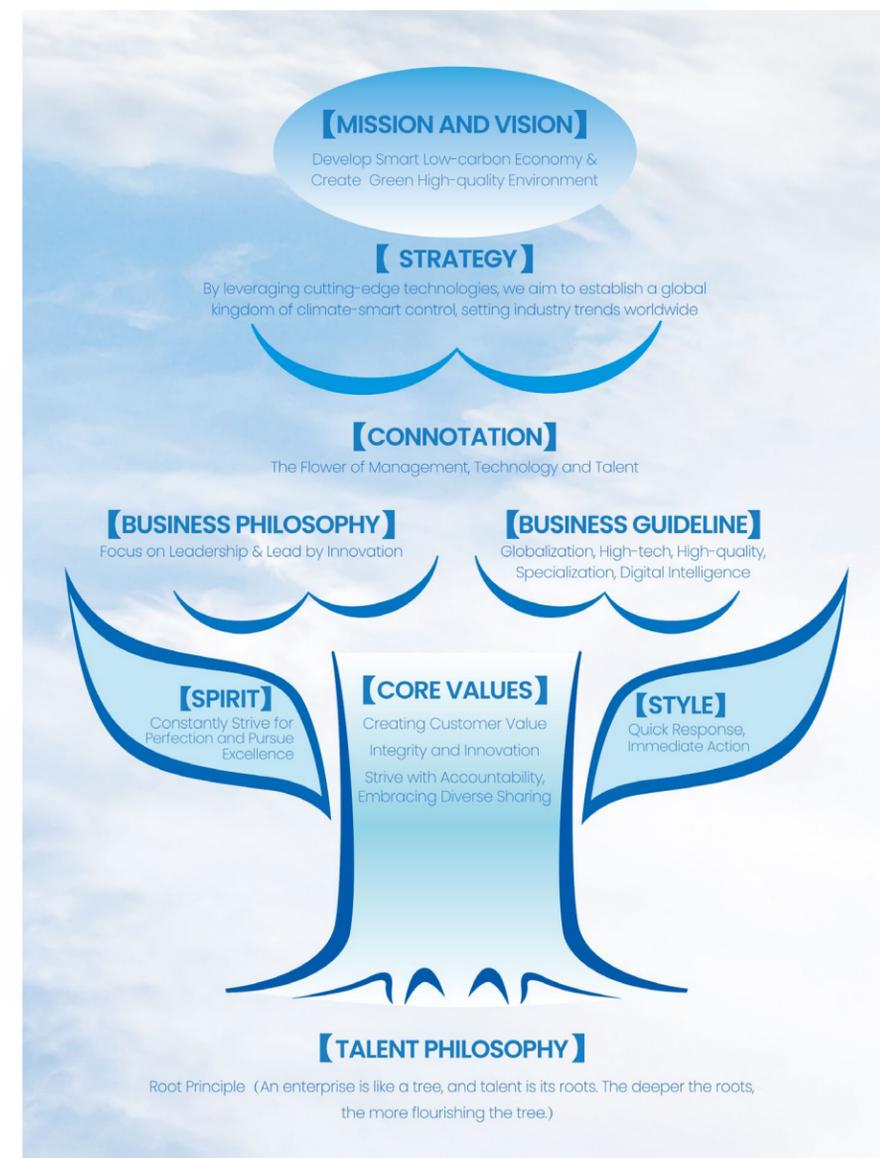
The Company has production bases / manufacturing plants / R&D bases in these regions.

Corporate Culture

The Company adheres to the development strategy of “focusing on excellence and innovating for success”, committed to reinforcing the leadership in existing product offerings while actively cultivating new drivers for sustained growth. The Company has established itself as a trailblazer in creating a global network.

The “Sanhua” brand symbolises the “Flower of Management”, “Flower of Technology”, and “Flower of Talent” representing the Company's high regard for advanced management practices, cutting-edge technology, and the acquisition, development, and retention of talent. By summarising practical experience and refining cultural connotations, the Company has developed a corporate culture system centred around the concept of the “Evergreen Tree”, which fully guides the Company's development process.

Sanhua Evergreen Tree



02 Sanhua Intelligent Controls 2024 Highlights Overview

Domestic and International ESG Ratings



EcoVadis Sustainability Rating

Score improved from 46 to **57**, and awarded the **Committed Medal**



CDP Climate Change Questionnaire

Upgraded from C to **B**



CNINDEX ESG Rating

Upgraded from A to **AAA**



CSINDEX ESG Rating

Improved from A to **AA**



MSCI ESG Rating

Maintained at **B**



Wind ESG Rating

Maintained at **BB**

Awards and Recognitions

**Global Top 100
Automotive Parts Suppliers**
Awarded by Automotive News

**China's Top 500
Most Valued Listed Manufacturing Companies**
*Awarded by Economic Management Research
Institute of Machinery Industry, China Association
of Plant Engineering, China Heavy Machinery
Industry Association*

**Manufacturing Industry Single Champion
Product – Four-way Reversing Value**
*Awarded by the Ministry of Industry and
Information Technology, China*

**2024 Zhejiang Top 100 High-tech Enterprises
with the Strongest Innovation Capability**
*Awarded by Zhejiang High-tech Enterprise
Association*

United Nations Global Compact Member
Recognized by UN Global Compact

**National Enterprise Technology Centre
Certification**
*Issued by the National Development and Reform
Commission, China*

National Postdoctoral Research WorkStation
*Approved by the Ministry of Human Resources
and Social Security, China*

**Zhejiang Provincial Science & Technology
Leader Enterprise**
*Certified by the Department of Science and
Technology of Zhejiang Province*

03

ESG Management

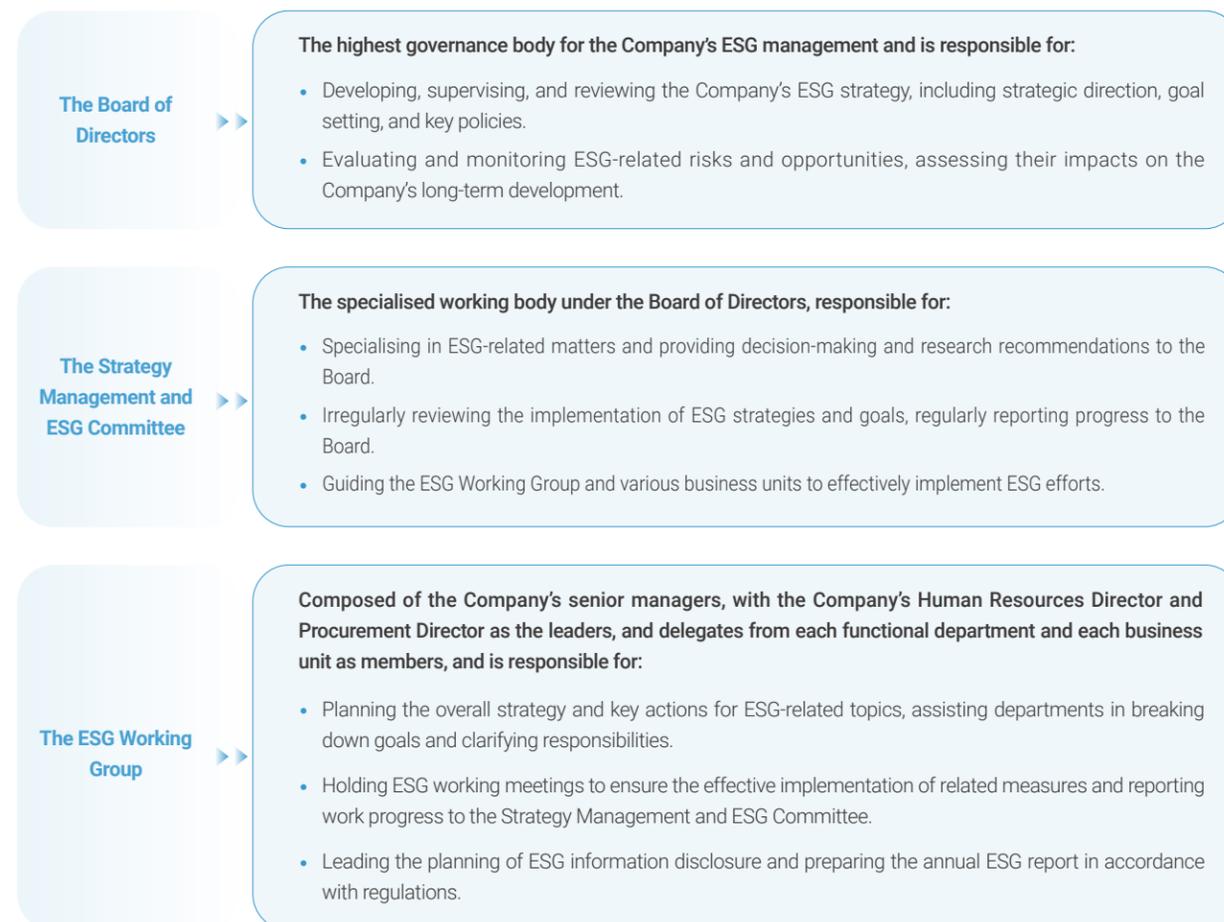


ESG Governance Mechanism

The Company attaches great importance to ESG management, based on its operational situation and industry characteristics, it refers to domestic and international ESG standards, policies, industry trends, and key focus areas of global ESG ratings. With a clear ESG governance structure, the Company continuously improves its ESG management performance.



Responsibilities and Duties of ESG Governance



In 2024, the Strategy Management and ESG Committee (hereinafter referred to as "the Committee") actively improved the ESG strategy and development plan. It formulated the Company's strategies and goals for key topics such as corporate governance, sustainable procurement, responding to climate change, business ethics, human capital development, etc. The Committee also issued and published Sanhua Intelligent Controls' *Labour and Human Rights Statement*, *Environmental Management Statement*, and *Business Ethics Statement*, making ESG management commitments and goals to demonstrate the Company's responsibility and determination in ESG governance.

In 2024, the ESG Working Group coordinated and organised multiple ESG training sessions and interviews. It held 6 ESG working meetings, collaborating with each functional department and business unit to formulate ESG goals and strategies for improvement, along with a detailed work plan. The ESG Working Group actively participated in domestic and international ESG rating responses and information disclosure, collecting the Company's practices and progress of goals from functional departments and business units, and regularly reporting work progress to the Strategy Management and ESG Committee.

Furthermore, the Company emphasises the formulation of ESG promotion and capacity. It invited external experts to conduct specialised seminars such as "LCA and Ecodesign", "Science-based Targets for Corporate Climate Risk Responses and Opportunity Analysis", and "Anti-bribery and Anti-corruption Training", to enhance comprehensive awareness of ESG across all organizational levels, from executives to frontline employees.

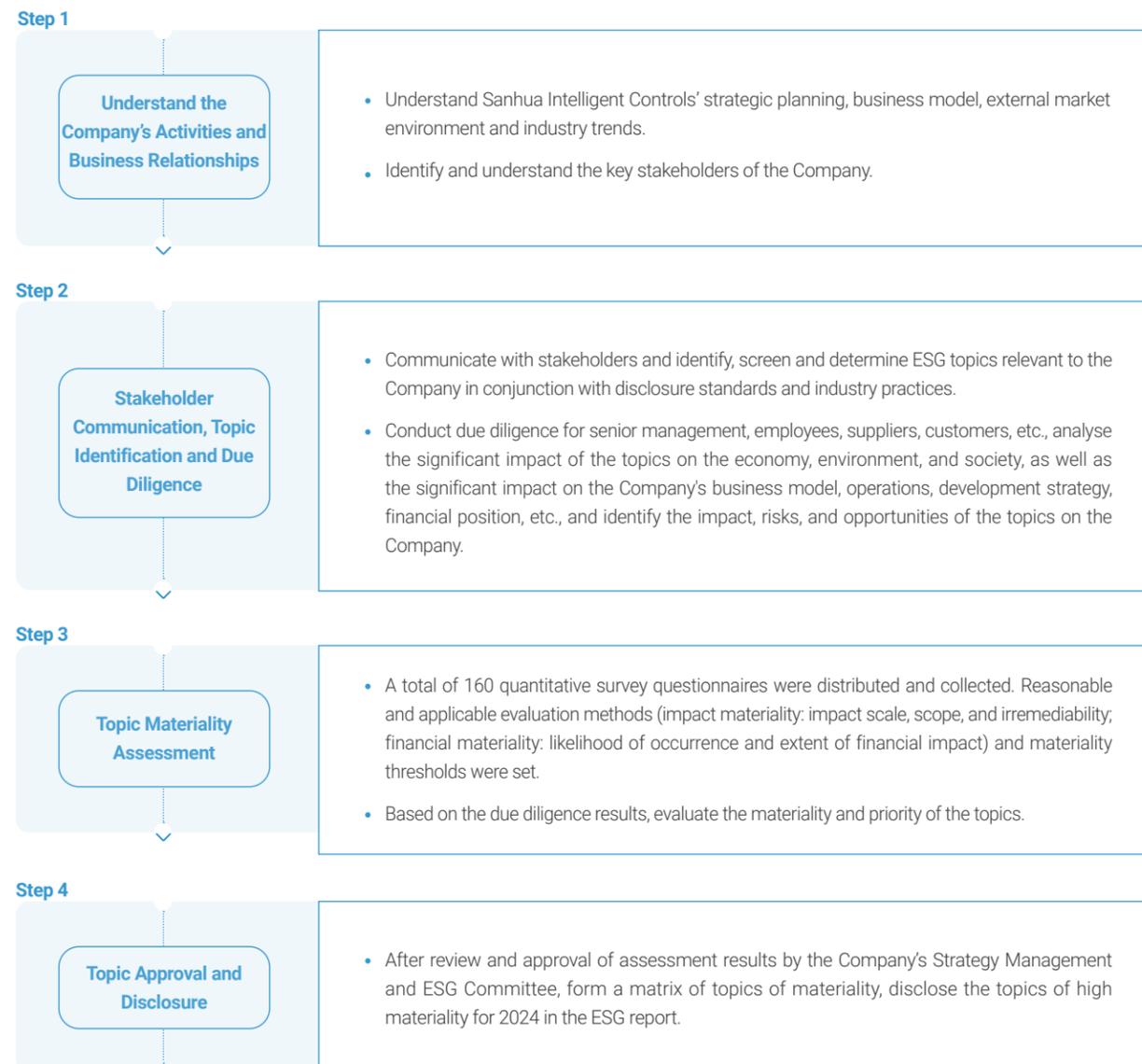


Double Materiality Assessment

Double Materiality Assessment Process

In 2024, the Company conducted an assessment of ESG topics from a double-materiality perspective, in accordance with the *Self-Regulatory Guidelines No. 17 for Companies Listed on Shenzhen Stock Exchange—Sustainability Report (For Trial Implementation)* (hereinafter referred to as the "Guidelines") for determining the materiality of topics. The assessment also referenced international sustainability information disclosure standards, such as the *GRI Sustainability Reporting Standards* (2021 edition) (hereinafter referred to as the "GRI Standards"). The analysis and assessment focused on both impact materiality and financial materiality to identify the topics that are of high materiality to the Company.

Double Materiality Assessment Process in 2024



Stakeholder Communication and Due Diligence

Based on the Company's business and operational characteristics and in line with industry practices, the Company has identified its primary stakeholders as investors, the Management, customers, employees, government and regulation authorities, suppliers, industry associations, and the media. A communication mechanism has been established with each stakeholder group, and regular interactions are maintained through channels such as the Company's website, media, meetings, reports, events, interviews, surveys, visits, etc. This ensures timely and continuous communication with stakeholders.

Key Stakeholder-Concerned Topics and Communication Methods

Stakeholder	Topics of Concern	Communication Methods and Frequency
 Investors	<ul style="list-style-type: none"> Responding to Climate Change Opportunities in Clean Tech Innovation and Intellectual Property Rights Risk and Compliance Management 	<ul style="list-style-type: none"> Company website, WeChat official account news updates (real-time) Shenzhen Stock Exchange Interaction Platform (real-time) Investor research activities (irregularly) Shareholders' Meetings and earnings briefings (annually) Investors' meetings and roadshow events (annually)
 Customers	<ul style="list-style-type: none"> Product Lifecycle Management Responding to Climate Change Opportunities in Clean Tech Innovation and Intellectual Property Rights Product and Service Safety and Quality Cyber and Information Security Chemicals and Hazardous Substances Sustainable Procurement 	<ul style="list-style-type: none"> Product carbon footprint verification report (irregularly) Pre-sale, in-sale, and after-sale customer service (real-time) Customer factory audits, CSR audits (annually) Customer satisfaction surveys (annually)
 The Management	<ul style="list-style-type: none"> Corporate Governance Business Ethics Risk and Compliance Management Environmental Policies and Management Responding to Climate Change 	<ul style="list-style-type: none"> Meetings of Board of Directors, Committees and Board of Supervisors (irregularly) Daily work reporting meetings (irregularly)

Stakeholder	Topics of Concern	Communication Channels and Frequency
 Employees	<ul style="list-style-type: none"> Occupational Health and Safety Labour Rights and Talent Retention Human Capital Development Business Ethics 	<ul style="list-style-type: none"> Employee Representative Congress (annually) Employee training and sports/cultural activities (irregularly) "Department Head's Mailbox", "Employee Complaint Forms", and Sanhua Employee Service Platform (real-time) Employee performance feedback mechanism (annually)
 Government and Regulation Authorities	<ul style="list-style-type: none"> Environmental Policies and Management Emissions and Waste Chemicals and Hazardous Substances Water resources management Corporate Governance Business Ethics Risk and Compliance Management 	<ul style="list-style-type: none"> Government-enterprise communication meetings (irregularly) Government pollution discharge permit management, waste management systems (annually) Regular government department filings (irregularly)
 Suppliers	<ul style="list-style-type: none"> Product Lifecycle Management Circular Economy Responding to Climate Change Chemicals and Hazardous Substances Product and Service Safety and Quality Sustainable Procurement Business Ethics 	<ul style="list-style-type: none"> Supplier information security self-assessment actions (irregularly) Supplier performance evaluation actions, supplier conferences (annually) Social responsibility surveys, on-site audits (irregularly) Daily communication and visits (real-time)
 Industry Associations	<ul style="list-style-type: none"> Innovation and Intellectual Property Rights Opportunities in Clean Tech 	<ul style="list-style-type: none"> External exhibitions, industry exchange meetings (irregularly) Internal technical exchange meetings (irregularly)
 Community and the Public	<ul style="list-style-type: none"> Environmental Policies and Management Responding to Climate Change Corporate Citizens and Public Welfare 	<ul style="list-style-type: none"> Media reports (irregularly) Company website, WeChat official account news updates (real-time) Public welfare and volunteer activities (irregularly)

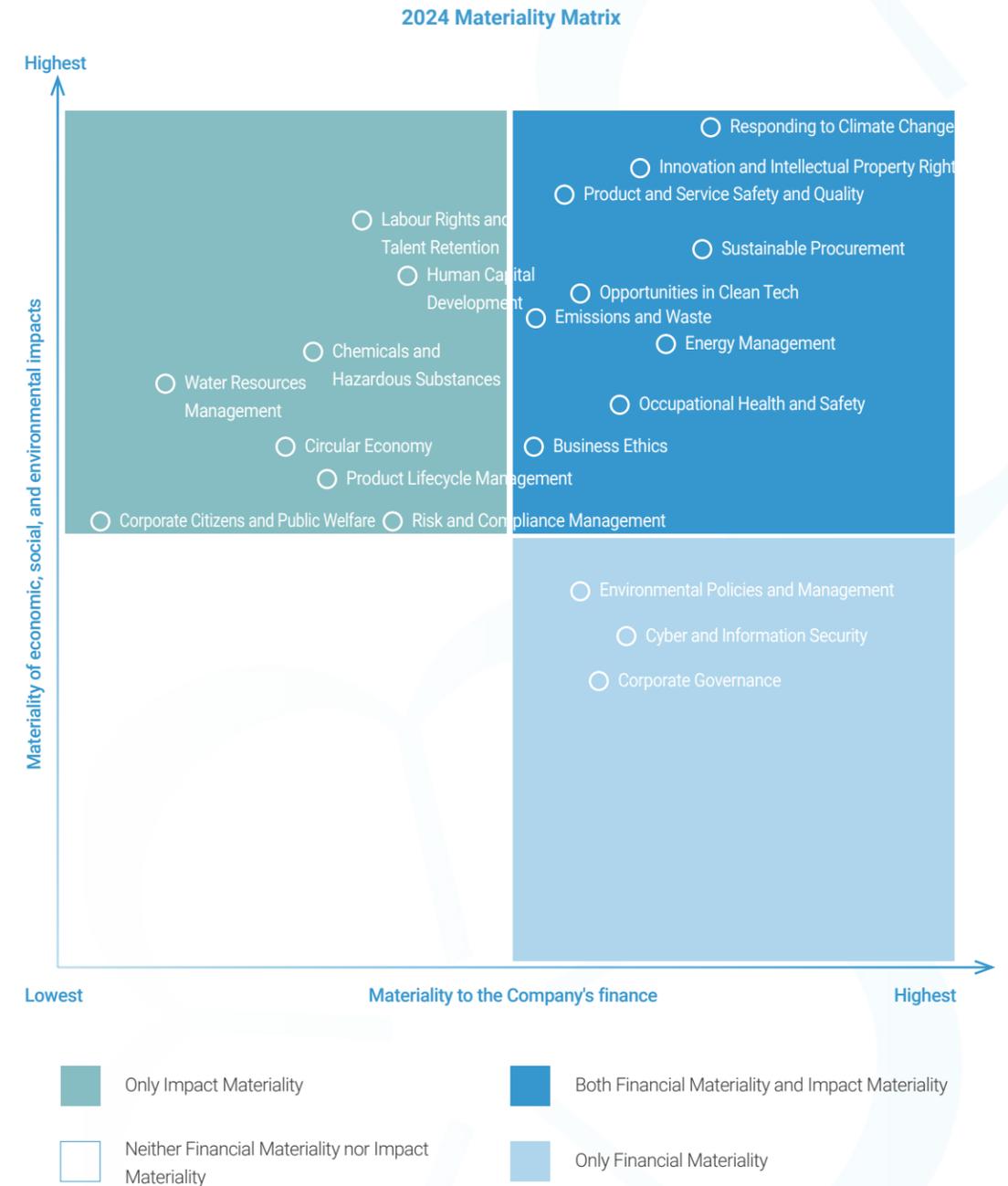
Based on the ESG governance structure, the ESG Working Group coordinates all departments to carry out due diligence to all stakeholders through daily communication, research, interviews, etc., to identify, analyse, and evaluate the ESG topics based on their potential impacts over the short term (0-1 year), medium term (2-5 years), and long term (6+ years) on the economy, environment, and society, as well as significant impacts on the Company's business model, business operations, development strategy, and financial position. The assessment also identifies the risks and opportunities that these topics pose to the Company, allowing the Company to implement targeted management practices.

2024 Materiality Topics and Their Impact, Risks, and Opportunities

No.	Topics	Impact Scope	Stakeholders Affected	Main Risks/Opportunities
1	Environmental policies and management	Short-term, medium-term, long-term		If environmental compliance management is inadequate, such as exceeding pollutant discharge limits or improper waste disposal, the Company may face substantial fines or risks of production suspension and rectification, and may even face legal lawsuits and public resistance, leading to financial losses and reputational damage.
2	Energy management	Medium-term, long-term	<ul style="list-style-type: none"> Government and regulation authorities The Management Community and the public 	Purchasing green electricity and self-generated photovoltaic power will bring cost pressure to the Company in the short term, but optimising energy usage structure can create cost-saving opportunities for the Company.
3	Water resources management	Medium-term, long-term		The installation and maintenance of water recovery and recycling systems require significant initial investment and may affect financial performance in the short term. At the same time, by saving water and recycling water, the Company can reduce its dependence on water resources.
4	Product lifecycle management	Medium-term, long-term	<ul style="list-style-type: none"> Suppliers Customers 	As environmental protection policies and customer requirements gradually tighten, binding standards on product carbon footprints may emerge in the future.
5	Emissions and waste	Short-term, medium-term, long-term	<ul style="list-style-type: none"> Government and regulation authorities Community and the public 	If pollutant emission management is inadequate, the Company may face fines, lawsuits, and regulatory sanctions, and may also encounter public criticism, damaging the Company's reputation and even affecting production permits and business development.
6	Circular economy	Medium-term, long-term	<ul style="list-style-type: none"> Suppliers 	Implementing circular economy provides the Company with opportunities to reduce resource costs, enhance supply chain resilience, and explore new business areas. Through innovative recycling and reuse models, the Company can not only improve competitiveness but also attract consumers and investors who are focused on sustainability.
7	Responding to climate change	Short-term, medium-term, long-term	<ul style="list-style-type: none"> Investors Customers The Management Suppliers Community and the public 	Building new factories in areas vulnerable to extreme weather (floods, high temperatures, typhoons) may pose a risk of production stoppages and work delays due to the damage to the Company infrastructure caused by severe weather.
8	Opportunities in Clean Tech	Medium-term, long-term	<ul style="list-style-type: none"> Investors Customers Industry associations 	Seizing opportunities in clean tech not only promotes the Company's green transformation but also helps it maintain a competitive advantage amid increasingly stringent environmental regulations and market demand shifts.

No.	Topics	Impact Scope	Stakeholders Affected	Main Risks/Opportunities
9	Chemicals and hazardous substances	Medium-term, long-term	<ul style="list-style-type: none"> Suppliers Customers Government and regulation authorities 	If chemical management is improper, it could cause safety incidents, harm employee health, and result in direct financial losses and reputational damage. If products contain harmful substances exceeding the standard limit, it will affect business orders.
10	Labour rights and talent retention	Medium-term, long-term	<ul style="list-style-type: none"> Employees 	If employee recruitment management is poor, there are risks of forced labour, child labour, etc. The Company will face penalties from local governments, damaging its public image and reputation.
11	Occupational health and safety	Short-term, medium-term, long-term	<ul style="list-style-type: none"> Employees 	The Company's occupational health and safety facilities and equipment are widely distributed. If supervision is inadequate, safety hazards may not be detected in time, and employees may fail to wear protective equipment properly. If government and regulation authorities discover these problems and issue administrative penalties, the Company will face negative impacts and fines.
12	Human capital development	Medium-term, long-term	<ul style="list-style-type: none"> Employees 	Increasing employee development and training helps the Company cultivate high-quality core talent, improve teamwork, and enhance productivity.
13	Innovation and intellectual property rights	Short-term, medium-term, long-term	<ul style="list-style-type: none"> Investors Customers Industry associations 	Through technological innovation and business model innovation, the Company can improve operational efficiency, reduce costs, and attract more investors and customers.
14	Product and service safety and quality	Short-term, medium-term, long-term	<ul style="list-style-type: none"> Suppliers Customers 	If the Company neglects product and service safety and quality management, it may lead to product defects or safety incidents. Recalls and compensation losses will result in direct financial costs and affect market share and customer loyalty.
15	Cyber and information security	Medium-term, long-term	<ul style="list-style-type: none"> Suppliers Customers 	If the Company fails to effectively protect customer data and privacy, it may lead to data breaches, privacy violations, and cyberattacks, resulting in legal lawsuits, regulatory penalties, and reputational damage.
16	Sustainable procurement	Short-term, medium-term, long-term	<ul style="list-style-type: none"> Suppliers Customers 	If environmental and social risks in the supply chain are not effectively managed, it may result in environmental pollution, labour rights violations, and other issues, which will affect the Company's reputation and disrupt the stability and long-term sustainability of the supply chain.
17	Corporate citizens and public welfare	Short-term, medium-term, long-term	<ul style="list-style-type: none"> Community and the public 	By supporting social development, the Company can not only create positive impacts but also enhance employee cohesion and social recognition.
18	Corporate governance	Medium-term, long-term	<ul style="list-style-type: none"> Government and regulation authorities The Management 	Good corporate governance helps the Company improve governance performance, promoting business sustainability and market adaptability.
19	Business ethics	Medium-term, long-term	<ul style="list-style-type: none"> Government and regulation authorities Employees The Management Suppliers 	If anti-commercial bribery and anti-corruption measures are ineffective, the Company will face increased risks of legal actions and regulatory penalties, potentially leading to significant financial losses and reputational damage.
20	Risk and compliance management	Short-term, medium-term, long-term	<ul style="list-style-type: none"> Government and regulation authorities Investors The Management 	If the Company fails to conduct timely compliance and risk management, the likelihood of violations increases, and the Company will face legal lawsuits and public pressure.

Conclusion of Materiality Assessment



Note: Among the 21 topics set in the *Guidelines*, the Company does not involve "Ecosystem and Biodiversity Protection" or "Ethics of Science and Technology"; "Stakeholder Engagement" and "Due Diligence" are necessary processes for the Company to identify and analyse ESG topics, which are addressed in the "Double Materiality Assessment" section and are not included as ESG topics in the "Materiality Matrix"; the remaining topics are addressed in the main body of the report or in the indexes. The Company has independently identified topics such as "Corporate Governance", "Risk and Compliance Management", "Opportunities in Clean Tech", "Chemicals and Hazardous Substances", and "Product Lifecycle Management", all of which are addressed in the corresponding chapters of the report.

Contribution to the United Nations Sustainable Development Goals (SDGs)

SDGs						
Metrics	Greenhouse gas emission intensity	The proportion of electricity generated from renewable sources	The proportion of recycled packaging materials for finished products	Workplace injury rate	Average training hours per employee	The coverage of anti-discrimination and anti-harassment training
Targets	Reduce greenhouse gas emission intensity by over 30% from 2020 levels by 2030 Achieve carbon neutrality by 2050 and strive for full product lifecycle carbon neutrality by 2060	The proportion of electricity generated from renewable sources remains ≥15% annually	The proportion of recycled packaging materials for finished products reaches 25% by 2030	Reduce workplace injury rate by 5% from 2024 to 2026 compared to the previous year	Increase average training hours per employee by 30% from 2022 levels by 2030	Achieve over 95% coverage in anti-discrimination and anti-harassment training by 2030
2024 Progress	Greenhouse gas emissions per unit revenue are 0.127 tCO₂e/RMB10,000	The proportion of electricity generated from renewable sources was 16.00%	The proportion of recycled packaging materials for finished products was 22.07%	Workplace injury rate was 0.30%	Average training hours per employee was 39.66 hours, an increase of 29% compared to 2022 levels	The coverage rate of anti-discrimination and anti-harassment training was 86%
Annual Key Actions	Gradually phased out high energy consuming production equipment such as transformers, air conditioners, air compressors, and motors, and continuously applied smart energy systems. Invested heavily in R&D for new energy vehicle thermal management technology and eco-friendly refrigerants.	Installed distributed photovoltaic power generation, energy storage facilities, and smart microgrid systems. Purchased green electricity from renewable sources such as solar and wind.	Explored the application of green packaging, including foldable reusable packaging, leased recyclable packaging, and reducing packaging air transport volume.	Strengthened employee health and safety protection mechanisms, ensured adequate rest time, and reduced repetitive strain injuries.	Developed targeted training programs for different levels and job categories, covering job skills, professional knowledge, and management capabilities.	Conducted anti-discrimination and anti-harassment training, ensuring no discrimination in hiring, compensation, training, promotion opportunities, etc., based on race, religion, gender, nationality, age, marital status, or disability.

04 Feature

Innovating for the Future, Leading the Technological Frontier

Topics

Innovation and Intellectual Property Rights, Opportunities in Clean Tech

SDGs



R&D innovation achievements

R&D investment
RMB **1,351,798,800**

Revenue proportion
4.84%

Annual patent applications
1,341

Authorised patents granted
460



Sanhua Intelligent Controls adheres to the development strategy of “focusing on excellence and innovating for success” and strictly complies with the *Law of the People’s Republic of China on Scientific and Technological Progress*, the *Patent Law of the People’s Republic of China*, and other relevant laws, regulations, and requirements. The Company has established an innovation and intellectual property management system to standardise the R&D process and drive technological advancements, transitioning from a “cost leading” model to a “technology leading” model.

Innovation and Intellectual Property Management System

Governance

- Establish an R&D and innovation management structure based on a “Marketing Department – Technical Management Departments of Business Units” framework and formulate management regulations for technology development and design review.
- Business unit technical departments collaborate with development management departments to carry out intellectual property management.

Strategy

- Develop and adjust product R&D strategies and plans in response to identified market risks, policy and regulatory risks, and product and service opportunities.
- Position clean technology as a key strategy, leveraging market opportunities in the low-carbon economy to develop more stable, safer, precise, and eco-friendly solutions.

Impacts, Risks, and Opportunities Management

- Improve R&D innovation management processes, continuously optimising full-value chain management in the refrigeration and air-conditioning product components and automotive components sectors.
- Enhance internal management and external collaboration mechanisms by engaging in industry-academia-research projects with universities and conducting R&D innovation training programs to strengthen employees’ innovation capabilities.

Metrics and Targets

- Cover key metrics such as R&D investment, valid patent applications, and authorised patents.

R&D and Innovation

R&D and Innovation Management Structure

The Company continuously improves its R&D and innovation management structure. The Marketing Department is responsible for market research and product strategy, while the technical management departments of business units oversee the large-scale production and optimisation of R&D outcomes, actively promoting the transformation of innovative achievements.

R&D and Innovation Management Structure

Marketing Department	Technical Management Departments of Business Units
<ul style="list-style-type: none"> • Conducts regular market research, monitors market trends, and builds an information resource database. • Participates in formulating product strategies, conducts in-depth evaluations of technical targets and products, provides R&D recommendations, and oversees the setting and execution of product line goals. 	<ul style="list-style-type: none"> • Responsible for the large-scale production and manufacturing of R&D outcomes. Implements more energy-efficient technological solutions based on local policies, market demand, and operational costs.

The Company has established internal regulatory frameworks such as the *Regulations of Technology Development Project*, the *Regulations of Scientific and Technological Project Management and Awards*, the *Regulations of Design Review Management*, the *Regulations of Technical Review Management*, and the *Control Procedures for New Product Development*. By maintaining a structured R&D process and continuous investment in research, the Company accumulates technological expertise and expands market opportunities.

R&D and Innovation Strategy

The Company adheres to the strategy approach of “reserve one generation, develop one generation, and apply one generation”, establishing a comprehensive talent acquisition and internal training system to build a highly skilled workforce. By leveraging cutting-edge technology, the Company continues to expand into international markets, increasing R&D investment to drive breakthroughs and applications of key technologies.

Through market research and policy tracking, the Company identifies risks and opportunities, converting external changes into internal R&D directions. It regularly evaluates the financial impact of R&D innovation risks and adjusts its R&D strategies, accordingly, ensuring that research outcomes serve as a driving force for business growth.

R&D and Innovation Risks and Opportunities

Risk/Opportunity Type	Description	Financial Impact
Market Risk	Failure to continuously launch competitive new products or technologies may lead to pressure from domestic and international competitors, posing a risk of market share decline. If the market trend changes, such as the negative growth of heat pumps due to the unsatisfactory effect of switching from gas to heat pumps in Europe, the Company's products will be delayed, or inventory will be caused.	R&D costs increase Revenue decreases
Policy and Regulatory Risk	Governments worldwide are introducing stricter environmental regulations, such as the European Union's F-Gas Regulation and the relevant regulations on low-GWP refrigerant alternatives in the United States, which have led to increasing demands for the reduction of fluorinated greenhouse gases. Failure to promptly adjust production and sales strategies could result in compliance risks, restricted market access, fines, or sanctions.	Operating costs increase
Product and Service Opportunity	The transition to green, low-carbon technologies in NEVs industry presents opportunities for technological innovation and market expansion. The Company proactively explores advancements in NEV thermal management technology and collaborates with leading research institutions to gain a competitive edge in industrial transformation.	R&D costs increase Revenue increases
Market Opportunity	The development of new energy promotes the growth of thermal management demand in fields such as photovoltaic inverters and energy storage. The development of AI accelerates the expansion of data centres and promotes the upgrading of cooling technology. The Company can expand product applications by leveraging the advantages of thermal management technology and seize the market opportunities brought by the rapid development of new energy and data centres.	Revenue increases

The Company has always been committed to providing customers across the globe with more efficient, smarter and cleaner thermal management solutions. Focusing on the core strategy of clean technology, through continuous innovation and accumulation, and leveraging the transformative impact of a green future, significant progress has been made in core business areas such as automotive components and refrigeration and air-conditioning product components, helping customers achieve sustainability commitments.

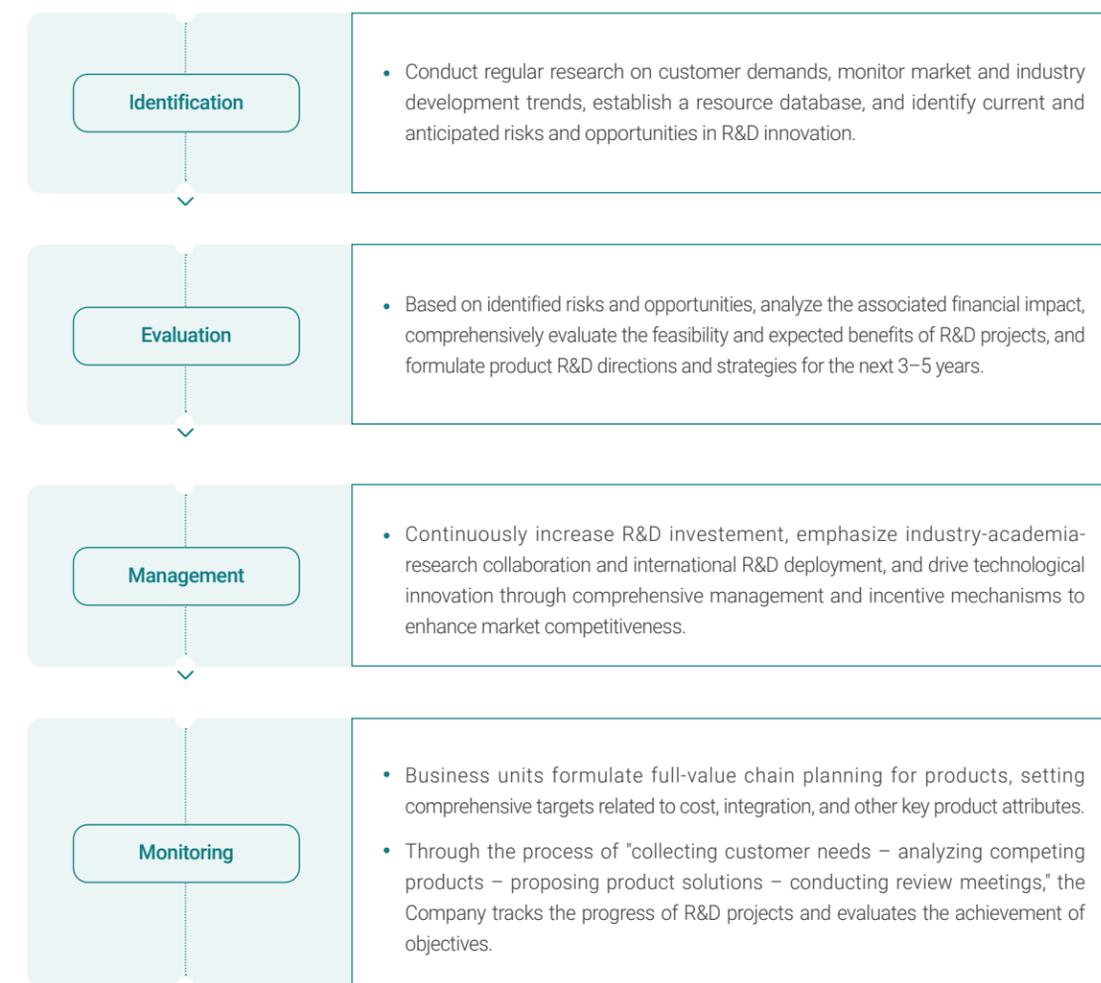
Under the automotive components business, the Company continues to expand its business leading advantages, with products such as electronic expansion valves, electronic water pumps, and electric oil pumps covering three key scenarios: cabinet thermal management, battery thermal management, and electrical/control system thermal management. In 2024, the Company's revenue from the automotive components business was RMB11,386,559 thousand, accounting for 40.74% of the total revenue.

Under the refrigeration and air-conditioning product components business, the Company actively promotes the application of new eco-friendly refrigerants and heat pump technology, committed to reducing the energy consumption of refrigeration equipment. The Company's electronic expansion valves, four-way reversing valves, micro-channel heat exchangers and other products are widely used in air conditioners, refrigerators, washing machines, industrial refrigeration, cold-chain transport, heat pump heating, and data centres, empowering energy-efficient buildings, heating, ventilation and air-conditioning systems and household appliances thermal management systems. In 2024, the Company's revenue from the refrigeration and air-conditioning product components business was RMB16,560,605 thousand, accounting for 59.26% of the total revenue.

R&D and Innovation Management Mechanism

The Company promotes digital process of the product lifecycle management, improves R&D management efficiency, enables end-to-end digital operations, and continuously optimises the full-value chain management process for its products by identifying market demands, assessing risks and opportunities, developing management tools, and monitoring goals and implementation progress.

R&D and Innovation Management Process



R&D and Innovation Actions and Achievements

Key Actions and Achievements of R&D and Innovation in 2024

Eco-Friendly Refrigerant Substitution

- Actively explored refrigerant substitution pathways in the air-conditioning industry, expanding the application of clean refrigerant technologies such as CO₂ refrigerant and R134a refrigerant. The Company's related products offer advantages in energy conservation, environmental protection, high-pressure resistance, and low global warming potential ("GWP").
- The brazed plate heat exchanger adopted R290 eco-friendly refrigerant (low GWP value). Compared to its previous generation, refrigerant charge was reduced by 37%, while heat exchange performance improved by more than 20% on average.

Thermal Management Technology

- The "Key Technologies and Industrial Applications of Intelligent Low-Carbon Thermal Management for NEVs" project achieved substantial innovation, reaching an internationally leading level.
- The Company's thermal management valve island integration modules, electronic expansion valves, battery coolers, and electric oil pumps held the largest global market share.
- The electronic expansion valve was awarded the "Manufacturing Industry Single Champion Product (2023-2025)" by the Ministry of Industry and Information Technology (MIIT), China.

Energy Storage Technology

- The full-stack energy storage thermal management solution won the "2024 Best Liquid Cooling Technology Solution Award" and the "2024 Best Thermal Management Technology Solution Award" in China's energy storage industry.

Industry-Academia-Research Collaboration

- Actively built an "Industry-Academia-Research" platform, collaborating with Tsinghua University, Shanghai Jiao Tong University, Xi'an Jiaotong University, South China University of Technology, National University of Singapore, University of Illinois, and Beijing University of Chemical Technology, etc., to conduct joint research projects. Multiple research results were published in top-tier academic journals.

Industry Development Collaboration

- Led and participated in the formulation of one national standard, five industry standards and four group standards, such as *Maximum allowable values of energy efficiency and energy efficiency grades for cold store (box) and refrigerant compressor condensing unit*, *Technical Specification for energy storage battery integrated cooling system*, *Liquid cooled heat sinks for energy storage battery*, etc.
- Actively engaged in industry symposiums and technical exchange meetings to stay informed on industry developments.

Key Honors and Awards of R&D and Innovation

National Enterprise Technology Centre

National Development and Reform Commission

Post-doctoral Research Workstation

Ministry of Human Resources and Social Security,
National Postdoctoral Committee

Provincial High-Tech Enterprise

Department of Science and Technology of Zhejiang Province,
Department of Finance of Zhejiang Province, State Taxation
Administration Zhejiang Provincial

National Technology Innovation Demonstration Enterprise

Ministry of Industry and Information
Technology, China

Zhejiang Provincial Key Enterprise Research Institute for Intelligent Control for Refrigeration Household Appliances

Department of Science and Technology of
Zhejiang Province

Zhejiang Provincial Science and Technology Leading Enterprise

Department of Science and Technology of
Zhejiang Province

Zhejiang Provincial Industrial Internet Platform

Department of Economy and Information of
Zhejiang Province

National Manufacturing Industry Single Champion Enterprise

Ministry of Industry and Information Technology,
China

"Aipulanke Core Technology Award"

Appliances & Electronics World Expo ("AWE")

"Most Influential Enterprise in Automotive Thermal Management Industry"

World Vehicles Thermal Management System Tech
Innovation Conference ("WVTMS")

Case Recognised as a National Manufacturing Industry Single Champion Enterprise

In March 2024, Zhejiang Sanhua Automotive Components Co., Ltd. (referred to as "Sanhua Automotive"), a subsidiary of the Company, was awarded the Manufacturing Industry Single Champion title by MIIT for its thermal management integrated component products. These products integrate refrigerant-side modules, water-side modules, control modules, and damping modules into highly integrated structural components, reducing space occupation and enabling vehicle lightweighting, which in turn lowers carbon emissions during end-use.

The Company continuously enhances automation levels in production, assembly, logistics, and inspection processes, driving the upgrade of intelligent manufacturing. Core components of Sanhua Automotive's products have achieved independent processing. Equipment such as turret machines, CNC machines, and punching machines have been fully automated with robotic loading, processing, and unloading, establishing a technology-driven, new-quality productivity model.



Zhejiang Sanhua Automotive Components Co., Ltd. was awarded "National Manufacturing Industry Single Champion Enterprise" by MIIT

Case NEVs Smart Low-Carbon Thermal Management Technology Received Multiple Patents

In February 2024, Sanhua Automotive's project on "Key Technologies and Industrial Applications of Intelligent Low-Carbon Thermal Management for NEVs" underwent a scientific evaluation organised by the Technology Evaluation Committee of the Chinese Association of Refrigeration. To address the challenge of heat transfer enhancement in the confined spaces of NEVs with high heat flux densities, the Company proposed a new flow path damping and fluid distribution configuration and invented novel fish-scale chevron wave and dot-wave heat exchanger structures. These innovations enabled uniform flow distribution between plates, significantly improving heat flux density in heat exchangers.

This project has resulted in 16 core international patents and 52 national invention patents, as well as the revision and formulation of 12 industry and group standards. It represents substantial innovation in high-efficiency heat exchanger technology for NEVs, high-precision electronic expansion valve technology, compact thermal management valve island integration technology, and intelligent manufacturing systems for thermal management products, reaching an internationally leading level.



Intellectual Property Protection

Sanhua Intelligent Controls has established internal regulations such as the *Regulations of Intellectual Property*, the *Regulations of Patent Work*, and the *Regulations of Intellectual Property Rewards and Remuneration* to define the reward mechanisms for the application and authorisation of intellectual property rights such as patents, technical secrets, and software copyrights.

Technical personnel from each business unit are responsible for identifying intellectual property opportunities, compiling documents, submitting applications, and managing follow-up procedures. The development management department handles the registration, application, approval, and archiving of intellectual property rights.

In 2024, the Company invited external experts multiple times to provide training on Theory of Inventive Problem Solving (TRIZ) and conducted customised workshops on R&D project management and popularisation of intellectual property laws. These initiatives expanded employees' innovative thinking.

Case Patent Law Knowledge Training

In January 2024, following the enactment of the *Implementation Regulations of the Patent Law of the People's Republic of China* and the *Patent Examination Guidelines*, the Company promptly organised a training session to interpret the revision to the Patent Law, implementation regulations and examination guidelines. Nearly 60 key personnel responsible for intellectual property management and operations across various business units attended the training. The course covered revised provisions on patent applications, examinations, and rights protection, enhancing participants' ability to apply patent regulations in practice.

To ensure effective R&D management, the Company has established reasonable R&D targets and regular progress review mechanisms. It adopts the Objectives and Key Results (OKR) method to track the progress and achievement of R&D objectives and conducts monthly, quarterly, and annual assessments of technical R&D personnel. The Company continues to increase its investment in R&D related to clean technology, including R&D expenses in the fields of NEVs thermal management technology and eco-friendly refrigerant technology. The Company's strategic goal is to increase investment in R&D of clean technologies, and plans to increase R&D investment by more than 10% year-on-year in 2025 compared to 2024.

Intellectual Property Performance in 2024

Metrics	2024 Progress
Annual patent applications (units)	1,341
Annual patents granted (units)	460
Among them, invention patents (units)	185
Utility model patents (units)	223
Design patents (units)	52

05 Feature

Low-Carbon Transition and Climate Change Response

Topics

Responding to Climate Change,
Energy Management

SDGs



Carbon Neutrality Declaration

Committed to reducing carbon emission intensity by more than 30% from 2020 levels by 2030, achieving carbon neutrality by 2050, and striving for full product lifecycle carbon neutrality by 2060.

Responding to Climate Change

Faced with the severe challenges of global climate change, Sanhua Intelligent Controls recognises the profound impact climate change has on corporate operations, business expansion, and supply chain collaboration. The Company actively responds to China's "2030 Carbon Peaking and 2060 Carbon Neutrality" goals and strictly complies with local GHG emissions-related laws, regulations, and requirements. The Company proactively identifies climate-related risks and opportunities relevant to its business, incorporating climate change into its strategic planning and operational practices to effectively manage associated challenges and potential impacts.

The Company's current GHGs primarily stem from direct emissions from operations (e.g., combustion of gasoline, diesel, and natural gas), indirect emissions from purchased electricity and steam, and indirect emissions from value chain, including upstream leased assets, downstream transportation and distribution, and downstream leased assets.

Climate Change Management System

Governance

- Establish a climate change governance structure composed of the Board of Directors, the Strategy Management and ESG Committee and the ESG Working Group, formulate relevant management regulations.

Strategy

- Conduct comprehensive identification and analysis of key climate-related risks and opportunities through department interviews and expert assessments, evaluating their current and anticipated financial impacts on strategic planning and business models.

Impacts, Risks, and Opportunities Management

- Utilise a systematic process to identify, assess, prioritize, and monitor climate-related risks and opportunities, integrating them into the overall corporate risk management framework. The Strategy Management and ESG Committee reviews and approves all evaluations and analyses.
- Develop and implement systematic energy conservation and emission reduction projects, increasing R&D investments to lower the carbon footprint of products.

Metrics and Targets

- Track and analyse GHG emissions and other relevant metrics, and continue to track the progress of the Company's carbon reduction and carbon neutrality targets to evaluate the effectiveness of climate change management.

Climate Change Governance Structure

The Board of Directors, as the highest-level governing body, is fully responsible for formulating and overseeing climate-related strategies, targets, and policies to ensure alignment with the Company's long-term development goals. The Board conducts regular assessments of climate-related risks and opportunities, monitoring their potential impacts on the Company's long-term development.

The Strategy Management and ESG Committee conducts in-depth research on climate-related strategic issues and provides advisory recommendations to the Board. The Committee regularly reviews the execution of climate-related strategies and targets, promptly identifying and addressing implementation challenges while reporting progress to the Board.

The ESG Working Group is responsible for formulating detailed climate change response plans and action plans, coordinating departments to ensure effective execution of climate-related targets, and collaborating with business units to ensure company-wide implementation of climate initiatives while tracking and reporting progress across departments.

Climate Change Strategy

The Company follows the *International Financial Reporting Standards Sustainability Disclosure Standard No.2 – Climate-related Disclosure (IFRS S2)* framework for classifying and defining climate-related risks and opportunities, aligning with its business characteristics and market conditions. Based on likelihood of occurrence and extent of impact, the Company assesses and prioritizes the materiality of climate-related risks and opportunities, ultimately identifying two major risks and two major opportunities.



Dimensions of Climate-related Risk and Opportunity Assessment

<p>Time Horizon of Impact</p> <ul style="list-style-type: none"> Climate-related risks and opportunities are categorised into short-term (0–3 years), mid-term (4–10 years), and long-term (11–30 years) based on their expected impact period. <ul style="list-style-type: none"> Short-term: Focus on current climate change factors and trends, ensuring the effectiveness of the climate management system by improving the identification of compliance obligations, potential impacts, and immediate risks and opportunities. Mid-term: Address potential future developments, including new technology advancements, changes in environmental legislation and standards, and emerging market trends. Long-term: Consider broader climate change effects, such as increasing resource scarcity and social transformations, and evaluate their impact on the Company's long-term sustainability, business model, supply chain, and product lifecycle.
<p>Extent of Impact</p> <ul style="list-style-type: none"> Assess based on financial impact, regulatory and compliance requirements, and time horizon dimensions.
<p>Likelihood of Occurrence</p> <ul style="list-style-type: none"> Evaluate based on probability of occurrence, geographic factors, and industry relevance.

Climate-related Risks and Opportunities

Risk/Opportunity Type	Description	Affected Value Chain	Financial Impact
Physical - acute physical risk	Frequent extreme weather events (e.g., heatwaves, heavy rainfall, floods) may disrupt production facilities and supply chains, leading to delays in production and delivery, as well as additional repair costs.	Upstream value chain, self-owned operations, downstream value chain	<ul style="list-style-type: none"> Operating Costs: facility maintenance expenses increase Asset Depreciation: accelerated depreciation of infrastructure may lead to premature decommissioning
Transition – policy and regulatory risk	Policy-driven requirements for clean energy adoption may result in higher initial procurement costs for green electricity compared to traditional power sources, increasing overall operational costs.	Self-owned operations	<ul style="list-style-type: none"> Operating Costs: electricity expenses increase

Risk/Opportunity Type	Description	Affected Value Chain	Financial Impact
Policy and regulatory opportunity	The Company proactively complies with hydrofluorocarbon ("HFC") phase-out policies and collaborates with leading technology institutions to advance the development and application of eco-friendly alternatives.	Self-owned operations	<ul style="list-style-type: none"> Production Costs: R&D investment increases Revenue: revenue from related product sales increases
Market opportunity	The Company's proactive efforts in advancing NEVs thermal management system technologies align with the growing demand for low-carbon, high-efficiency solutions, enhancing its market competitiveness.	Self-owned operations	<ul style="list-style-type: none"> Production Costs: R&D investment increases Revenue: revenue from related product sales increases

Risks and Opportunities Management Mechanism

The Company has established a systematic process for identifying, assessing, prioritising, and managing climate-related risks and opportunities, fully integrating them into the overall corporate risk management framework. The Strategy Management and ESG Committee is responsible for reviewing and approving climate-related assessments and analyses to ensure the scientific accuracy and effectiveness of response measures.

Climate-related Risks and Opportunities Management Process



Climate Change Management Actions

The Company actively responds to climate change by implementing various measures to enhance risk management and climate resilience. In terms of risk response, the Company has developed detailed emergency response plans to ensure rapid action during extreme weather events, minimising production downtime and ensuring employee safety. For clean energy adoption, the Company has installed distributed photovoltaic ("PV") generation and energy storage facilities while purchasing green power certificates to support clean energy development and reduce carbon emissions. In the optimisation of energy management, the Company has introduced a smart energy system to monitor real-time energy consumption across business units, workshops, and high-energy-consuming equipment. This system aggregates and analyses total energy consumption and structure to improve overall energy efficiency.

The Company's eco-friendly refrigerant technology sector is susceptible to climate transition risks, while its NEVs thermal management technology sector aligns with climate-related opportunities. As climate risks intensify and demand for low-carbon technologies increases, the Company has adjusted its business model by expanding investments in low-carbon and eco-friendly technologies, enhancing the environmental sustainability of its products and services, and driving a transition toward greener and more sustainable business operations.

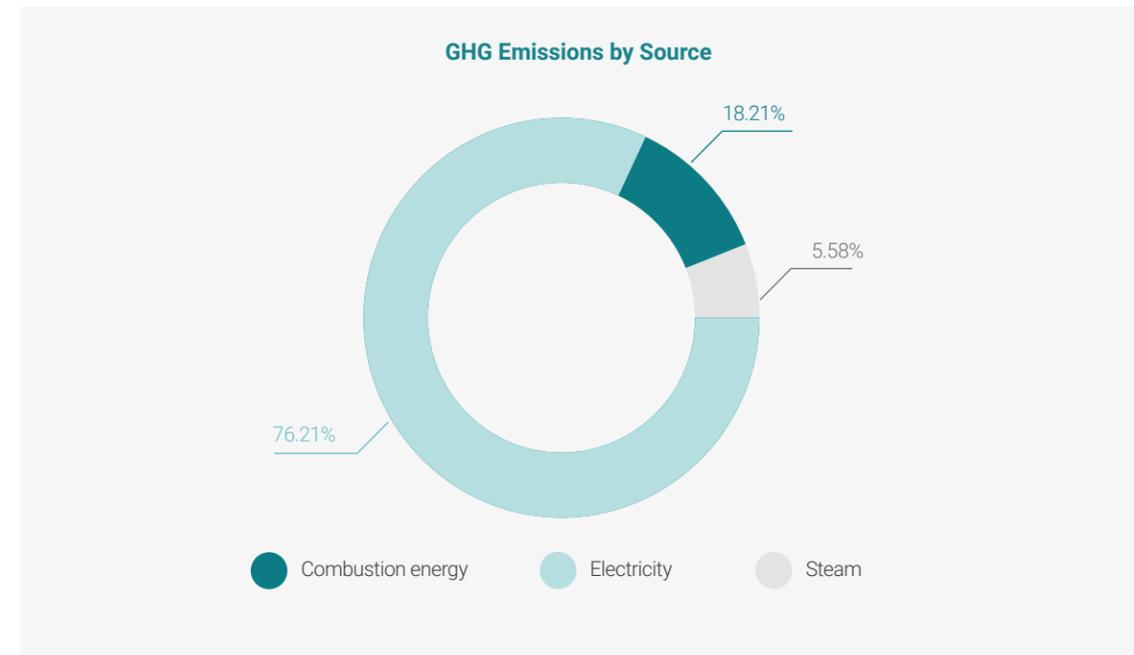
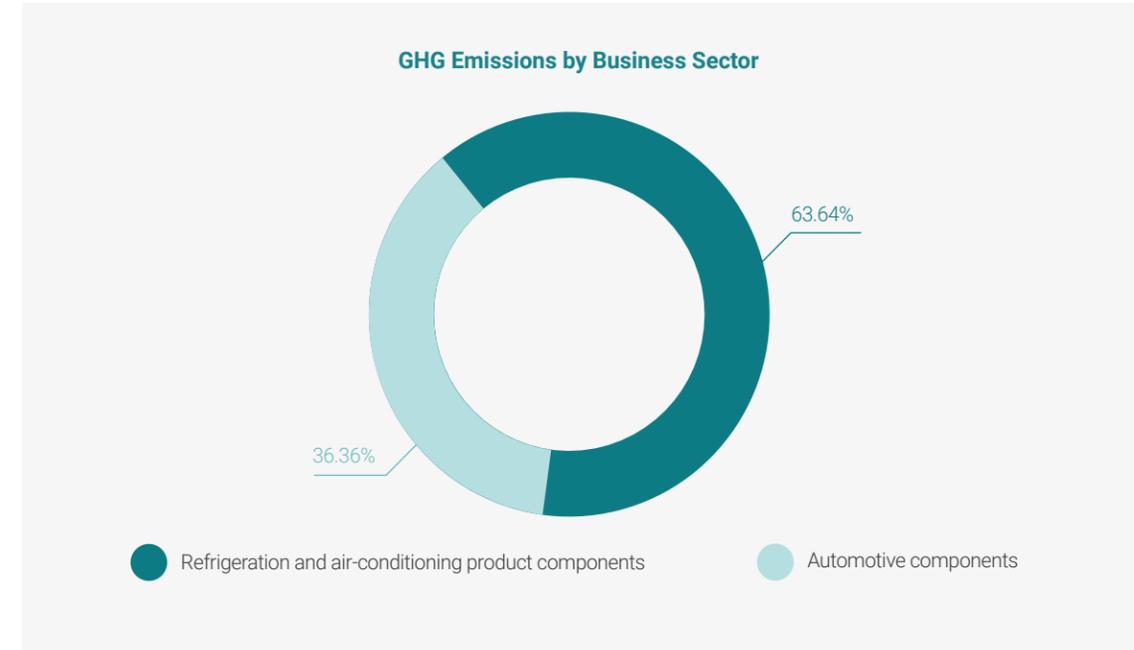
Climate Change-related Metrics and Targets

In 2024, the Company strategically set a GHG emissions reduction target of reducing carbon emission intensity by more than 30% from 2020 levels by 2030 and a long-term goal of achieving carbon neutrality by 2050 and striving for full product lifecycle carbon neutrality by 2060.

GHG Emissions in 2024

Metrics	2024 Progress
Total amount of GHG emissions (Scope 1 and Scope 2) (tCO ₂ e)	356,264.97
GHG emissions (Scope 1) (tCO ₂ e)	64,880.18
GHG emissions (Scope 2) (tCO ₂ e)	291,383.89
GHG emissions (Scope 3) (tCO ₂ e)	77,049.86
GHG emissions per unit of revenue (Scope 1 and Scope 2) (tCO ₂ e/RMB10,000)	0.127

GHG Emissions Distribution in 2024



A background image showing three men in business attire. One man in the foreground is looking at a laptop, while two others are looking at a screen in the background. The image has a blue overlay on the right side.

06

**Corporate Governance:
Transparency,
Responsibility, and Value**

Corporate Governance

Sanhua Intelligent Controls strictly complies with the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Self-regulatory Guidelines No. 1 for Companies Listed on Shenzhen Stock Exchange – Standardised Operations of Companies Listed on the Main Board* issued by Shenzhen Stock Exchange, and other relevant laws and regulations. The Company remains committed to corporate governance under the rule of law, laying a solid foundation for its development with a high-standard governance system.

Corporate Governance Management System

Governance

- Establish a corporate governance structure consisting of the Shareholders' Meeting, Board of Directors, Board of Supervisors, and Senior Management.
- The Board of Directors has four specialised committees: the Audit Committee, the Nomination Committee, the Remuneration and Evaluation Committee, and the Strategy Management and ESG Committee.

Strategy

- Identify corporate governance-related risks and opportunities, such as related party transactions, board independence, and conflict of interest.
- Strengthen board independence and enhancing conflict of interest management help improve transparency, build shareholder trust, and mitigate regulatory risks, thereby enhancing decision-making efficiency and compliance.

Impacts, Risks, and Opportunities Management

- Regularly evaluate the impact of legal and regulatory changes, shareholder expectations, and market trends on the corporate governance system, monitor related risks and opportunities, and develop response plans.
- Ensure continuous optimisation of the governance structure through periodic performance monitoring and strategic adjustments.

Metrics and Targets

- Review key governance metrics such as the number of information disclosure announcements and investor research activities to ensure timely and accurate disclosure, strengthening communication transparency.

Corporate Governance Structure

The Company has established a corporate governance framework centred on the Shareholders' Meeting, with the Board of Directors, Board of Supervisors, and Senior Management working together to ensure effective checks and balances. Internal governance policies such as the *Articles of Association*, the *Rules of Procedure of the Shareholders' Meeting*, the *Rules of Procedure of the Board of Directors*, and the *Regulations of Investor Relations Management* have been formulated to standardise corporate governance procedures, ensuring transparent and fair decision-making.

Corporate Governance Structure



The Shareholders' Meeting serves as the highest authority within the Company, responsible for reviewing strategic directions and major decisions to ensure operational transparency and maximise shareholder interests. The Board of Directors consists of 9 members, including 3 independent directors and 1 female director. To ensure professional specialisation and operational efficiency, the Board has established the Strategy Management and ESG Committee, the Audit Committee, the Nomination Committee, and the Remuneration and Evaluation Committee. The Board of Supervisors reports to the Shareholders' Meeting and supervises the performance of the Board of Directors and Senior Management, and actively monitors corporate operations, protects shareholder rights, and ensures that decision-making processes comply with legal and regulatory requirements.

According to the *Articles of Association*, the Company clarifies that the Shareholders' Meeting has the authority to elect and replace non-employee representative directors and supervisors in accordance with the law, and to decide on their remuneration matters. The Board of Directors and the Board of Supervisors propose a compensation plan, which is reviewed and determined by the Shareholders' Meeting regarding the amount and payment method of the compensation.

The Nomination Committee is responsible for nominating and electing Board members, ensuring that they possess professional expertise and extensive experience to effectively drive the Company's strategic initiatives. As of the end of the reporting period, the Nomination Committee comprised 3 members, including 2 independent directors, meeting corporate governance requirements and best practices to maintain the Nomination Committee's independence and impartiality.

2024 Directors, Supervisors, and Senior Management Composition & Meeting Summary

Board of Directors, Board of Supervisors, and Senior Management



Meetings of the Three Governing Bodies



In terms of compensation management, the remuneration package for executive directors includes base salary, performance-based salary, and position-related allowances/subsidies. To ensure alignment between the personal interests of directors and the Management with the Company's long-term development goals, their compensation policies are closely linked to the Company's sustainability and ESG objectives. The Board incorporates the Company's ESG performance into the Management's performance evaluations, including safety production (e.g., workplace injury rate) and compliance and internal control performance (e.g., audit issue rectification rate), which serve as key factors in determining executive compensation.

Information Disclosure and Investor Relations Management

In terms of information disclosure, the Company has designated *Securities Times*, *Shanghai Securities News*, and CNINFO website as its official disclosure channels to ensure authenticity, accuracy, timeliness, and accessibility of corporate information. Additionally, the Board Secretary is responsible for managing investor relations, organising and implementing daily investor relations management, and responding to investor inquiries through phone, email, and the interactive platform. These efforts strengthen communication with investors and fully safeguard their right to information. In 2024, the Company published 196 announcements and other disclosures via public channels and responded to 108 investor inquiries on the interactive platform.

The Company has established a reasonable profit distribution policy to ensure that dividend payments align with its long-term development strategy. Based on business performance, capital needs, and shareholder returns, the Company will reasonably arrange cash dividends, continuously enhancing shareholder returns and corporate value.



Risk and Compliance Management

Sanhua Intelligent Controls strictly adheres to the *Audit Law of the People's Republic of China*, the *Basic Internal Control Norms for Enterprises*, the *Provisions of the National Audit Office on Internal Auditing*, and other relevant laws and regulations. The Company has established internal policies, including the *Internal Audit System* and the *Regulations of Contract Management*, to ensure that risk and compliance management is standardised, scientific, and efficient, safeguarding the Company's compliant operations.

Risk and Compliance Management Mechanism

The Company has established a risk and compliance management structure comprising the Board of Directors, Audit Committee and Internal Audit Office, with clearly defined responsibilities. The Audit Committee is responsible for supervising and evaluating the Company's risk compliance management and internal control procedures, including monitoring the internal control system and reviewing key findings from risk compliance investigations. The Audit Committee reports to the Board of Directors on progress, quality, and significant issues discovered in risk management and internal control work. The Internal Audit Office is responsible for implementing the directives of the Audit Committee, conducting internal control assessments, identifying and evaluating potential risks, and ensuring the effectiveness and compliance of the internal control system through periodic audits. It also provides timely recommendations for continuous improvement.

The Company has implemented a "Three Lines of Defence" mechanism for risk and compliance management, ensuring comprehensive and effective risk identification, assessment, and response.

"Three Lines of Defence" Risk and Compliance Management System



Risk and Compliance Management Actions

The Company identifies, monitors, and inspects compliance risks throughout its production and operations in a timely manner through legal professional work such as contract review and dispute resolution, systematically reviewing potential risk issues and providing targeted improvement suggestions based on identified issues. At the beginning of the year, a plan is formulated to conduct overall research on risk issues and carry out specific compliance work, providing special compliance suggestions and improvement plans to promote the overall compliance of the Company.

To further strengthen compliance awareness, the Company formulates a training plan at the beginning of the year, and regularly organises regulatory training sessions to communicate the latest legal and compliance requirements to all employees, so as to enhance the employee's ability to mitigate legal risks and maintain compliance, ensuring that all business activities adhere to relevant laws, regulations, and industry standards. This approach minimises compliance risks and supports the Company's sustained and healthy development.

To foster a strong compliance culture, the Company conducts compliance awareness training for employees in key positions and has established a legal compliance section on the "Sanhua E-Learning Platform", where compliance training materials and a business-related legal and regulatory database are available for employees. Additionally, the Company has launched a Legal Compliance Knowledge Portal on its OA system, featuring regular or timely release of compliance news, guidelines, and management policies to guide compliance execution and promote compliance culture.

In 2024, the Company

conducted **26** training sessions covering risk management, compliance management, and legal education.

Approximately **3,000** employees were covered.



Business Ethics

Sanhua Intelligent Controls places great emphasis on business ethics management and strictly complies with the *Criminal Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, the *Anti-monopoly Law of the People's Republic of China*, the *Anti-Money Laundering Law of the People's Republic of China*, and other relevant laws and regulations. The Company maintains a zero-tolerance policy toward corruption and takes all necessary measures to prevent and combat unethical practices. In 2024, the Company did not experience any violations related to anti-bribery, anti-corruption, or anti-unfair competition regulations.

Business Ethics Management System

Governance

- Establish a business ethics management structure comprising the Board of Directors, the Audit Committee, the Legal, Audit, and Compliance Departments and formulate an integrity management system.

Strategy

- Identify business ethics-related risks and opportunities, including corruption risks, unfair competition risks, and money laundering risks.
- Improving whistleblowing channels and conducting integrity training requires additional management costs and operational complexity, but also enhances transparency, builds stakeholder trust, and reduces legal and compliance risks.

Impacts, Risks, and Opportunities Management

- Use audits, employee feedback, and risk assessments to identify potential integrity risks in business operations, particularly in project audits, supply chain management, and sensitive positions.
- Regularly conduct unfair competition risk assessments to prevent behaviours related to unfair competition and monopoly.

Metrics and Targets

- Cover signing rates of employee and supplier integrity agreement and audit coverage of high-risk positions.

Business Ethics Governance

The Company has established a business ethics governance structure based on the Board of Directors, the Audit Committee, and the Compliance, Audit, and Legal Departments framework. The Board of Directors shall assume the ultimate responsibility for the Management, implementation and supervision of business ethics. Based on the internal policies such as the *Agreement of Employees' Integrity*, the *System of Integrity Return Visit*, and the *Cooperation Agreement of Integrity*, the roles and responsibilities of each department are clearly defined to ensure effective and systematic business ethics governance.

In 2024, the Company published the *Sanhua Intelligent Controls Business Ethics Statement*, reaffirming its strong commitment to ethical business practices. This statement not only reflects the Company's dedication to responsible operations but also provides clear behavioural guidelines for employees, business partners, and customers.

Business Ethics Management Mechanism

The Company conducts business ethics audit at all operations and comprehensively identifies integrity risks through audits and supervision to ensure that risk assessments cover all business units. Anti-corruption measures are embedded in annual project audits and exit audits, allowing the Company to identify potential issues in sensitive positions and key business areas and implement targeted supervision plans. The Internal Audit Office regularly conducts anti-corruption audits, proactively identifying fraud risks and ensuring swift investigation and resolution of detected issues.

The Company regularly reviews the business ethics policies and their implementation, launches accountability and punishment procedures for employees who violate the regulations on business ethics, and imposes verbal criticism, disciplinary review, and termination of employment, depending on the severity of the violation.

Employee Integrity Management

The Company conducts ongoing integrity training and awareness publicity for all employees to reinforce ethical and compliance awareness, ensuring that employees fully understand and adhere to business ethics requirements. In 2024, the Company conducted 8 business ethics training sessions. For high-risk areas such as infrastructure projects, the Company implemented special supervision programs to strengthen integrity and compliance management.

To enhance transparency, the Company has established multiple reporting channels, enabling employees and external partners to report ethical concerns anonymously. The Company strictly protects whistleblower information at every stage, including reporting, registration, record-keeping, and investigation. In 2024, the Company received 12 internal and external reports through its whistleblowing program.

Supply Chain Anti-Corruption Management

In supply chain anti-corruption management, the Company requires all suppliers and subcontractors to sign the *Cooperation Agreement of Integrity* to ensure that the cooperation of suppliers, partners, and other third parties always comply with the Company's anti-corruption requirements. At the same time, the Company visits suppliers, and timely understands and grasps the staff dynamics of the procurement system. Anti-corruption policies and requirements are embedded in the third-party due diligence process. The Company conducts strict background checks and risk assessments before establishing partnerships, particularly concerning anti-corruption compliance. Contract clauses explicitly require third parties to comply with the Company's anti-corruption policies.

Anti-Unfair Competition Management

Preventing and managing unfair competition is a key focus of the Company's compliance management system. The Company has implemented a systematic risk assessment mechanism to analyse potential unfair competition risks in core business operations, supply chain collaborations, and market competition, including risks related to price manipulation, market monopolies, and exclusionary agreements. The Company conducts continuous compliance oversight and regular reviews, ensuring that all business activities comply with fair competition requirements.

To effectively manage unfair competition risks, the Company provides legal training to all employees, covering the clear definition and typical cases of the crime of infringing trade secrets in relevant laws and regulations to improve employees' legal awareness. Employees are required to sign confidentiality agreements, explicitly prohibiting the disclosure, use, or illegal sharing of trade secrets, as well as stealing or transmitting trade secrets to competing entities.

The Company conducts specialised training for key positions (e.g., sales, marketing, and procurement teams) to ensure full understanding of legal obligations and compliance requirements. A dedicated compliance advisory channel is available for employees to seek guidance on competitive business interactions.

Business Ethics Metrics and Targets in 2024

Metrics	2024	Target
Employee signing rate of the <i>Employee Integrity and Self-Discipline Agreement</i> (%)	100	100
Proportion of procurement personnel receiving anti-corruption training (%)	100	100
Supplier signing rate for the <i>Integrity and Self-Discipline Cooperation Agreement</i> (%)	100	90
Audit coverage of business conduct risks in high-risk positions (%)	100	100



07

Foundation of Trust: Quality, Safety, and Security

Product and Service Safety and Quality

Sanhua Intelligent Controls strictly complies with the *Product Quality Law of the People's Republic of China*, the *Metrology Law of the People's Republic of China*, the *Standardisation Law of the People's Republic of China*, and other relevant laws and regulations. The Company has established a comprehensive quality management system and implements comprehensive quality control to ensure that products meet national, industry, and customer requirements. In 2024, the Company did not experience any product recalls due to safety or health concerns related to sold or shipped products.

Product and Service Safety and Quality Management System

Governance

- Establish a product and service management structure comprising quality, production, process, and technical departments, each responsible for quality management at different stages, including development, design, raw materials, manufacturing, and final product release.

Strategy

- Timely identify external market and regulatory requirements, assess internal operational risks related to product quality and their potential impacts and develop proactive response strategies.

Impacts, Risks, and Opportunities Management

- Strengthen end-to-end quality control and customer complaint resolution and implement activities including enhancement of quality mechanism, quality management training, etc.
- Strictly control hazardous substances in products in accordance with *QC080000 Hazardous Substance Process Management Standard*, *GB/T 3051-014 Automotive Restricted Substances Requirements*, *EU RoHS* and *REACH* regulations, etc.

Metrics and Targets

- Cover key metrics such as number of complaints against products and complaint handling rate.



Product and Service Management Structure

The Company has established a product quality and customer service management structure led by the quality, production, process, and technical departments. The Quality Management Department is responsible for formulating non-conforming product and hazardous substance management policies. The Production & Manufacturing Department manages identification, isolation, and review of non-conforming products during the production process. The Sales, Marketing, and Quality Management Departments oversee pre-sales, in-sales, and after-sales service, ensuring high product quality and customer satisfaction.

The Company has established internal regulations such as the *Product Customer Complaint Information Feedback and Handling Process* and the *After-Sales Service Control Procedures*. It has also developed a four-level quality system framework consisting of Quality Manual, Regulations, Control Procedures, Standardised Forms. In 2024, the Company passed ISO 9001 Quality Management Systems Certification and IATF 16949 Automotive Industry Quality Management System Certification.

| Product Quality and Safety

Product Quality Strategy

Based on the internal operations, the Company proactively identifies external market and regulatory requirements, assesses quality risks and potential opportunities, and develops corresponding response strategies. Each identified risk/opportunity is assigned to a responsible department with a defined response timeline.

Product Quality and Safety Risks and Opportunities

Risk/Opportunity Type	Description	Financial Impact
Market Risk	Poor product quality management – including design flaws, technical bottlenecks in manufacturing processes, or unresolved human-caused quality issues – may lead to a decline in customer satisfaction and lost orders.	<ul style="list-style-type: none"> Operating costs increase Revenue decreases
Product Opportunity	According to EU regulations, traditional R32 refrigerants are being phased out, while R290 refrigerants, with extremely low global warming potential (GWP), are emerging as the primary alternative. This shift presents an innovation opportunity for the Company, helping it gain a first-mover advantage in new refrigerant technology, comply with stricter environmental regulations, and enhance market competitiveness.	<ul style="list-style-type: none"> Operating costs increase Revenue increases

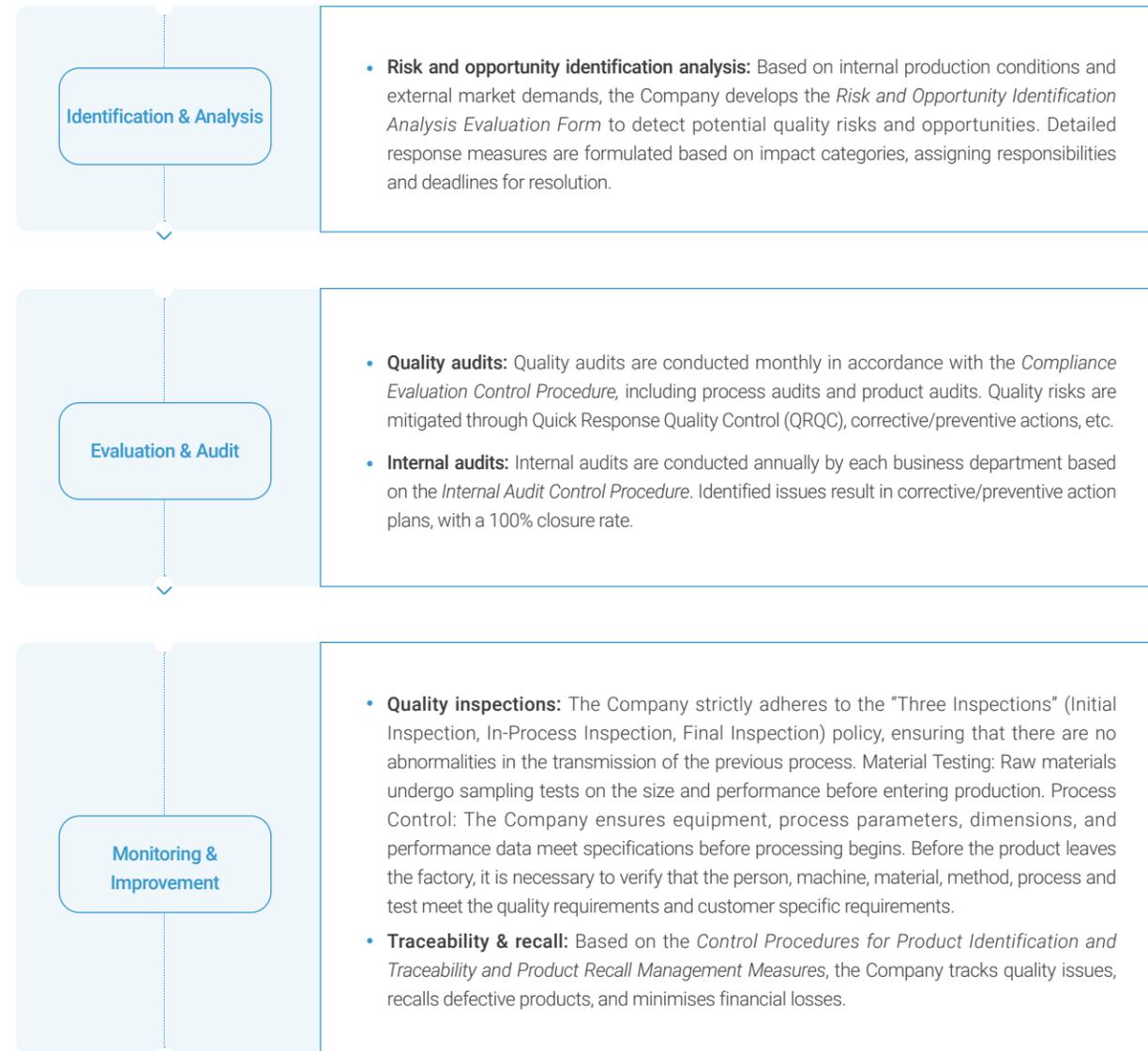
2024 Product Quality and Safety Risk Rectification Plan (Example)

Stage	Risk Description	Response Measures	Completion Status
Human-Caused Quality Issues	Employees lack quality awareness and do not fully adhere to process discipline, leading to repeated human-caused defects.	<ul style="list-style-type: none"> Conducted strict process discipline inspections. Required new employees to undergo standardised training and pass assessments before starting work. 	Completed
After-Sales Quality Issues	Abnormal low-temperature startup for 10P units.	<ul style="list-style-type: none"> Upgraded software version, advanced sampling timing by 500ns during open-loop drive phase, and adjusted current loop bandwidth. 	Completed

Product Quality and Safety Management Process

The Company has established a comprehensive product quality and safety management process, covering 19 key control stages, including contract review, design and development, production process control, product delivery, product monitoring and measurement, and non-conforming product control.

Product Quality and Safety Management Process



In 2024, the Company continuously improved its product quality management standards and levels by strengthening policy standards, enhancing quality training, and facilitating supplier quality management.

Key Initiatives of Product Quality and Safety Management in 2024

Strengthening Policy Standards

- Updated the *Quality Manual* to align with external laws and regulations and improved the scope of application and business scenarios of the quality management system.
- Revised the *Non-Conforming Product Management Process*, introducing Non-Conforming Product Identification Cards and Pending Processing Product Identification Labels to improve control over incoming material inspections and defect notifications.
- Optimised daily management document templates, including the *Rework & Scrap Record Form*, *Non-Conforming Product Disassembly Ledger*, and *Daily Production Defect Report*, etc.

Enhancing Quality Training

- Conducted continuous quality improvement training for all business units, covering internal auditor training, the Five Core Tools of the Automotive Industry, quality problem solving tools and report (8D Report, 8 Disciplines Problem Solving Report) usage skills, product application, failure mode analysis, etc.

Supplier Quality Management

- Conducted monthly supplier quality evaluations. Organised supplier conferences, quality review meetings, and quality support programs to ensure alignment with the Company's quality standards.

Each year, the Company establishes quality improvement activity targets and plans, tracking project progress monthly through three key initiatives: Quality Control Circles (QCC), KICCHIRI Standardised Quality Management (Keep Improvement for Customer's Confidence, Harmony, Innovation, Reliability, and Integrity), Defect-Free Production Program. These initiatives aim to enhance employees' quality awareness and solidify quality improvement results.



Quality System Learning Map Co-Creation Workshop



QCC Quality Improvement Results Presentation

2024 Quality Improvement Milestones



4DI Virtual Soldering Defect Reduction



Assembly Operations Optimisation



ACC Laser Welding Quality Enhancement



UV Coating Defect Reduction



17WG2 Stator Injection Moulding Optimisation



PCB Screw Tightening Quality Improvement

Case Training Program for Enhancing Quality Management System Effectiveness

In 2024, the Company organised a two-day training program titled "Enhancing Quality Management System Effectiveness – R&D Quality Management Training". The training covered core R&D processes, including Product Planning & Technology Planning, Function Definition & Breakdown, Design Control (Review, Validation, and Verification), Product Safety & Special Characteristics Classification, Manufacturing Design & Validation, Supplier Development, Product & Process Changes, etc. This program helped employees gain a comprehensive understanding of full-process quality management in product design and development.



Customer Relationship Management

The Marketing, Sales, and Quality Management Departments of Sanhua Intelligent Controls are responsible for pre-sales, in-sales, and after-sales customer management. In 2024, the Company revised the *Product Customer Complaint Information Feedback and Handling Process* and optimised the *Problem Resolution and Escalation Management Process* by refining the classification criteria for issue severity levels. The process now includes escalation or de-escalation requirements at three key stages: process initiation, root cause analysis, and responsibility determination. Customer complaints are categorised by severity into Major, Important, A-Category, B-Category, and C-Category quality issues. Each complaint is logged into the OA system as a *Customer Quality Information Feedback Form*, which enables full-process online tracking until the issue is resolved.

| Customer Service Management Process

The Company has established a comprehensive global after-sales service network, enabling customers to report product quality issues through official after-sales service channels. After-sales personnel can promptly dispatch professional technical experts for on-site assessment, sample analysis, and failure investigation, assisting customers in conducting failure analysis and issue resolution.

Customer Complaint Handling Process



Customer Service Metrics and Targets in 2024

Metrics	2024	Target
Complaint handling rate (%)	100	100

Hazardous Substance Management

Sanhua Intelligent Controls complies with the QC080000 *Hazardous Substance Process Management Standard*, GB/T 3051-014 *Automotive Restricted Substances Requirements*, the *EU RoHS Directive (Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment)*, and the *EU REACH Regulation (Registration, Evaluation, Authorisation, and Restriction of Chemicals)*, as well as other relevant laws and regulations.

In 2024, at the request of external customers, the Company conducted Responsible Business Alliance ("RBA") audits and Responsible Supply Chain Initiative ("RSCI") audits to assess social responsibility compliance in the electronics industry. During production, the Company strives to use raw materials with minimal hazardous substance content, such as lead-free, no-clean solder paste, to reduce air pollutant emissions and mitigate occupational health risks in the workplace.



Cyber and Information Security

Sanhua Intelligent Controls strictly abides by the *Data Security Law of the People's Republic of China*, the *Personal Information Protection Law of the People's Republic of China* and other laws and regulations. The Company prioritises confidentiality and information security for customers, employees, and suppliers and continuously improves its information security management system. In 2024, the Company did not experience any information security breaches or customer privacy leaks.

Cyber and Information Security Management System

Governance

- Establish a management structure consisting of the Information Management Centre and IT Departments across all business units.
- Each business unit is assigned with ITBPs to coordinate between IT and business departments.

Strategy

- Identify operation risks, trade secret leakage risks, market opportunities, and product opportunities. Enhance information security capabilities and implement digital tools to mitigate risks and improve competitiveness.

Impacts, Risks, and Opportunities Management

- Conduct regular system audits and special audits across business units to assess compliance with ISO 27001 and internal management system requirements.
- Perform third-party information security due diligence and standardise data retention and time recording.

Metrics and Targets

- Cover key metrics such as information security audits, data and privacy breaches, information security training, etc.



Information Security Management Structure

The Company has established a management structure consisting of the Information Management Centre, and IT Departments across all business units, and has implemented strict secure use and management of information networks security, establishing a four-level system consisting of Management System, Regulations, Management Standards and Evaluation Forms. To safeguard information security, the Company employs data encryption, access control, security auditing and monitoring, desktop management controls, and private cloud. In 2024, the Company passed ISO 27001 Information Security Management System certification.

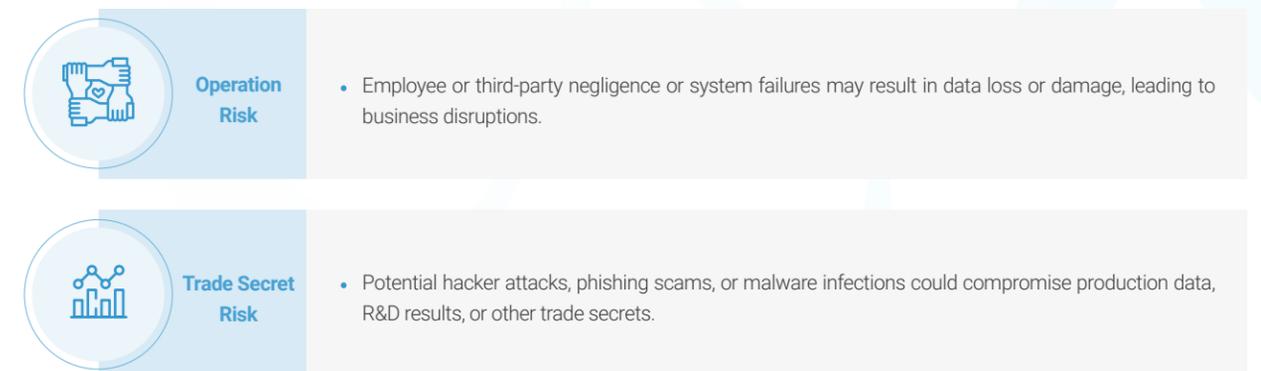
Cyber and Information Security Management Policy



Information Security Strategy

The Company closely monitors external cybersecurity threats and regulatory changes, continuously identifying information security risks and potential opportunities. To address risks such as operational disruptions and trade secret leaks, the Company has developed response strategies, clearly defining responsibilities and deadlines for each department. This ensures effective management of information security, reduces risk impacts, and enhances market competitiveness.

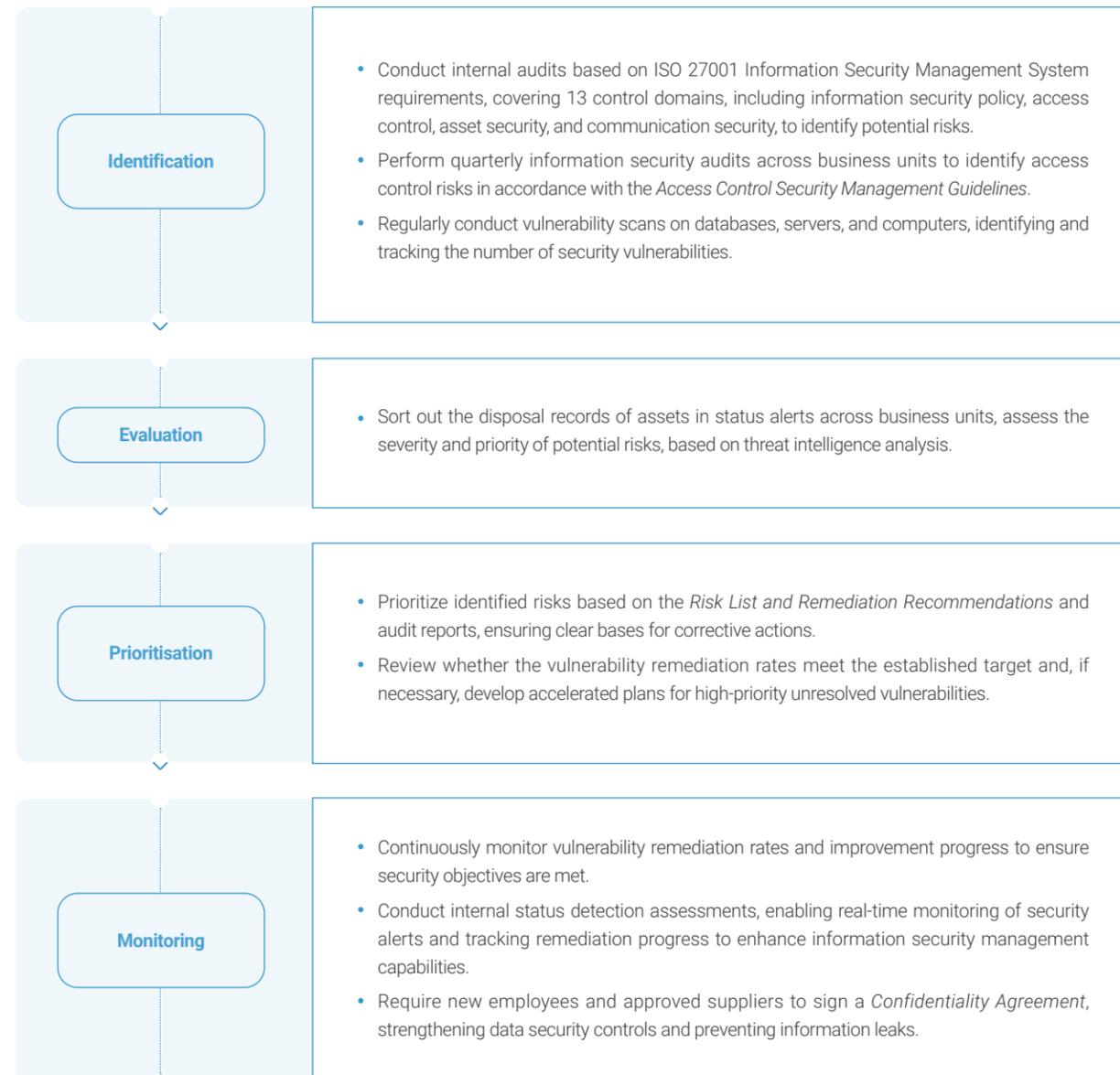
Cyber and Information Security Risks



Information Security Risk Management Mechanism

The Company follows the *Information Security Risk Management Procedures* and the *Internal Information Security Audit Procedure*, conducting regular system audits and special audits across business units, to evaluate whether the Company's R&D, production, and other OA management systems, as well as the operational procedures of relevant personnel, comply with ISO 27001 and internal management systems requirements.

Cyber and Information Security Risk Management Process



2024 Risk List and Remediation (Example)

Controlling Point	Audit Results	Risk Assessment	Remediation Measures	Completion Status
Passwords	Employees were found using weak passwords and enabling password auto-save.	Risk of unauthorised access via brute-force attacks.	Require strong passwords and disable password auto-save.	Completed
Unattended User Devices	Office computers have auto-lock enabled, but employees fail to manually lock screens when leaving their desks.	Risk of leakage of production, R&D, and employee personal data.	Employees must ensure their computers are password-protected when unattended.	Completed

Information Security Due Diligence

Sanhua Intelligent Controls considers third-party information security due diligence as a critical component of supply chain and partner management. The Company has established and implemented a Third-Party Information Security Due Diligence Procedure under the *Supplier Security Management Procedure* to ensure that all collaborations with suppliers, partners, and service providers comply with applicable information security laws, regulations, and internal policies.

Before establishing partnerships, the Company conducts information security risk assessments on all third parties, evaluating data protection capabilities, cybersecurity measures, and compliance status. During partnerships, the Company performs regular audits, questionnaire surveys, and on-site inspections to continuously monitor third-party information security management practices.

Information Retention and Record Management

The Company has developed and implemented a comprehensive record retention plan, ensuring that business, financial, and compliance records are managed in accordance with legal requirements and industry standards.

The plan clearly defines the retention periods, storage requirements, and disposal procedures for different types of records, including business contracts and agreements (all customer and supplier contracts are retained for 10 years after contract termination), personnel records (employment contracts, salary records, and training archives are retained for 5 years after employee departure), and environmental and compliance records (emission data, energy usage, environmental impact assessments documents are retained for at least 5 years), ensuring data completeness, traceability, and security.

| Employee Information Security Training & Awareness

In 2024, the Company conducted information security training and campaigns for new employees and technical personnel through various formats, including monthly email updates featuring data breaches and privacy leak cases, security reminders displayed on personal computer desktop calendars, periodic security-related wallpapers automatically pushed to employee computers, and E-learning online courses.



Security Reminder on the Desktop Wallpaper – Weak Password Protection



Security Reminder on the Desktop Calendar – Third-Party Network Access Security

In the process of using the office collaboration OA system, employees are required to input personal information (including employee birthdays, phone numbers, home addresses, ID card numbers, etc.). To fully respect and protect employees' personal information, the company sends an "OA System Employee Information Collection Notice" and "Visitor Internet Access Authentication Disclaimer" to all employees, outlining the purpose, scope, usage, and corresponding protective measures for collecting employee personal information, in order to obtain employees' consent before gathering any information.

Cyber and Information Security Metrics and Targets in 2024

Metrics	2024	Target
Customer complaints related to information security and privacy breaches (cases)	0	≤2
Critical information security incidents, major information security incidents (cases)	0	≤1
Number of information security training attended by all technical personnel	5	≥1
Core business system availability (%)	100	≥99.9

Sustainable Procurement

Sanhua Intelligent Controls not only focuses on the stability and security of the supply chain but also considers suppliers' ESG performance as one of the key evaluation criteria. The Company emphasises on reviewing suppliers' policies and practices in reducing environmental impact and safeguarding labour rights to ensure compliance with the Company's requirements and standards.

Sustainable Procurement Management System

Governance

- The Strategy Procurement Centre is responsible for the construction and implementation of the Company's procurement system regulations and processes, promoting the informatisation of procurement processes, identifying and developing core procurement competencies, etc.
- The Procurement Departments in business units are responsible for the specific work of supplier management and procurement.

Strategy

- Identify key risks, including operation risks, policy and regulatory risks, and analysing potential impacting factors based on external market conditions and internal operations.

Impacts, Risks, and Opportunities Management

- Ensure supplier compliance and risk control through stringent supplier management processes.
- Conduct annual audits and on-site audits of qualified suppliers to ensure their compliance in terms of environmental, labour, and business ethics.
- Implement incentive mechanisms to prioritise outstanding suppliers for new projects, regularly evaluating supplier performance, and promoting continuous optimisation and compliance management of the supply chain.

Metrics and Targets

- Cover metrics and targets such as the proportion of key suppliers assessed for social responsibility and sustainable procurement training, etc.

| Supply Chain Management Structure

The Company clearly stipulates that the Strategy Procurement Centre is responsible for promoting procurement activities, including constructing and implementing procurement system regulations and processes, promoting procurement informatisation, and identifying and developing core procurement competencies, etc., to promote the efficient implementation of related work of the procurement system. The Procurement Departments set up by various business units are responsible for supplier management, material inspection, optimising procurement processes and informatisation, formulating and executing material procurement strategies, and ensuring that the Company's production and development needs are met.

The Company has formulated internal regulations such as the *Procurement Execution Management Process*, the *Regulations of Supplier Designation*, the *Regulations of Supplier Performance Evaluation*, and *Procurement Control Procedures*. These regulations clearly define procurement processes, supplier selection, and evaluation standards to ensure long-term partnerships with qualified suppliers while enhancing supply chain efficiency and quality.

| Supply Chain Management Strategy

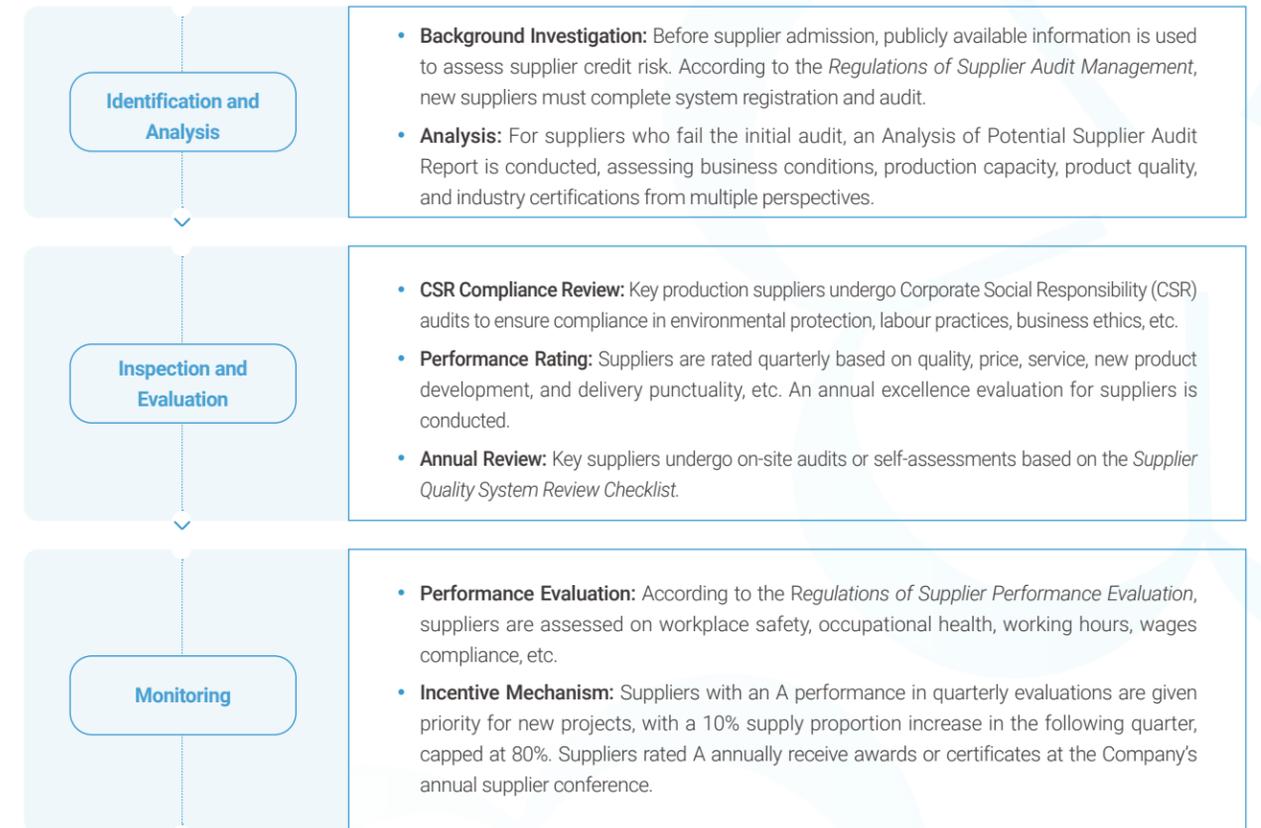
The Company improves procurement and logistics management efficiency through digital systems and proactively addresses risks and opportunities in supply chain management. The Company's Supplier Relationship Management (SRM) platform covers supplier management, demand management, price management, execution coordination, and financial coordination, etc., helping to reduce risks related to supply chain disruptions or non-compliance while enhancing collaboration efficiency within the supply chain.

For finished goods shipment operations, the Company has introduced the Order to Warehouse System (OTWB), which manages orders, transportation, and costs to optimise business processes and reduce risks in transportation and inventory management.

Supply Chain Risks

Type	Description	Financial Impact
Operation Risk	If raw and auxiliary materials fail to arrive on time due to market fluctuations, natural disasters, transportation issues, or supplier-related problems, it will impact the Company's production schedule.	<ul style="list-style-type: none"> Revenue decreases
Policy and Regulatory Risk	If labour rights violations (such as child labour, forced labour, or unfair compensation) exist in the supply chain, the Company's reputation may suffer, leading to customer loss, legal disputes, and other issues.	<ul style="list-style-type: none"> Operational costs increase

Supply Chain Risk Management Process



| Supply Chain ESG Management

The Company signs agreements with suppliers such as the *Supplier Code of Conduct*, *Basic Supply Agreement*, *Cooperation Agreement of Integrity*, and *Environmental and Safety Agreement*, which include ESG-related provisions to ensure suppliers fulfil their environmental and social responsibilities. At the same time, the Company emphasises the diversification of suppliers and advocates prioritising cooperation with supplier enterprises owned by minority/disadvantaged groups and women. The Company organises regular training for internal procurement personnel on hazardous substances and management systems such as ISO 14001, ISO 45001, and SA8000 to strengthen their sustainability capabilities.

The Company actively pays attention to the performance of suppliers in terms of ESG, and explicitly incorporates ESG-related factors into standards such as supplier admission evaluation, annual audit, etc. Among them, the Company actively promotes the control of hazardous substances in the supply chain, the reduction of pollutants and hazardous waste, and explicitly includes provisions related to hazardous substances in the supplier CSR audit checklist and performance rating system, which include prohibiting illegal discharge of hazardous substances such as wastewater, exhaust gas or waste residue, etc., continuously monitoring and effectively treating hazardous wastewater and exhaust gas, properly handling hazardous solid waste, striving to reduce toxic emissions in the supply chain, etc.

The Company requires suppliers and subcontractors to sign the *Cooperation Agreement of Integrity*, and the audit department conducts special audits on fraud risks in business projects. The Company also signs *Recycling Agreements* with suppliers dealing with hazardous chemical packaging and *Hazardous Substance Guarantee Agreements* with suppliers handling toxic and hazardous substances to ensure supply chain safety and environmental compliance.

| Conflict Minerals Management

Regarding conflict minerals management, the Company requires suppliers to sign the *Supplier Code of Conduct*, which includes relevant clauses on conflict mineral management to ensure all suppliers understand and comply with the conflict minerals policy. The Company requires suppliers to cooperate with their upstream supply chain to trace the sourcing of “gold, tungsten, tantalum, and tin” to the smelting level. For suppliers identified as having potential conflict mineral risks, corrective actions must be taken to ensure compliance. Suppliers who are unable to make corrections will have their supply qualifications suspended or revoked.



08

Social Value: Respect, Development, and Contribution



Labour Rights and Talent Retention

Sanhua Intelligent Controls strictly adheres to the *Civil Code of the People's Republic of China*, *Labour Law of the People's Republic of China*, *Labour Contract Law of the People's Republic of China*, *Law of the People's Republic of China on the Protection of Rights and Interests of Women*, *Special Rules on the Labour Protection of Female Employees*, and other relevant laws and regulations. It also follows international conventions related to labour rights, such as the *United Nations Global Compact* and the 10 core conventions of the International Labour Organisation, including the *Equal Remuneration Convention*, *Minimum Age Convention*, *Worst Forms of Child Labour Convention*, *Discrimination (Employment and Occupation) Convention*, *Forced Labour Convention*, *Abolition of Forced Labour Convention*, *Occupational Safety and Health Convention*, *Freedom of Association and Protection of the Right to Organise Convention*, *Right to Organise and Collective Bargaining Convention*, *Promotional Framework for Occupational Safety and Health Convention*, covering working hours, salary and benefits, work safety, prohibition of child labour and forced labour, etc.

In 2024, the Company did not experience any incidents of legal penalties related to labour standards, including employee recruitment and dismissal, working hours and leave, promotion and equal opportunity, nor any violations regarding child labour or forced labour.

The Company has formulated internal regulations such as the *Employee Handbook and Quota-based Employees Regulations*, which ensure strict compliance with national standards and regulations in employment, salary and working hours, social security, health and safety, training, etc. These measures continuously improve employee protection mechanisms and effectively safeguard the legal rights of employees.

In 2024, the Company established and publicly disclosed the *Sanhua Intelligent Controls Labour and Human Rights Statement*, which clearly outlines the Company's commitments and measures regarding working hours, compensation, employee diversity, discrimination, equality, and development. The Company ensures equal treatment of all candidates, with no discrimination in employment, compensation, training, or promotion opportunities based on race, religion, gender, nationality, age, marital status, or disability, etc. The Company's human resources management system also implements the function of ID card reading to verify the identity of new employees, ensuring that employees are over 18 years old before being hired. In 2024, the Company set a diversity target for its workforce, which is the proportion of female employees reaches 38% by 2030, up from 34% at the end of the reporting period.

Employee Employment and Rights Management System



Working Hours and Compensation

- The Company contributes to all employees' social insurance and housing fund and provides fair compensation, adequate rest time, and a safe and comfortable workplace.
- Salaries are paid on time monthly, with clear communication about the salary structure and calculation methods. Employees can view their salary details, including performance, allowances, bonuses, social insurance, housing fund, and taxes, etc., through the human resources management system.



Female Employee Protection

- In compliance with legal requirements, the Company has set regulations for female employees during pregnancy, maternity leave, and breastfeeding, ensuring no discrimination or unjust salary reduction during these periods.

| Employee Compensation and Performance

The Company has established a scientific and comprehensive performance evaluation system based on the principles of gender equality, equal pay for equal work, and distribution according to labour. Performance evaluations for management at all levels are linked to the Company's business objectives, and the Company offers a reasonable salary structure with competitive compensation levels. The Company is committed to creating a community where employees and the Company share common interests, striving to inspire employees' creativity and enthusiasm.

Variable performance pay is included in the salary structure for all employees, including the Management, production workers, sales, and functional positions, etc. Variable performance compensation is dynamically adjusted based on individual performance and the Company's overall business performance, ensuring fair and just compensation distribution. Additionally, the Company actively promotes employee stock incentive plans. In 2024, the Company granted 24.91 million restricted stock units to 1,933 participants through its restricted stock incentive plan, and 560,000 stock appreciation rights to 47 foreign or overseas work recipients through a stock appreciation right incentive plan, accounting for approximately 10% of the total number of employees at the end of the reporting period, promoting the joint development of the Company and its employees.

| Employee Communication and Engagement

The Company encourages employees to actively voice their opinions and offers multiple communication and feedback channels, including the "Department Head's Mailbox", "Employee Complaint Form", and the Sanhua Employee Service Platform, making it easy for employees to express their views or provide suggestions. The Company emphasises safeguarding the independence and confidentiality of the grievance process, ensuring that feedback is handled properly and protecting the safety of employees who make complaints, thus providing a transparent and secure communication environment. The Company conducts regular employee engagement and satisfaction surveys every year, covering work environment, system and mechanism, workshop management, welfare subsidies and other aspects. In the 2024 survey, the satisfaction score was 94 out of 100.

The Company encourages employees to voluntarily join the labour union and regularly holds the congress of workers and staff to ensure that employees' voices are fully expressed. Employee representatives sign collective labour agreements with the Company to protect employees' rights regarding labour compensation, working hours, rest and leave, occupational health and safety, training, insurance and benefits, special protection for female employees and minors, etc.

The Company values the welfare of its employees and the maintenance of their daily lives and is committed to providing employees with a fair working schedule, aiming to promote a balance between work and personal life, ensuring that all employees are guaranteed a living wage that meets their basic needs.



Employee Welfare Management System



Non-Statutory Benefits

- Provide meal subsidies, housing subsidies, and transportation subsidies for all employees, along with holiday benefits for events such as Chinese New Year, International Women's Day, Summer Festival, Mid-Autumn Festival, quarterly labour protection benefits, etc.
- Assist high-level talents and skilled workers in applying for government talent evaluation and certification programs.
- Purchase commercial insurance beyond the legal requirements for some employees, including accident medical insurance, transportation accident insurance, etc.
- In 2024, a total of 172 female employees took maternity leave for a total of 16,901 days; 199 male employees took paternity leave for a total of 2,609 days.



Care and Support

- Invite renowned medical experts to provide free medical consultations for employees and offer apartment accommodations.
- Provide summer camp services and assist employees' children with school enrolment.
- Open a "Mommy Room" for breastfeeding female employees, making it easier for them to nurse while at work. Since the "Mommy Room" was opened, the Women's Committee of the Labour Union has provided breastfeeding education to female employees during their breastfeeding period. By the end of 2024, approximately RMB 20,000 had been invested in the "Mommy Room", with about three users per day.
- The canteen has set up a halal food counter to respect the dietary customs of ethnic minorities.



Employee Assistance for Financial Hardships

- The Company has established the "Sanhua Family" relief fund to support employees in need. The employee's direct relatives who suffer from major illnesses and are unable to afford their expenses due to family difficulties, or employees who suffer from accidents that cause temporary living difficulties will get a certain amount of relief fund.
- In 2024, the fund helped 17 employees, with a total of RMB124,900 in aid disbursed.



Mommy Room

Case

Various Employee Roundtable Meetings

The Company has established a communication bridge between the Management and employees by organising roundtable meetings for frontline workers, new university graduates, and holidays. These meetings provide the Company with an opportunity to understand employees' living conditions and work-related issues, formulate action plans, and assign responsible parties to address employees' concerns and suggestions, ultimately enhancing team cohesion.



Roundtable Meeting Scene

Case

Spanish Language Classes

The Company hosted beginner-level Spanish language classes in Hangzhou and Shaoxing. The courses were developed and taught by the Company's senior Spanish language instructors. The aim of these classes was to help employees gain a deeper appreciation for Mexican culture while increasing their interest in the Spanish language and improving their Spanish language skills.



Event Scene

Human Capital Development

Sanhua Intelligent Controls enhances employees' professional skills and managerial abilities through a multi-level training system. At the same time, the Company encourages employees to participate in degree programs and professional certifications, helping to closely align employees' career development with the Company's goals.

The Company has built a comprehensive employee training system covering talent development programs for different levels and sequences. This system aims to improve employees' professional knowledge, skills, and managerial abilities. For leadership development, the Company has programs such as "Navigator", "Voyager", "Initiator", "New Manager", and "Management Trainee Program", targeting senior management, middle management, grassroots management, newly promoted managers, and high-potential grassroots employees. These programs provide training in strategic planning, team leadership, basic management skills, etc.

To strengthen employees' professional skills, the Company offers several elite classes and specialised training camps, including quality elite class, production planning elite class, procurement elite class, financial elite class, HR business partner training camps, IT project manager training camps, and marketing youth training camps. The Company also has programs focused on future high-potential talents and senior-level talent development. These programs aim to foster employees' career growth and personal development through diverse training opportunities, ensuring they unleash their potential in various fields.

The Company places great emphasis on supporting employees' educational advancement and actively encourages them to participate in degree courses and professional certifications. The Company offers comprehensive support for further education for all employees and has established a scholarship program to reward employees with associate degrees pursuing undergraduate degrees. Additionally, the Company provides subsidies and rewards for employees seeking professional certifications, such as the intermediate engineer qualification.

For career advancement, the Company has established dual career paths for management and professional roles. It has developed internal regulations such as the *Regulations of Position* and the *Regulations of the Qualification* to create qualification standards for technical positions and job series career development paths, providing clear direction for employees' skill enhancement and career growth, which aligns with the Company's strategic goals.

Talent Development Management System

Advanced Talent Evaluation

- The Company has formulated the *Regulations of the Evaluation of Professional Talents* and established a Professional Talent Evaluation Committee responsible for capability certification and assessment.
- For promotion to level 4 and below, employees must submit an application and score sheet. After department recommendations, HR review, and committee evaluation, it is submitted for approval by the general manager. For promotion to level 5 and above, employees must meet the required score and pass a professional skills certification defence by the Professional Talent Evaluation Committee.

Personal Development Plan

- The Company conducts *Individual Development Plan (IDP)* sessions to understand employees' career preferences, desired promotion positions, and record their core strengths and areas for development. Customised action plans are created to address areas where employees need improvement.

R&D Personnel Training

- The Company has developed the *Regulations of the Cultivation of R&D Talent Production Line* to support the development of innovation capabilities at every stage, from selection, training, appointment, to retention, promoting continuous innovation.

Key Training Programs of Talent Development in 2024

Leadership Training

- The Company customised an experiential training program for the leadership development coaching camp, focusing on coaching leadership and self-discovery.**
 - 27 participants engaged in two days of in-depth learning, exploring the five key elements of coaching leadership and experiencing the concept that "state precedes action". This training sparked enthusiasm in participants, helping them embrace challenges in both work and life, laying the foundation for practicing positive leadership.

KPO Training Camp

- The KPO training camp, an essential part of the Company's lean talent development system, aimed to refine participants' lean skills through practical on-site training, improving overall operational efficiency.**
 - Senior lean employees conducted KPO lean improvement knowledge training for the participants, explaining the improvement logic, methods, and practical applications of three major themes: in-line efficiency, non-decreasing increments, and off-line efficiency. Participants, together with colleagues from production, quality, process, and maintenance departments, formed a cross-departmental team to jointly promote on-site improvement initiatives.

Digitalisation Project

- In response to the Company's overall digital transformation strategy, the material digitalisation project aimed to establish standardised processes and improve the transparency and traceability of material information.**
 - A total of 47 participants took part in a one-day training and system hands-on session, helping various business units familiarise themselves with system specifications and related operations.

Human Capital Development Metrics and Targets in 2024

Metrics	2024	2030 Long-Term Targets
Average training hours per employee (Hours)	39.66	39.88 (Increase by 30% compared to 2022)
Anti-discrimination and anti-harassment training coverage (%)	86	≥95

Occupational Health and Safety

Sanhua Intelligent Controls' occupational disease hazard positions mainly include coating, reflow soldering, manual soldering, red glue dispensing, wave soldering, etc. The Company complies with laws and regulations such as the *Work Safety Law of the People's Republic of China* and the *Prevention and Control of Occupational Diseases Law of the People's Republic of China*, ensuring a safe and healthy working environment for employees. In 2024, the Company did not experience any major safety responsibility accidents.

Occupational Health and Safety Management System

Governance

- Establish a governance structure consisting of the Board of Directors, the Smart Manufacturing and Quality Management Centre, and the EHS Offices of various business units, and formulate systems related to work safety and hazard identification.

Strategy

- Through regular safety hazard inspections, identify risks and opportunities related to occupational health and safety, and create a list of medium and high-risk hazards.

Impacts, Risks, and Opportunities Management

- Improve the occupational health and safety risk management process by developing detailed management measures and operating procedures.
- Regularly conduct physical examinations for employees exposed to occupational disease hazards, upgrade safety facilities, distribute protective equipment, and implement occupational health and safety management measures.

Metrics and Targets

- Include metrics such as the number of production safety accidents, work-related injury rates, etc.

Occupational Health and Safety Management Structure

The Company has established an occupational health and safety management structure consisting of the Board of Directors, the Smart Manufacturing and Quality Management Centre, and the EHS Offices of various business units. The Smart Manufacturing and Quality Management Centre serves as the specific executive body for work safety management, responsible for formulating regulations of occupational health and safety, regularly monitoring and measuring EHS-related metrics, and continuously optimising EHS performance. Each business unit of the Company has an EHS office, with full-time managers responsible for occupational health and work safety matters. They also establish relevant assessment regulations to monitor and rectify safety hazards and violations within the factory.

Each business unit of the Company has established internal regulations such as the *System of Work Safety*, the *Work Safety Responsibility System*, the *Regulations of Safety Hazard Identification*, the *System of Occupational Disease Hazard Monitoring and Evaluation*, etc., to ensure the establishment of a safe workplace and a sound occupational disease prevention and monitoring mechanism. In 2024, the Company passed the ISO 45001 Occupational Health and Safety Management System certification.

Work Safety and Occupational Health Management Mechanism

The Company systematises the identification and monitoring of environmental factors and hazards, enhancing its risk identification and management capabilities. The Company also regularly conducts occupational health check-ups to reduce the incidence of occupational diseases.

Occupational Health and Safety Risks

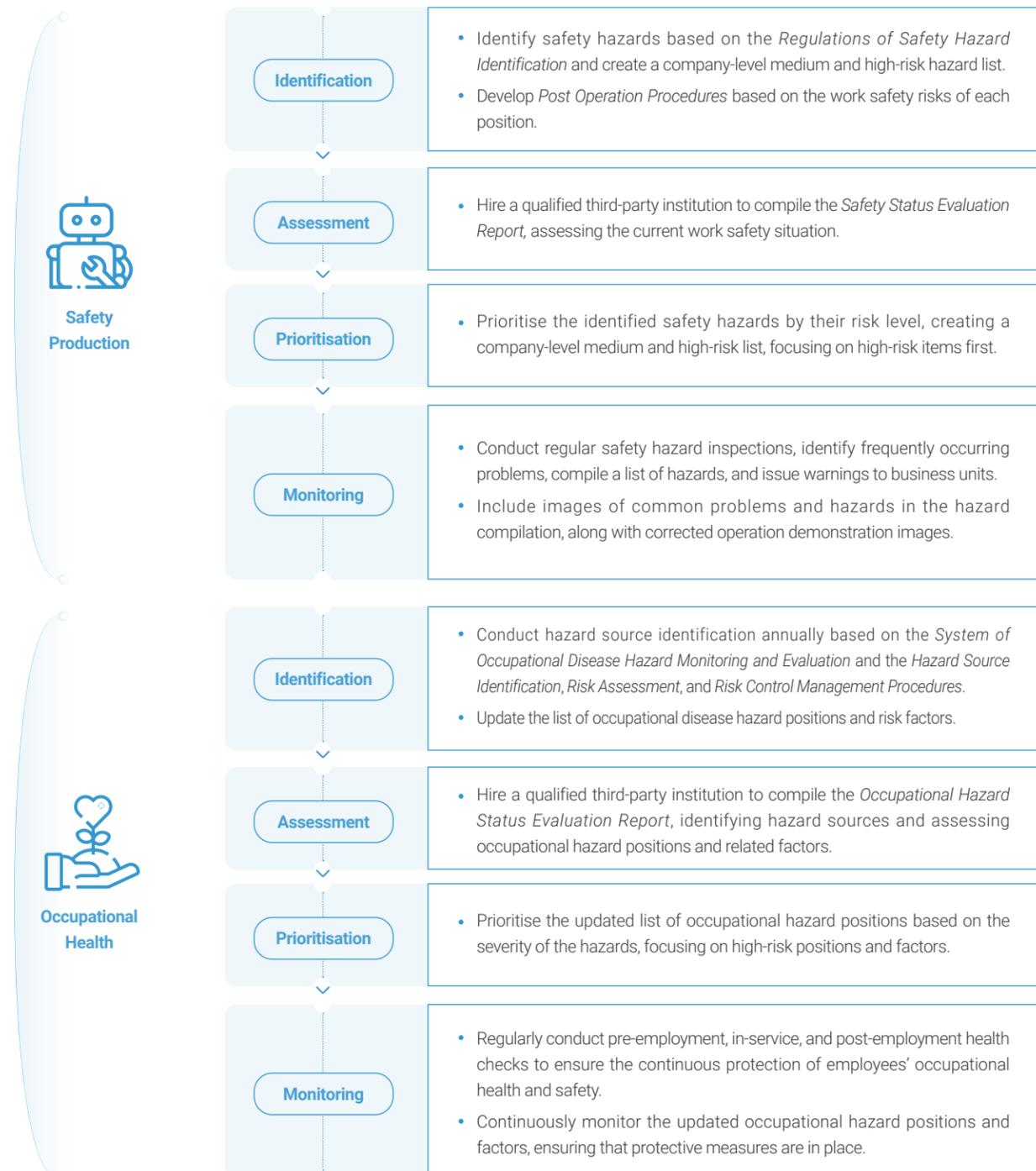
Type	Risk Description	Financial Impact
Health and Safety Protection Risk	The safety and occupational health protection facilities and equipment within the factory are widely distributed. Inadequate supervision may result in failures not being detected in a timely manner. Employees may also fail to wear protective equipment, leading to penalties if regulatory authorities detect violations.	<ul style="list-style-type: none"> Operational costs increase
Hazard Source Identification Risk	If environmental factors and hazard sources are not properly monitored, and occupational diseases are not effectively prevented and controlled, employees may need to be reassigned to lower-risk positions, or production may need to be halted, affecting the Company's stable operations.	

In 2024, the Company and its business units further optimised internal regulations such as the *Regulations of Occupational Disease Prevention*, the *System of Fire-related Work Operation*, and the *Standards of Key Position Personnel Certification Management* to improve and standardise the work safety management process. At the same time, the Company and its business units established and improved safety hazard inspection and emergency response procedures, commissioning qualified third-party institutions to conduct a comprehensive evaluation of the safety status to ensure the scientific and effective risk management process, continuously improving the Company's overall safety management level.

Occupational Health and Safety Initiatives

In 2024, the Company strengthened the management of work safety and occupational health by conducting comprehensive training, hazard inspections, and emergency drills, optimising job environments, promoting automation upgrades, improving employee safety awareness, and enhancing health protection levels, reflecting its commitment as a responsible employer.

Work Safety and Occupational Health Risk Management Process



Key Initiatives of Occupational Health and Safety

Work Safety Management

- Organised occupational health and safety training: Safety officer certification, lockout/tagout procedures, fire escape, accident prevention and emergency response, pallet handling, hazardous chemicals management, etc.
- Implemented safety facility upgrades and distributed protective equipment based on the *EHS Management Element Checklist* and *EHS Typical Hazard Compilation*.
- Regularly conducted emergency drills for scenarios such as mechanical injuries, heatstroke, chemical spills, electric shocks, and fires to enhance emergency response capabilities.
- Post job risk points and hazard factors in the workshop to remind employees to operate safely, wear protective gear, and provide emergency measures and rescue phone numbers.

Occupational Health Management

- Arranged pre-employment, in-service, and post-employment health checks for employees exposed to occupational disease hazards, and standardised hazard notifications and the use of personal protective equipment.
- Regularly rotated employees in occupational disease hazard positions to safeguard their health rights.
- Regularly promoted the *Prevention and Control of Occupational Diseases Law of the People's Republic of China*, conducted occupational disease prevention training, and raised employees' health awareness.

Emergency Management and Automation Improvement

- Developed a *Work Safety Accident Emergency Response Plan* to activate emergency response in the event of an accident, minimising the scope of damage.
- Introduced automated machinery to reduce fatigue and repetitive movements that led to musculoskeletal injuries, optimising tasks such as empty box handling, reaching, and height adjustments, to improve work efficiency and convenience.



Routine First Aid Demonstration



Fire Extinguisher Practical Demonstration



Safety Administrator Training



Promotion of the Prevention and Control of Occupational Diseases Law



Job Risk Point Notification Cards



Chemical Operation Safety Protection Warning Signs

Case Improvement in Finished Product Inspection Automation

At the Company's relevant inspection positions, there was a problem with the long and frequent transportation distance of empty boxes when changing finished product boxes, with the need to adjust the height of each box multiple times using a foot-operated hydraulic cart. To address this, the Company introduced a custom-built stacking mechanism, which allows for automatic sliding of finished product boxes and automatic falling of empty boxes, increasing the box-changing efficiency by 76%.

Case 180° Semi-Automatic Rotating Material Rack

In relevant testing positions, there were frequent hand-reaching and downward grabbing movements when placing semi-finished products. By introducing a custom-built 180° rotating module, the Company improved the work path, reducing the placing and picking time by 1 second per unit, with clear product batch placement at five units per batch. This innovation improved both work efficiency and convenience.

Occupational Health and Safety Metrics and Targets

Each business unit of the Company has established a *System of Work Safety Responsibility*, achieved safety level two or three standardised enterprise certifications, and required all employees to sign the *Work Safety Responsibility Letter*. The Company has also developed *Environmental and Safety Goals, Metrics, and Management Plans*, with regular reviews of goal achievement.

Occupational Health and Safety Metrics and Targets in 2024

Metrics	2024	Target
Occupational diseases, severe injuries, and major work safety incidents (cases)	1	None
Work injury incident rate (%)	0.3	Reduce by 5% compared to the previous year (2024-2026)

Corporate Citizens and Public Welfare

In order to fully implement corporate social responsibility, Sanhua Intelligent Controls is committed to supporting community development through public welfare and charity projects in areas such as volunteer service, promoting industry development, and helping students and the needy, promoting social harmony and sustainability.

In 2024, the Company donated RMB100,000 to the Shangyu District Charity Federation in Shaoxing City to assist vulnerable groups. In addition, the Company encourages employees to participate in voluntary blood donation. Employees who volunteer for blood donations are provided with care packages and given time off. In 2024, there were nearly 80 blood donors, with a blood donation volume exceeding 27,000 millilitres.

In the area of educational assistance, the parent company Sanhua Holding Group Co., Ltd. (hereinafter referred to as "Sanhua Holding") has established the "Sanhua Scholarship and Education Fund". In 2024, Sanhua Holding donated RMB20 million to Xinchang Middle School and RMB1.7 million to Youth and Children's Psychological Growth and Development Centre in Xinchang County to implement the "Student Care and Development Digital Empowerment" project, providing timely and professional psychological support for children and families in need. To promote the development of the refrigeration industry, Sanhua Holding established the Xia Anshi Scholarship to incentivise talent in the refrigeration sector. In 2024, Sanhua Holding donated RMB20,000 to the Qixing Subdistrict "Hanging Single to Help" Fund in Xinchang County, supporting low-income families and vulnerable groups affected by illness or disability.



09

**Environmental
Protection: Clean,
Circular, and Natural**



Environmental Policies and Management

Sanhua Intelligent Controls is committed to reducing its environmental footprint in operations and promoting a green, low-carbon transformation. Through a strict environmental management system and efficient resource utilisation, the Company integrates environmental protection into daily operations and strategic planning, continuously optimising energy use, waste management, and pollution control measures to achieve the coordinated development of the economy, society, and the environment.

The Company strictly complies with laws and regulations such as the *Environmental Protection Law of the People's Republic of China*, the *Atmospheric Pollution Prevention and Control Law of the People's Republic of China*, the *Water Pollution Prevention and Control Law of the People's Republic of China*, the *Noise Pollution Prevention and Control Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, and *Regulations of the Prevention and Control of Solid Waste Pollution in Zhejiang Province*. An environmental management system has been established, and environmental protection responsibilities are comprehensively implemented to ensure that all production and operational activities comply with national and local environmental standards.

In 2024, the Company has not been subjected to major administrative penalties or criminal liabilities related to environmental incidents by ecological or environmental authorities.

Environmental Management System

Governance

- Establish an environmental management structure consisting of the Board of Directors, the Smart Manufacturing and Quality Management Centre, and the EHS Offices of various business units, and develop internal management systems such as compliance evaluation procedures and environmental control procedures.

Strategy

- Identify environmental risks and opportunities, including policy and regulatory changes, technological innovations, market demand shifts, changes in the natural environment, reputational risks, etc. Evaluate their potential impacts on business operations, supply chain management, and financial performance, and provide support for developing response strategies.

Impacts, Risks, and Opportunities Management

- Through identification and evaluation of environmental factors by various departments, develop risk management plans and implement the "Three Lines of Defence" mechanism to ensure that environmental impacts, risks, and opportunities are effectively managed and addressed.

Metrics and Targets

- Key metrics include no major environmental pollution incidents in the year, compliance with wastewater and waste gas emission standards, VOCs emission intensity, waste generation intensity, etc.

The Company and its subsidiaries, including *Zhejiang Sanhua Automotive Components Co., Ltd.*, *Zhejiang Sanhua Commercial Refrigeration Co., Ltd.*, and *Hangzhou Sanhua Microchannel Heat Exchanger Co., Ltd.*, are key environmental risk control units in Zhejiang Province.

Given the alignment of "Environmental Policies and Management" with other environmental topics in Governance and Impacts, Risks, and Opportunities Management, relevant information is disclosed under the "Environmental Policies and Management" topic, and is not repeatedly described in individual topics.

| Environmental Governance Structure

The Company has established an environmental governance structure consisting of the Board of Directors, the Smart Manufacturing and Quality Management Centre, and the EHS Offices of various business units. In collaboration with various business units, the Company has developed internal management systems, including the *Legal and Regulatory Compliance Obligations and Compliance Evaluation Procedure*, the *Environmental Factors Identification and Evaluation Control Procedure*, the *Risk and Opportunity Response Control Procedure*, the *Energy Regulations*, the *Manual of Energy Management System*, the *Wastewater and Air Pollutant Control Procedures*, the *Solid Waste Control Procedures*, the *Regulations of Hazardous Waste*, the *Management Regulations of Safety and Environmental Assessment*, etc. These systems clarify the environmental management processes and responsibilities, and the Board of Directors assumes the responsibility for the management and supervision of environmental management strategies and performance targets, ensuring that environmental protection requirements are implemented across all business processes and continuously strengthening the system and execution of environmental management. In 2024, the Company passed ISO 14001 Environmental Management System certification, with a coverage rate of 94%.

To further strengthen environmental responsibility, the Company considers environmental performance as one of the evaluation factors for executive compensation. Each year, the Company and its business units set environmental goals for department heads. If the goals are not achieved, the performance rewards of the respective department heads are reduced. In the event of an environmental pollution incident, the relevant performance evaluations are conducted in accordance with the applicable assessment and management regulations.

In 2024, the Company developed and published the *Sanhua Intelligent Controls Environmental Statement*, which outlines core goals related to energy and GHGs, water resource utilisation, pollution management, chemicals and waste management, and eco-design of products, to promote the active fulfilment of environmental protection responsibilities. The business scope includes the Company and its wholly owned subsidiaries, and holding subsidiaries, and operational activities include the Company's production and business operations, products and services, distribution and logistics, waste management, etc.



| Environmental Management Mechanism

The Company fully recognises the materiality of environmental risks and opportunities to its sustainability. Through systematic identification, assessment, and management of environmental-related risks, the Company actively seizes the opportunities presented by green transformation and low-carbon development, promoting a win-win situation for both environmental protection and economic benefits.

Environmental Factors Identification and Management Process



Major Environmental Risks and Opportunities

Environmental Risks


- Failure to timely identify and evaluate updates to environmental laws and regulations, and not updating internal systems accordingly, which may lead to violations.
- Environmental management facilities and equipment are widely distributed. Insufficient monitoring may result in failures that go unnoticed and unrepaired, increasing the likelihood of environmental damage.

Environmental Opportunities


- Stricter environmental protection requirements and regular inspections by regulatory authorities promote the Company's environmental protection efforts, reduce the likelihood of environmental liability incidents, and enhance overall environmental performance.

| Environmental Management Initiatives

In 2024, the Company focused on standardising emergency drills, strengthening evaluations and audits, and conducting continuous monitoring and inspections to ensure the effective implementation of environmental protection measures, further enhancing environmental management capabilities.

Key Initiatives of Environmental Management

Standardising Emergency Drills

- Regularly update the *Emergency Response Plan for Environmental Incidents* to ensure the plan aligns with the latest environmental risks and legal/regulatory requirements.
- Regularly conduct different types of emergency drills within each business unit, including hazardous chemical leakage drills and evacuation drills, to ensure a quick response and minimise environmental damage during an incident.

Strengthening Evaluations and Audits

- Based on EMS system audits and external requirements, annually conduct ISO 14001 EMS audits for all EMS-certified production and operation sites.
- Irregularly conduct third-party environmental audits, covering all production and operation sites at least every three years, to ensure environmental standards are strictly met.
- Conduct environmental assessments for all significant changes and new projects, evaluate potential environmental impacts, and implement appropriate control measures.

Continuous Monitoring and Inspections

- Based on the risk identification results, high-priority environmental factors will be included in the *List of Key Environmental Factors* and corresponding control measures will be implemented based on their severity.
- EHS departments in each business unit organise monthly environmental inspections to ensure the effective execution of daily environmental management and to promptly address any issues found.
- Actively promote environmental technology transformation projects to improve resource utilisation efficiency and reduce pollutant emissions through technological means.

Environmental Management Metrics and Targets in 2024

Metrics	2024	Target
Major environmental pollution incidents	0	None
VOCs emissions per unit revenue (kg / RMB 10,000)	0.005	0.0045 (Decrease by 10% from 2024 level by 2030)
Amount of waste generated per unit revenue (tons / RMB 10,000)	0.0139	0.0126 (Decrease by 10% from 2024 level by 2030)

Resource Management

| Energy Management

The types of energy used by Sanhua Intelligent Controls include gasoline, diesel, natural gas, purchased electricity, and purchased steam.

The Company strictly adheres to laws and regulations such as the *Energy Conservation Law of the People's Republic of China* and the *Energy Law of the People's Republic of China*, as well as internal management systems such as the *Energy Regulations* and the *Manual of Energy Management System* to ensure efficient and compliant energy use in production and operations. In 2024, the Company passed ISO 50001 Energy Management System certification.

Energy Management System

Governance

- Establish an energy management structure consisting of the Board of Directors, the Smart Manufacturing and Quality Management Centre, and the Equipment and Power Departments of various business units.
- The Smart Manufacturing and Quality Management Centre is responsible for the overall management of energy consumption.

Strategy

- Identify potential energy inefficiencies, waste, and environmental impacts, and strengthen response mechanisms to external factors such as energy price fluctuations and supply instability.

Impacts, Risks, and Opportunities Management

- Conduct energy audits and risk assessments, build a smart energy IoT management platform, and develop carbon emission calculation software to monitor energy consumption in real-time across business units, workshops, and high-energy-consuming equipment.
- Regularly generate monthly energy analysis reports and present them to senior management to adjust energy management strategies in a timely manner.

Metrics and Targets

- Set a target of "the proportion of electricity generated from renewable sources remains $\geq 15\%$ ".

| Energy Management Initiatives

In 2024, the Company further strengthened energy-saving and emission reduction measures by promoting energy efficiency, reducing energy waste, and increasing renewable energy usage. The Company implemented a series of innovative projects and technological upgrades to drive green transformation and achieve sustainability goals.

Key Initiatives of Energy Management

Promoting Energy Efficiency

- **Eliminating High-Energy Consumption Equipment:** Replaced outdated high-energy-consuming transformers with efficient equipment, saving about 158.4 MWh annually.
- **High-Energy Consumption Air Conditioner Renovation:** Implemented a centralised air conditioning control software to monitor and optimise air conditioning performance in real-time. The standardised arrangement of drainage pipes helps improve system efficiency, and regular cleaning further enhances energy performance.
- **Upgrading Air Compressor Technology:** Replaced inefficient air compressors with more efficient models, improving the overall efficiency of the air compression process.
- **Replacing Old Water Pump Motors:** Replaced outdated cooling tower water pump motors, improving system efficiency and reducing electricity consumption, saving approximately 57,000 kWh annually.

Reducing Energy Waste

- **Heat Recovery:** Utilised a heat pump to recover waste heat generated during production and converted it into hot water for production line cleaning, reducing the need for purchased hot water. A large single-stage screw compressor was used to recover waste heat, turning previously wasted thermal energy into usable energy.

Increasing Renewable Energy Usage

- **Roof mounted photovoltaic:** Installed distributed photovoltaic power generation, energy storage facilities, and smart microgrid systems. Utilised solar energy to provide electricity for production equipment.
- **Outsourcing green electricity:** Increased the proportion of electricity generated from renewable energy by directly purchasing green electricity and obtaining green electricity certificates.
- In 2024, the Company's electricity generated from renewable energy accounted for 16.00%.

| Water Resources Management

The water resources used by Sanhua Intelligent Controls mainly come from municipal water supplies, and are utilised in the production process, equipment cleaning, as well as for employee daily life and office needs. The Company adopts multiple measures to ensure the rational use of water, promote water conservation, and implement water quality protection measures to minimise environmental impact.

2024 Water Resource Conservation Actions

Reducing Waste and Consumption

- Adjusted production processes and optimised water usage to reduce pure water consumption.
- More than 90% of water used for product testing was recycled after sedimentation.
- Recycled water was used for toilets and landscaping irrigation.

Promoting Circular Use

- Promoted wastewater reuse management, treating various types of wastewaters, including steam condensate, welding wastewater, wash tank hot water, and rinsing water. After purification, the treated water is reused.
- The Company's wastewater treatment station processes approximately 1,200 tonnes of production wastewater per day, with about 45,000 tonnes of wastewater reused in 2024.

| Circular Economy

Sanhua Intelligent Controls follows laws and regulations such as the *Circular Economy Promotion Law of the People's Republic of China*, aiming to promote the efficient use of resources and minimise waste treatment. The Company encourages the organic combination of production, consumption, disposal, and reuse, achieving a win-win situation for economic benefits and environmental protection.

2024 Circular Economy Promotion Actions

Reducing Single-Use Packaging

- The Company changed the packaging method for an electronic expansion valve to circular packaging, using pallet boxes instead of traditional single-use packaging. About 48,000 sets are reused annually, with the inner lining having a lifespan of 2 years, and the outer box lasting 3 years.
- The turnover boxes and boarding boxes used for shipping products can be recycled. After the product is delivered to the customer, the empty boxes used by the customer are transported back to the Storage and Transportation Department and can be distributed to various factories for reuse. Each box can be reused approximately 14 times per year.

Promoting Packaging Recycling and Reuse

- Encouraged suppliers to use recyclable packaging materials for components, such as plastic baskets and other eco-friendly materials.
- Returned raw material packaging to suppliers for reuse and sold auxiliary materials from injection moulded parts to third parties for recycling.
- Classified waste materials based on their composition, such as waste solder dross, waste pins, and scrap metal, and sold these materials to third parties for recycling.

Emissions and Waste

Sanhua Intelligent Controls is committed to reducing pollutant emissions and improving the efficiency of waste treatment and resource utilisation. The Company comprehensively identifies pollution sources in the production process, clarifies the types of air pollutants, water pollutants, and waste generated by each production process, and develops and implements measures for reducing hazardous substance emissions and waste, in strict accordance with relevant regulations, covering all production and operation sites, to ensure that pollutant emissions meet environmental protection standards.

Pollutants and Waste Types and Involved Processes

Pollutants and Waste Types



Air Pollutants



Water Pollutants



Waste

Processes Involved

Electroplating, pickling, welding, injection moulding, ultrasonic, polishing, gas combustion, brazing, hydrophilic coating

Machining, exhaust treatment, testing, cleaning

Main Pollutants and Waste Types

- Sulfuric acid mist, tin and its compounds, non-methane hydrocarbons, trichloroethylene, smoke, particulate matter, sulphur dioxide, nitrogen oxides, etc.
- Chemical oxygen demand, suspended solids, petroleum, total phosphorus, biochemical oxygen demand, ammonia nitrogen, anionic surfactant solids, etc.
- Hazardous waste: Sludge, waste cutting fluid, waste oil, waste cleaning agents, ethylene glycol, waste PCB boards, waste packaging barrels, waste electronic products, waste activated carbon, etc.
- General solid waste: Waste cardboard, waste mixed materials, scrapped stators, scrapped oil pumps, waste iron, etc.
- Household waste



Pollution and Waste Management System

Governance

- Establish a pollution and waste management structure consisting of the Board of Directors, the Smart Manufacturing and Quality Management Centre, and the EHS Offices of various business units.

Strategy

- Identify and assess various risks and opportunities, such as legal liabilities and fines due to pollutant emissions exceeding limits, environmental pollution and reputational risks from improper waste disposal, and improving environmental protection technologies to reduce emissions. Implement waste resource recovery and recycling to improve resource recovery efficiency.

Impacts, Risks, and Opportunities Management

- While ensuring compliance with environmental protection regulations, strive to optimise production processes and waste disposal procedures, not only reducing environmental pollution risks but also converting green technology and resource recovery into new market opportunities.

Metrics and Targets

- Set goals for achieving compliant emissions of waste gases, wastewater, and noise, as well as compliant waste disposal.



| Pollution and Waste Management Initiatives

Pollutant Emissions

In 2024, the Company continued to advance pollutant reduction by optimising processes, upgrading equipment, and effectively reducing the generation and emissions of waste gases, wastewater, and noise.

Key Pollution Emission Measures

Oil Mist, Smoke, and Exhaust Gas Treatment Improvements

- The machining workshop adopted a centralised oil mist collection system, discharging via external pipes to address uneven disposal efficiency at individual equipment.
- Welding smoke in the assembly workshop was switched from single-point bag collection to centralised water spray process.
- Injection moulding workshop adopted a combination of precise single-point collection and centralised piping to collect exhaust gases, adjusting damper angles to ensure that each collection point meets airflow standards. The honeycomb activated carbon was replaced with granular activated carbon to enhance adsorption and increase collection efficiency.
- The manual acid washing process for product cleaning was replaced with automatic water-based cleaning to reduce acidic wastewater and exhaust gas emissions.

Shot Blasting Equipment and Smelting Furnace Dust Removal Process Improvements

- Shot blasting equipment used a multi-stage filtration process, including settling hoppers, cyclone dust collectors for preliminary filtration, and a Venturi wet scrubber for deep filtration. The discharged gases met national standards via high-altitude emission devices.
- For the smelting furnace, smoke was captured by a dust collection hood, pre-treated by pipes and fire prevention coolers, then purified through a cyclone dust collector and pulse bag dust collector. Dust collection efficiency exceeded 90%, and the dust removal efficiency exceeded 97%, ensuring compliant emissions.

In line with regulatory and external requirements, the Company hires qualified third-party institutions to regularly test pollutants such as exhaust gases, wastewater, and noise, issuing third-party certified test reports. In the event of an accident, the Company follows the “Four No Spares” principle (i.e., no spares until the cause of the accident has been investigated, no spares until the person responsible for the accident has been dealt with, no spares until the public have been educated, and no spares until preventive measures have been taken), adhering to the principle of “No concealment, No false reporting, No delayed reporting, and No procrastination in reporting”.

Case

The “Commercial Refrigeration and Air-Conditioning Intelligent Control Component Technological Transformation Project”

The Company enhanced its product industry chain and increased product added value by purchasing advanced domestic equipment such as fully automatic cleaning devices, tunnel furnace equipment, and laser welding machines. The project optimised the process by using low-pollution raw materials, improving process continuity, and other methods to reduce waste generation. After reaching full production capacity, the project is expected to generate an annual sales revenue of approximately RMB70 million and an annual total profit of approximately RMB20 million.

Waste Disposal

The Company strictly categorises and manages waste according to the *Solid Waste Control Procedures*, ensuring proper, scientific, and safe disposal of waste to minimise environmental pollution.

Key Waste Disposal Measures

Waste Classification and Disposal

- According to procedural requirements, the Company separates household waste and production waste, setting up three types of waste bins in production areas for recyclable waste, non-recyclable waste, and hazardous waste. Each container is clearly labelled for easy identification.
- Except for recyclable waste, all other waste is entrusted to qualified third-party disposal services. A Third-Party Waste Disposal List is maintained to ensure that the waste disposal plan can be promptly adjusted if the third-party changes.

Hazardous Waste Disposal

- At the beginning of each year, each production department identifies and counts the types and quantities of hazardous waste generated, summarising them into the Hazardous Waste Management Plan.
- Each production workshop sets up temporary storage points based on the types of hazardous waste. Each waste container is clearly marked, and mixing of waste types is prohibited.
- Hazardous waste storage areas are equipped with barriers and drainage pipes, with facilities to prevent wind, rain, and leakage. The storage period for hazardous waste does not exceed one year, and any extension requires approval from the environmental protection department.
- The Company has established a hazardous waste management ledger and submits online reports to the Environmental Protection Bureau in accordance with the Regulations of Hazardous Waste Transfer.
- The Company promotes the digitalisation of hazardous waste warehouses, adding video surveillance and electronic weighing systems to enable traceability (from generation to disposal) using QR codes.

In addition, the Company actively conducts training related to solid waste disposal, including but not limited to hazardous waste disposal, the entire process management of hazardous chemicals, and on-site safety hazard management, continuously enhancing employee environmental awareness and operational standards. This ensures that all employees have a clear understanding of the relevant management requirements and can implement them in accordance with regulations.

ESG Data and Notes

Economic Data

Metrics	Unit	2022	2023	2024
Total assets	RMB10,000	2,796,121.42	3,189,058.48	3,641,574.84
Revenue	RMB10,000	2,134,754.97	2,455,780.21	2,794,716.45
Net profit	RMB10,000	260,805.16	293,371.47	311,172.58
Total taxes paid	RMB10,000	62,233.27	71,797.96	105,764.05

Business Ethics Data¹

Metrics	Unit	2022	2023	2024
Coverage of directors receiving anti-commercial bribery and anti-corruption training	%	/	/	100
Average hours of anti-commercial bribery and anti-corruption training received by directors ²	Hours	/	/	4.00
Percentage of operational points covered by business ethics audits ³	%	100	100	100
Number of corruption-related lawsuits filed against the Company or its employees and concluded during the reporting period	/	0	0	0
Number of cases in which the Company was sanctioned by relevant authorities for unfair competition or violations of antitrust laws during the reporting period	/	0	0	0
Amount involved in lawsuits or significant administrative penalties due to improper conduct by the Company during the reporting period	RMB10,000	0	0	0
Number of illegal or non-compliant incidents related to the protection of trade secrets (including intellectual property)	/	0	0	0

Note 1: The Company began tracking and disclosing the average hours of anti-commercial bribery and anti-corruption training received by directors starting in 2024.

Note 2: [Calculation Formula] Average hours of anti-commercial bribery and anti-corruption training received by directors = Total hours of anti-commercial bribery and anti-corruption training received by directors / Total number of directors at the end of the reporting period.

Note 3: [Calculation Formula] Percentage of operational points covered by business ethics audits = Number of operational points audited for business ethics during the reporting period / Total number of operational points * 100%.

Innovation and Intellectual Property Data

Metrics	Unit	2022	2023	2024
R&D investment amount	RMB10,000	98,895.45	109,683.42	135,179.88
R&D investment amount as a percentage of revenue ¹	%	4.63	4.47	4.84
Number of R&D personnel	/	2,243	3,241	3,578
Number of R&D personnel as a percentage of total employees ²	%	15.09	18.28	18.08
Number of patent applications during the reporting period	/	893	1,293	1,341
Number of patents granted during the reporting period	/	/	211	460
Number of valid patents during the reporting period	/	3,581	3,792	4,252

Note 1: [Calculation Formula] R&D Investment amount as a percentage of revenue = R&D investment amount for the reporting year / Revenue for the reporting year * 100%.

Note 2: [Calculation Formula] Number of R&D personnel as a percentage of total employees = Number of R&D personnel / Total number of employees * 100%.

Product and Service Safety and Quality Data

Metrics	Unit	2022	2023	2024
Number of incidents of violations of laws and regulations related to products and services	/	0	0	0
Amount involved in major safety and quality incidents related to products and services	RMB10,000	0	0	0
Total number of complaints received regarding products and services	/	11	7	5
Complaint handling rate for products and services ¹	%	100	100	100
Sales amount of products sold or delivered that were recalled for safety and health reasons	RMB10,000	0	0	0

Note 1: [Calculation Formula] Complaint handling rate for products and services = Number of complaints handled regarding products and services / Total number of complaints received regarding products and services * 100%.

Cyber and Information Security Data

Metrics	Unit	2022	2023	2024
Number of confirmed incidents of leakage, theft, or loss of customer data	/	0	0	0
Amount involved in customer privacy breach incidents	RMB10,000	0	0	0
Amount involved in data security incidents	RMB10,000	0	0	0

Sustainable Procurement Data

Metrics	Unit	2022	2023	2024
Total number of suppliers ¹	/	6,221	7,291	7,564
By region	Mainland China	/	3,760	3,870
	Hong Kong, Macau, Taiwan, and Overseas	/	2,461	3,421
Percentage of direct suppliers signing the supplier code of conduct ²	%	100	100	100
Percentage of target suppliers providing information on conflict minerals ³	%	100	100	100
Percentage of direct suppliers signing contracts containing ESG-related provisions ⁴	%	100	100	100
Percentage of procurement personnel receiving training on sustainable procurement ⁵	%	100	100	100

Note 1: [Calculation Formula] Total number of suppliers at the end of the reporting period = Number of suppliers in Mainland China at the end of the reporting period + Number of suppliers in Hong Kong, Macau, Taiwan, and Overseas at the end of the reporting period.

Note 2: [Calculation Formula] Percentage of direct suppliers signing the supplier code of conduct = Number of direct suppliers signing the supplier code of conduct at the end of the reporting period / Total number of direct suppliers * 100%. Direct suppliers refer to those who provide raw materials, parts, or components required for the Bill of Materials (BOM) of the product.

Note 3: [Calculation Formula] Percentage of target suppliers providing information on conflict minerals = Number of target suppliers providing information on conflict minerals / Total number of target suppliers * 100%. Target suppliers refer to suppliers in the categories of electronic components or bulk commodities related to conflict minerals. The Company signs the *Supplier Code of Conduct* with target suppliers, committing not to use any minerals from conflict regions in the supply chain and ensuring all suppliers are fully aware of and comply with the Company's conflict minerals policy.

Note 4: [Calculation Formula] Percentage of direct suppliers signing contracts containing ESG-related provisions = Number of direct suppliers signing contracts containing ESG-related provisions / Total number of direct suppliers * 100%.

Note 5: [Calculation Formula] Percentage of procurement personnel receiving training on sustainable procurement = Number of procurement personnel receiving sustainable procurement training / Total number of procurement personnel * 100%.

Labour Rights and Talent Retention Data

Metrics	Unit	2022	2023	2024
Total number of employees	/	14,860	17,732	19,787
By gender	Female employees	/	6,776	6,551
	Male employees	/	8,084	11,181
By region	Employees working in Mainland China	/	10,926	13,120
	Employees working in Hong Kong, Macau, Taiwan, and overseas	/	3,934	4,612
By age	Employees aged over 50	/	1,457	1,421
	Employees aged 30 to 50	/	9,147	10,091
	Employees aged below 30	/	4,256	6,220

Metrics		Unit	2022	2023	2024
Number of senior management employees		/	42	85	90
Percentage of female employees in senior management ¹		%	7.14	7.06	15.56
Employee turnover rate ²		%	11.65	17.39	21.25
By gender	Female employees	%	9.81	17.58	20.92
	Male employees	%	13.14	17.29	21.58
By region	Employees in mainland China	%	6.25	13.44	14.48
	Employees in Hong Kong, Macau, Taiwan, and overseas	%	23.83	26.90	14.70
By age	Employees aged over 50	%	13.27	19.94	34.57
	Employees aged 30 to 50	%	6.30	13.14	17.82
	Employees aged below 30	%	20.86	22.96	24.68
Percentage of employees covered by unions/collective agreements ³		%	71.60	91.50	92.00
Percentage of employees covered by employee representative election ⁴		%	71.60	91.50	92.00

Note 1: [Calculation Formula] Percentage of female employees in senior management = Number of female employees in senior management / Total number of senior management employees * 100%.

Note 2: [Calculation Formula] Employee turnover rate for each category = Number of employees leaving in the category during the reporting period / (Number of employees in the category at the end of the reporting period + Number of employees leaving in the category during the reporting period) * 100%.

Note 3: [Calculation Formula] Percentage of employees covered by unions/collective agreements = Number of employees who joined the union / Total number of employees * 100%. The contract is signed by employee representatives and covers employees who have joined the union.

Note 4: [Calculation Formula] Percentage of employees covered by employee representative elections = Number of employees eligible to participate in employee representative elections / Total number of employees * 100%. All employees who have joined the union are eligible to participate in the employee representative election.

Human Capital Development Data

Metrics		Unit	2022	2023	2024
Labor contract signing rate		%	100	100	100
Social insurance coverage rate		%	100	100	100
Number of employee training sessions ¹		/	/	/	6,853
Total expenditure on employee training		RMB10,000	/	762.89	829.74
Employee training coverage rate ²		%	63.06	76.29	81.65
By gender	Female employees	%	60.01	72.45	80.77
	Male employees	%	65.61	78.54	82.13

Metrics		Unit	2022	2023	2024
Total training hours for employees		Hours	455,860.50	689,225.36	753,686.63
Average training hours per employee ³		Hours	30.68	38.87	39.66
By gender	Female employees	Hours	29.30	47.34	48.21
	Male employees	Hours	31.83	33.90	34.96
Percentage of employees receiving diversity, anti-discrimination, and anti-harassment training ⁴		%	78.00	80.00	86.00

Note 1: The Company began tracking and disclosing the number of employee training sessions starting in 2024.

Note 2: [Calculation Formula] Training coverage rate for each category of employees = Number of employees in the category receiving training / Total number of employees in the category * 100%.

Note 3: [Calculation Formula] Average training hours per employee for each category = Total training hours for employees in the category / Number of employees in the category.

Note 4: [Calculation Formula] Percentage of employees receiving diversity, anti-discrimination, and anti-harassment training = Number of employees receiving diversity, anti-discrimination, and anti-harassment training / Total number of employees * 100%.

Occupational Health and Safety Data¹

Metrics		Unit	2022	2023	2024
Percentage of employees participating in occupational health examinations ²		%	100	100	100
Number of lost workday accidents ³		/	24	90	104
Number of workdays lost due to work injuries		/	/	3,117	2,326
Employee work injury insurance coverage rate ⁴		%	100	100	100
Employee work injury insurance investment amount		RMB10,000	/	/	1,278.17
Employee occupational safety liability insurance coverage rate ⁵		%	/	/	32.80
Employee occupational safety liability insurance investment amount		RMB10,000	/	/	334.56
Percentage of operations covered by health and safety risk assessments ⁶		%	100	100	100

Note 1: The Company began tracking and disclosing the employee work injury insurance coverage rate and investment amount, as well as the employee occupational safety liability insurance coverage rate and investment amount, starting in 2024.

Note 2: [Calculation Formula] Percentage of employees participating in occupational health examinations = Number of employees participating in occupational health examinations / Number of employees in occupational disease risk positions at the end of the reporting period * 100%.

Note 3: The Company started tracking and disclosing the number of lost workday accidents, including those from overseas factories, in 2023, so the data shows a growth trend.

Note 4: [Calculation Formula] Employee work injury insurance coverage rate = Number of employees covered by work injury insurance during the reporting period / Total number of employees * 100%.

Note 5: [Calculation Formula] Employee occupational safety liability insurance coverage rate = Number of employees covered by occupational safety liability insurance during the reporting period / Total number of production employees * 100%.

Note 6: [Calculation Formula] Percentage of operations covered by health and safety risk assessments = Number of operational points assessed for health and safety risks during the reporting period / Total number of operational points * 100%.

Corporate Citizens and Public Welfare Data¹

Metrics	Unit	2024
Charitable donation amount	RMB10,000	12.48
Times of employee volunteer services	/	439
Total volunteer service hours by employees	Hours	895

Note 1: Starting in 2024, the Company began tracking and disclosing key metrics related to charitable donations and employee volunteer services within the scope of Sanhua Intelligent Controls and its subsidiaries.

Emissions and Waste Data¹

Metrics	Unit	2022	2023	2024	
Environmental Management					
Environmental protection investment amount	RMB10,000	2,721.10	3,370.96	3,432.76	
Proportion of employees receiving environmental-related training ²	%	100	100	100	
Proportion of operational sites covered by environmental risk assessments ³	%	100	100	100	
Pollutant Discharge					
Wastewater and water pollutants					
Total wastewater discharge	m ³	1,784,248.70	1,945,599.99	3,027,711.46	
Of which: Industrial wastewater discharge	m ³	/	/	2,153,879.86	
Of which: Domestic wastewater discharge	m ³	/	/	873,831.60	
By type ⁴	Total nitrogen (TN) discharge	t	/	27.29	
	Biochemical oxygen demand (BOD) discharge	t	/	40.72	
	Chemical oxygen demand (COD) discharge	t	190.71	222.16	231.10
	Ammonia nitrogen (NH ₃ -N) discharge	t	5.53	9.19	11.03
Air pollutants					
By type ⁵	Volatile organic compounds (VOCs) emissions	t	/	14.04	
	Nitrogen oxides (NO _x) emissions	t	14.29	16.62	16.09
	Sulphur oxides (SO _x) emissions	t	3.38	4.28	5.33
	Particulate matter (PM) emissions	t	31.31	37.04	33.05
Waste Disposal					
Total waste generated	t	14,499.75	15,721.63	38,984.44	
Waste generated per RMB10,000 of revenue	t/RMB10,000	0.0068	0.0064	0.0139	

Metrics	Unit	2022	2023	2024
Non-hazardous waste				
Total non-hazardous waste generated	t	8,786.49	10,145.82	33,597.57
Non-hazardous waste generated per RMB10,000 of revenue	t/RMB10,000	0.004	0.004	0.012
By type ⁶	Waste paper	t	/	2,881.66
	Domestic waste	t	/	16,302.41
	Industrial solid waste	t	/	10,929.94
	Others	t	/	3,483.56
Hazardous waste				
Total hazardous waste generated	t	5,713.26	5,575.81	5,386.88
Hazardous waste generated per RMB10,000 of revenue	t/RMB10,000	0.003	0.002	0.002
By type ⁷	Waste solvents or chemicals	t	/	906.38
	Waste oil/lubricants from property management	t	/	263.02
	Electronic products	t	/	115.27
	Others	t	/	4,102.21

Note 1: In 2024, the Company expanded the scope of data collection related to emissions and waste to include additional domestic and overseas factories. Where possible, data for 2022 and 2023 were retrospectively adjusted to improve comparability. However, for certain indicators, data for 2022 and 2023 remain unavailable, resulting in higher figures for some indicators in 2024.

Note 2: [Calculation formula] Proportion of employees receiving environmental-related training = Number of employees who received environmental-related training / Total number of employees * 100%.

Note 3: [Calculation formula] Proportion of operational sites covered by environmental risk assessments = Number of operational sites assessed for environmental risks during the reporting period / Total number of operational sites * 100%.

Note 4: In 2024, the Company continued monitoring water pollutant emissions to collect and disclose data on water pollutant discharges. The main types of water pollutants include total nitrogen (TN), biochemical oxygen demand (BOD), chemical oxygen demand (COD), and ammonia nitrogen (NH₃-N).

Note 5: In 2024, the Company continued monitoring air pollutant emissions to collect and disclose data on air pollutant discharges. The main types of air pollutants include volatile organic compounds (VOCs), nitrogen oxides (NO_x), sulphur oxides (SO_x), and particulate matter (PM).

Note 6: Other non-hazardous waste includes metal scraps, kitchen waste, wood, foil paper, etc. Since 2024, the Company has further improved the statistical and management mechanisms for non-hazardous waste and disclosed disaggregated data on different types of non-hazardous waste generated.

Note 7: Other hazardous waste includes sludge, waste packaging materials, used batteries, etc. Since 2024, the Company has further improved the statistical and management mechanisms for hazardous waste and disclosed disaggregated data on different types of hazardous waste generated.

Resources Management Data¹

Metrics	Unit	2022	2023	2024
Energy Management				
Integrated energy consumption ²	tce	58,351.33	74,852.32	121,388.73
Integrated energy consumption per RMB10,000 of revenue	tce/RMB10,000	0.027	0.030	0.043

Metrics		Unit	2022	2023	2024
By type	Natural gas consumption	m ³	11,893,953.75	14,432,218.06	28,692,650.45
	Diesel consumption	Liter	190,875.78	201,550.51	834,285.59
	Gasoline consumption	Liter	170,958.18	224,397.11	261,273.45
	Total electricity consumption ³	MWh	316,443.75	402,683.82	615,802.92
	Of which: Electricity from non-renewable sources	MWh	296,418.67	351,541.74	517,264.11
	Of which: Electricity from renewable sources ⁴	MWh	20,025.08	51,142.08	98,538.81
	Purchased steam consumption	GJ	93,402.84	165,035.36	180,690.56
Proportion of electricity generated from renewable energy		%	6.33	12.70	16.00
Water Resource Management					
Total water consumption		m ³	3,643,299.45	4,002,069.09	4,496,122.51
Water consumption per RMB10,000 of revenue		m ³ /RMB10,000	1.707	1.630	1.609
By source	Municipal water supply	m ³	/	/	3,533,936.51
	Surface water	m ³	/	/	962,186.00
Circular Economy					
Total weight of recycled water		m ³	474,237.89	642,244.00	1,501,076.90
Proportion of recycled water in total water consumption ⁵		%	13.02	16.05	33.39
Total weight of finished product packaging materials used		t	12,590.73	16,142.05	14,565.52
Total weight of recycled finished product packaging materials		t	1,921.75	2,523.30	3,214.36
Recycling rate of finished product packaging materials ⁶		%	15.26	15.63	22.07
Weight of recycled waste		t	/	/	7,415.54

Note 1: In 2024, the Company expanded the scope of data collection related to resources by including additional domestic and overseas factories. Where possible, data for 2022 and 2023 were retrospectively adjusted to improve comparability. However, for certain indicators, data for 2022 and 2023 remain unavailable, resulting in higher figures for some indicators in 2024.

Note 2: Total integrated energy consumption includes consumption of natural gas, gasoline for official vehicles, diesel for forklifts and stationary sources, purchased municipal electricity and green electricity, rooftop photovoltaic power generation, and purchased steam.

Note 3: [Calculation formula] Total electricity consumption = Consumption of electricity from non-renewable sources + consumption of electricity from renewable sources.

Note 4: Electricity from renewable sources includes directly purchased green electricity, photovoltaic power generation within Company premises, and verified Green Electricity Certificates.

Note 5: [Calculation formula] Proportion of recycled water in total water consumption = Total volume of recycled water / Total water consumption × 100%.

Note 6: [Calculation formula] Recycling rate of finished product packaging materials = Total weight of recycled finished product packaging materials / Total weight of finished product packaging materials used × 100%.

Responding to Climate Change Data¹

Metrics		Unit	2022	2023	2024
Total GHG emissions (Scope 1 + Scope 2)		tCO ₂ e	209,647.27	253,251.65	356,264.97
GHG emissions per RMB10,000 of revenue (Scope 1 + Scope 2)		tCO ₂ e/RMB10,000	0.098	0.103	0.127
By scope	Scope 1 GHG emissions ²	tCO ₂ e	26,623.03	32,262.17	64,880.18
	Scope 2 GHG emissions ³	tCO ₂ e	183,024.24	220,989.48	291,383.89
	Scope 3 GHG emissions ⁴	tCO ₂ e	36,750.93	39,575.24	77,049.86

Note 1: In 2024, the Company expanded the scope of its GHGs inventory by including additional domestic and overseas factories. Where possible, data for 2022 and 2023 were retrospectively adjusted to enhance comparability. However, for certain indicators, data for 2022 and 2023 remain unavailable, resulting in higher total GHG emissions and emissions intensity in 2024 compared with the previous two years.

Note 2: Scope 1 GHG emissions include direct emissions from the combustion of natural gas, gasoline for official vehicles, diesel for forklifts, and diesel for stationary sources. The calculation methods and emission factors refer to the *China Energy Statistical Yearbook (2022)*, among others.

Note 3: Scope 2 GHG emissions include indirect emissions from the consumption of purchased electricity and purchased steam. The carbon emission factor for purchased municipal electricity is the national average electricity CO₂ emission factor (excluding non-fossil energy under market-based transactions), published in the *Notice on the Release of the 2022 Electricity Carbon Dioxide Emission Factors (December 2024)* by the Ministry of Ecology and Environment of China and the National Bureau of Statistics: 0.5856 tCO₂/MWh. For other countries and regions, electricity emission factors refer to relevant documents published by local governments or regulatory authorities.

Note 4: Scope 3 GHG emissions include indirect emissions arising from upstream leased assets, downstream transportation and distribution, downstream leased assets, and other activities. The calculation methods and emission factors refer to the *World Input-Output Database (WIOD)*, *Lifecycle GHG Emission Factors for Chinese Products*, *Beijing Low-carbon Travel Emission Reduction Methodology (Trial)*, *UK DEFRA Conversion Factors*, *US EPA GHG Emission Factors Hub*, and other relevant sources.

Indexes

Self-Regulatory Guidelines No. 17 for Companies Listed on Shenzhen Stock Exchange – Sustainability Report (For Trial Implementation) Content Index

Disclosure	Location
Climate response	Feature: Low-Carbon Transition and Climate Change Response ESG Data and Notes
Pollutant discharge	Emissions and Waste ESG Data and Notes
Waste disposal	Emissions and Waste ESG Data and Notes
Ecosystem and biodiversity protection	The Company's production and operations are primarily located in industrial parks or urbanized areas, where the direct impact on ecosystems or biodiversity is minimal.
Environmental compliance management	Environmental Policies and Management ESG Data and Notes
Energy utilization	Energy Management ESG Data and Notes
Water resources utilization	Resources Management ESG Data and Notes
Circular economy	Resources Management ESG Data and Notes
Rural revitalization	Corporate Citizens and Public Welfare ESG Data and Notes
Social contributions	Corporate Citizens and Public Welfare ESG Data and Notes
Innovation	Feature: Innovating for the Future, Leading the Technological Frontier ESG Data and Notes
Ethics of science and technology	The Company is currently in the R&D stage in the field of bionic robot electromechanical actuators, primarily focusing on optimizing product prototypes. It has not yet entered large-scale commercial application and, therefore, has not been involved in real-world scenarios that may give rise to ethical concerns in technology.

Disclosure		Location
Supply chain security		Sustainable Procurement ESG Data and Notes
Equal treatment of SMEs		The balance of accounts payable (including notes payable) of the Company at the end of the reporting period does not exceed RMB30 bn or represent more than 50 percent of the total assets. Therefore, it does not fall within the mandatory disclosure scope specified in the <i>Guidelines</i> . The Company ensures timely payments to small and medium-sized enterprises.
Product and service safety and quality		Product and Service Safety and Quality ESG Data and Notes
Data security and customer privacy		Cyber and Information Security ESG Data and Notes
Employees		Labour Rights and Talent Retention Human Capital Development Occupational Health and Safety ESG Data and Notes
Due diligence		Double Materiality Assessment
Stakeholder engagement		Double Materiality Assessment
Anti-commercial bribery and anti-corruption		Business Ethics ESG Data and Notes
Fair competition		Business Ethics ESG Data and Notes
Self-disclosed Topics	Corporate Governance	Corporate Governance
	Risk and Compliance Management	Risk and Compliance Management
	Opportunities in Clean Tech	Innovating for the Future, Leading the Technological Frontier Low-Carbon Transition and Climate Change Response ESG Data and Notes
	Chemicals and Hazardous Substances	Product and Service Safety and Quality
	Product Lifecycle Management	Emissions and Waste Resources Management

GRI Content Index

Statement of use	Zhejiang Sanhua Intelligent Controls Co., Ltd. has reported the information cited in this GRI content index for the period from 1 January 2024 to 31 December 2024 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE	LOCATION	
GRI 2: General Disclosures 2021	2-1	Organizational details	About Sanhua Intelligent Controls
	2-2	Entities included in the organization's sustainability reporting	About the Report
	2-3	Reporting period, frequency and contact point	About the Report
	2-4	Restatements of information	ESG Data and Notes
	2-5	External assurance	Not Conducted
	2-6	Activities, value chain and other business relationships	About Sanhua Intelligent Controls
	2-7	Employees	Social Value: Respect, Development, and Contribution
	2-8	Workers who are not employees	Social Value: Respect, Development, and Contribution
	2-9	Governance structure and composition	Corporate Governance
	2-10	Nomination and selection of the highest governance body	
	2-11	Chair of the highest governance body	
	2-12	Role of the highest governance body in overseeing the management of impacts	
	2-13	Delegation of responsibility for managing impacts	
	2-14	Role of the highest governance body in sustainability reporting	ESG Governance Mechanism
	2-15	Conflicts of interest	Corporate Governance
	2-16	Communication of critical concerns	Double Materiality Assessment
	2-17	Collective knowledge of the highest governance body	ESG Governance Mechanism
	2-18	Evaluation of the performance of the highest governance body	Corporate Governance
	2-19	Remuneration policies	Corporate Governance
	2-20	Process to determine remuneration	Corporate Governance
	2-21	Annual total compensation ratio	Due to confidentiality requirements, it is not disclosed to the public at this time.
	2-22	Statement on sustainable development strategy	Statement of the Chairman
	2-23	Policy commitments	Feature: Low-Carbon Transition and Climate Change Response Corporate Governance: Transparency, Responsibility, and Value Social Value: Respect, Development, and Contribution Environmental Protection: Clean, Circular, and Natural

GRI STANDARD	DISCLOSURE	LOCATION	
GRI 2: General Disclosures 2021	2-24	Embedding policy commitments	Feature: Low-Carbon Transition and Climate Change Response Corporate Governance: Transparency, Responsibility, and Value Social Value: Respect, Development, and Contribution Environmental Protection: Clean, Circular, and Natural
	2-25	Processes to remediate negative impacts	Double Materiality Assessment
	2-26	Mechanisms for seeking advice and raising concerns	Double Materiality Assessment
	2-27	Compliance with laws and regulations	For details, please refer to the respective sections of the report.
	2-28	Membership associations	Feature: Innovating for the Future, Leading the Technological Frontier
	2-29	Approach to stakeholder engagement	Double Materiality Assessment
	2-30	Collective bargaining agreements	Labour Rights and Talent Retention
	GRI 3: Material Topics 2021	3-1	Process to determine material topics
3-2		List of material topics	Double Materiality Assessment
3-3		Management of material topics	Double Materiality Assessment
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	About Sanhua Intelligent Controls
	201-2	Financial implications and other risks and opportunities due to climate change	Feature: Low-Carbon Transition and Climate Change Response
	201-3	Defined benefit plan obligations and other retirement plans	Labour Rights and Talent Retention
	201-4	Financial assistance received from government	For details, please refer to the Sanhua Intelligent Controls 2024 Annual Report.
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	Due to confidentiality requirements, it is not disclosed to the public at this time.
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	Business Ethics ESG Data and Notes
	205-2	Communication and training about anti-corruption policies and procedures	ESG Data and Notes
	205-3	Confirmed incidents of corruption and actions taken	Business Ethics ESG Data and Notes
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Business Ethics ESG Data and Notes
GRI 207: Tax 2019	207-1	Approach to tax	For details, please refer to the Sanhua Intelligent Controls 2024 Annual Report.
	207-2	Tax governance, control, and risk management	
	207-3	Stakeholder engagement and management of concerns related to tax	
	207-4	Country-by-country reporting	

GRI STANDARD	DISCLOSURE		LOCATION
GRI 301: Materials 2016	301-1	Materials used by weight or volume	ESG Data and Notes
	301-2	Recycled input materials used	ESG Data and Notes
	301-3	Reclaimed products and their packaging materials	ESG Data and Notes
GRI 302: Energy 2016	302-1	Energy consumption within the organization	ESG Data and Notes
	302-2	Energy consumption outside of the organization	ESG Data and Notes
	302-3	Energy intensity	ESG Data and Notes
	302-4	Reduction of energy consumption	Energy Management
	302-5	Reductions in energy requirements of products and services	Energy Management
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	Resources Management
	303-2	Management of water discharge-related impacts	Resources Management
	303-3	Water withdrawal	ESG Data and Notes
	303-4	Water discharge	ESG Data and Notes
	303-5	Water consumption	ESG Data and Notes
GRI 304: Biodiversity 2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	The Company's production and operations are primarily located in industrial parks or urbanized areas, where the direct impact on ecosystems or biodiversity is minimal.
	304-2	Significant impacts of activities, products and services on biodiversity	
	304-3	Habitats protected or restored	
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	
GRI 304: Biodiversity 2016	305-1	Direct (Scope 1) GHG emissions	Feature: Low-Carbon Transition and Climate Change Response ESG Data and Notes
	305-2	Energy indirect (Scope 2) GHG emissions	Feature: Low-Carbon Transition and Climate Change Response ESG Data and Notes
	305-3	Other indirect (Scope 3) GHG emissions	Feature: Low-Carbon Transition and Climate Change Response ESG Data and Notes
	305-4	GHG emissions intensity	Feature: Low-Carbon Transition and Climate Change Response ESG Data and Notes
	305-5	Reduction of GHG emissions	Feature: Low-Carbon Transition and Climate Change Response
	305-6	Emissions of ozone-depleting substances (ODS)	Not Applicable
	GRI 304: Biodiversity 2016	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions

GRI STANDARD	DISCLOSURE		LOCATION
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	Emissions and Waste
	306-2	Management of significant waste-related impacts	Emissions and Waste
	306-3	Waste generated	ESG Data and Notes
	306-4	Waste diverted from disposal	Emissions and Waste ESG Data and Notes
	306-5	Waste directed to disposal	Emissions and Waste
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	Sustainable Procurement
	308-2	Negative environmental impacts in the supply chain and actions taken	Sustainable Procurement
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	ESG Data and Notes
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Labour Rights and Talent Retention
	401-3	Parental leave	Labour Rights and Talent Retention
GRI 402: Labor/Management Relations 2016	402-1	Minimum notice periods regarding operational changes	Due to confidentiality requirements, it is not disclosed to the public at this time.
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	Occupational Health and Safety
	403-2	Hazard identification, risk assessment, and incident investigation	Occupational Health and Safety
	403-3	Occupational health services	Occupational Health and Safety
	403-4	Worker participation, consultation, and communication on occupational health and safety	Occupational Health and Safety
	403-5	Worker training on occupational health and safety	Occupational Health and Safety
	403-6	Promotion of worker health	Occupational Health and Safety
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational Health and Safety
	403-8	Workers covered by an occupational health and safety management system	Occupational Health and Safety
	403-9	Work-related injuries	Occupational Health and Safety ESG Data and Notes
GRI 404: Training and Education 2016	403-10	Work-related ill health	Occupational Health and Safety ESG Data and Notes
	404-1	Average hours of training per year per employee	ESG Data and Notes
	404-2	Programs for upgrading employee skills and transition assistance programs	Human Capital Development
	404-3	Percentage of employees receiving regular performance and career development reviews	Human Capital Development ESG Data and Notes

GRI STANDARD	DISCLOSURE		LOCATION
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	Labour Rights and Talent Retention ESG Data and Notes
	405-2	Ratio of basic salary and remuneration of women to men	Due to confidentiality requirements, it is not disclosed to the public at this time.
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	Labour Rights and Talent Retention
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Labour Rights and Talent Retention
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	Labour Rights and Talent Retention
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Labour Rights and Talent Retention
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	ESG Management Social Value: Respect, Development, and Contribution Environmental Protection: Clean, Circular, and Natural
	413-2	Operations with significant actual and potential negative impacts on local communities	ESG Management Social Value: Respect, Development, and Contribution Environmental Protection: Clean, Circular, and Natural
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	Sustainable Procurement
	414-2	Negative social impacts in the supply chain and actions taken	Sustainable Procurement
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	Product and Service Safety and Quality
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	ESG Data and Notes
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	Product and Service Safety and Quality
	417-2	Incidents of non-compliance concerning product and service information and labeling	Product and Service Safety and Quality
	417-3	Incidents of non-compliance concerning marketing communications	Product and Service Safety and Quality
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Cyber and Information Security ESG Data and Notes