

2023

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) REPORT





Report Description

About This Report

This report is the first Environmental, Social, and Governance (ESG) report released by Zhejiang Sanhua Intelligent Controls Co., Ltd. (hereinafter referred to as "Sanhua Intelligent Controls," "the Company," or "we") to present the Company's ESG performance in 2023. Through this report, we aim to communicate with our stakeholders on ESG management policies, actions, and achievements.

Reporting Guidelines

This report is prepared in accordance with the *Rules Governing the Listing of Shares on Shenzhen Stock Exchange and the Self-regulatory Guidelines for the Companies Listed on the Shenzhen Stock Exchange No. 1 – Standardized Operation of the Companies Listed on the Main Board*. It refers to the *Sustainability Reporting Standards* (2021 Edition) of the Global Reporting Initiative (GRI) (referred to as GRI Standards) for relevant requirements.

Reporting Scope

- **Organizational Scope:** Unless otherwise specified, the organizational scope of this report is Zhejiang Sanhua Intelligent Controls Co., Ltd., the listed entity.
- **Timeframe:** From January 1, 2023, to December 31, 2023. Some content extends beyond this timeframe.
- **Release Cycle:** Each financial year, synchronized with the annual report.

The financial data in this report is sourced from the audited financial report in 2023, while other data is sourced from internal documents and relevant statistics. Some content and data appropriately trace back to previous years. Monetary amounts mentioned in the report are in RMB unless otherwise stated.

Review and Approval

The data in this report contains no false records, misleading statements, or significant omissions. This report was reviewed and approved by the Company's Board of Directors on April 28, 2024.

Access and Feedback

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 (<http://www.zjshc.com>), the Shenzhen Stock Exchange (<http://www.szse.cn>), and the CNINFO website (<http://www.cninfo.com.cn>).

Your feedback is crucial for improving our ESG performance. If you have any questions or feedback regarding this report or the Company's ESG issues, please feel free to contact us via the following channels:

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MESSAGE FROM CHAIRMAN



Sanhua Intelligent Controls is committed to the vision of green and low-carbon development. Guided by the principles of "Three flowers of management, technology, and talent", the Company has become a global leader in the field of HVAC&R, home appliances, new energy automobile thermal management. Our commitment extends to the field of biomimetic robotics, where we strive to meet customer needs, drive industry progress, and contribute to social development through innovative products and technologies. Since our inception, we have remained steadfast in our mission, staying focused, professional, and abreast of industry trends, thereby leading the global market. Looking forward, we anticipate a greener, more low-carbon market. To this end, we will continue to pursue an innovation-driven, energy-saving, low-carbon, and technology-leading development strategy, making significant contributions to achieving the global "dual-carbon" goal through product and technological innovation.

Low-carbon intelligence and innovative development. Sanhua Intelligent Controls has been committed to the vision of Developing smart and low-carbon Economy, Creating Eco-friendly Environment for Mankind since 2008. In 2019, this vision was further developed into "Develop smart low-carbon economy, create eco-friendly environment for mankind" Sanhua Intelligent Controls remains steadfast in its commitment to professional management, focusing on thermal management for home appliances, commercial refrigeration, and new energy vehicles, while also expanding into biomimetic robotics. With the ongoing green energy revolution, Sanhua Intelligent Controls is increasing its focus on heat pumps and other new energy-saving technologies, which hold significant promise. It is also prioritizing the advancement of heat pump technology and thermal management products, accelerating the adoption of refined production and digital transformation, and driving market promotion, application, and rapid iteration upgrades. These efforts are aimed at creating more green value for customers and the industry as a whole.



Intelligent monitoring and green production. At the production and manufacturing level, Sanhua Intelligent Controls has implemented a smart energy IoT management platform. This platform monitors and analyzes energy usage data to identify and address energy waste, mitigate environmental impacts, and reduce carbon emissions while also lowering energy costs. By establishing an energy analysis model, it analyzes the correlation between energy consumption behavior and actual energy usage in real time, gradually optimizing energy utilization. By monitoring carbon emissions, it ensures compliance with regulatory requirements and industry standards. By improving energy efficiency to reduce carbon emissions, the Company aims to establish itself as a green enterprise.

Global layout and steady progress. "Where the market is, there is Sanhua Intelligent Controls," the Company has been expanding its international presence since its establishment, gradually realizing the globalization of marketing, manufacturing, logistics, and research and development (R&D). It is committed to deepening the integration of globalization and localization, staying attuned to market trends, addressing customer needs, and fulfilling local social responsibilities. By establishing manufacturing and logistics bases worldwide, Sanhua Intelligent Controls ensures that its products are closer to customers, reducing transportation distances and significantly cutting carbon emissions associated with logistics. Looking ahead, Sanhua Intelligent Controls plans to further expand its global footprint by constructing overseas factories in countries such as Mexico, Poland, and Vietnam. These efforts will enhance manufacturing and operational capabilities, improve logistics efficiency, and reduce carbon emissions, thereby contributing to local economic and social development.

Green and low-carbon development is a globally recognized consensus and a crucial factor for enterprises to achieve sustainable and high-quality growth. Sanhua Intelligent Controls is committed to embracing the ESG concept and driving innovation to promote green development. We aim to ensure that every Sanhua Intelligent Controls product, through technological advancements, contributes to reducing energy consumption and emissions, thereby fostering a greener future.



Zhang Yabo

April 28, 2024

About Us

Zhejiang Sanhua Intelligent Controls Co., Ltd. is the world's largest manufacturer of refrigeration control components and the world's leading manufacturer of automotive air conditioning and thermal management system control components. "Sanhua Intelligent Controls" refrigeration intelligent control components have become a world-famous brand, and a strategic partner of many automobile enterprises and air-conditioning refrigeration appliance manufacturers in the world. By the end of 2023, Sanhua Intelligent Controls 's market value had increased by more than 40%, ranking among the top listed enterprises in Zhejiang Province.

The Company takes "Constantly Pursue Perfection and Excellence" as the core, and takes up the responsibility of improving the energy efficiency of various terminal products, and leads the way to promote the global transformation of energy-saving and environmental protection products. After decades of development, the Company has established a leading position in the global refrigeration appliances and automotive thermal management industry. The market share of the Company's Electronic Expansion Valve, Four-way Reversing Valve, Solenoid Valve, Microchannel Heat Exchanger, Automotive Electric Expansion Valve, Thermal Management Integrated Module for new energy vehicle, Omega Pump ranks first globally. The market share of the Company's Service Valve, Automotive Thermal Expansion Valve and Receiver Drier is in the leading position in the world. Meanwhile, the Company has established a complete and strict quality assurance system, achieved ISO9001 quality management system certification, IATF16949 quality management system for the automotive industry, QC080000 quality system certification for hazardous substances management. The Company won the National Quality Award, Zhejiang Quality Award, National Technological Innovation Demonstration Enterprise and won the high comments from JCI, Daikin, Carrier, Midea, Gree, Haier, Toyota, Benz, Volkswagen, Valeo and other well-known enterprises at home and abroad.

▶ "Constantly Pursue Perfection and Excellence"

The Company adheres to the "Dedication, leadership. Innovation, surpassing" business path, takes the research and application of heat pump technology and thermal management system products as the core, firmly grasps the development theme of energy conservation, environmental protection and intelligent control, upgrades from "mechanical parts development" to "system control technology solution development of electronic control integration". The Company's products series are expanded from household A/C and refrigerator components to the field of commercial A/C and commercial refrigeration, and extending to the direction of inverter control technology and system integration and upgrading. Meanwhile, after the injection of automotive components business, it gives full play to the synergy effect with the original business, continues to deepen the research and development of new energy vehicle thermal management system components, and actively explores the deeper application of thermal management components and subsystems in the automotive field, so as to provide global customers with competitive environmental intelligent control solutions.



First-tier

Market value among listed enterprises in Zhejiang Province

As of the end of 2023,

3,792

Intellectual property rights obtained

1,879

Invention patents

As a national high-tech enterprise, the Company has always adhered to the technological route of independent development and innovation. For decades, it has focused on the field of intelligent control and vigorously cultivated core technologies with independent intellectual property rights. As of the end of 2023, the Company has obtained 3,792 intellectual property rights at domestic and abroad, including 1,879 invention patents. The Company has established a comprehensive multi-disciplinary R&D team for product development and technical research, and established a matrix R&D organizational structure. Utilizing the model of product development driven by technological research, we can promote innovation. Meanwhile, a technical expert committee has been established to guide and manage technological development. All products, services and quality of the Company take meeting the needs of customers as the first priority.

The Company adheres to the vision of "Develop smart low-carbon economy, create eco-friendly environment for mankind", and continues to practice the concept of sustainable development. It carries out scientific management in the fields of corporate governance, environmental protection and social responsibility, drives the synergistic development of enterprises in the whole industrial chain, facilitates economic globalization, and delivers a higher quality development of the enterprise.

ESG Performance Overview

2023



Business Performance ¹

Total assets

318.91 RMB 100 million

Total revenue

245.58 RMB 100 million

Net profit

29.34 RMB 100 million

Total tax

12.83 RMB 100 million


Social Performance ²

Proportion of female employees

36.94 %

Number of patents

3,792

Number of hosting/participating in national or industry standards

60


Environmental Performance ³

Number of ISO14001 certified companies

16

Number of green factories

4

Total installed capacity of energy storage stations

49.40 MW

Total installed capacity of energy

37.20 MWh

Awards and Recognition

March 2024

100 Leading Enterprises in Social Responsibility of Private Enterprises in Zhejiang Province in 2023 (Sanhua Holding Group)
Federation of Industry and Commerce of Zhejiang Province

December 2023

The First Batch of Eagle Enterprises in Zhejiang Province (Sanhua Holding Group)
Leading Group Office of Manufacturing High-Quality Development of Zhejiang Province

December 2023

2023 Zhejiang Machinery Industry Science and Technology Award-Third Prize (Sanhua Commercial Refrigeration)
Zhejiang Machinery Industry Federation

December 2023

Provincial High-tech Enterprise
Department of Science and Technology of Zhejiang Province

November 2023

Zhejiang Province Science and Technology Leading Enterprise
Department of Science and Technology of Zhejiang Province

November 2023

2023 Innovation Method Pilot Enterprise of Zhejiang Province
Zhejiang Science and Technology Publicity and Education Center (Zhejiang Base for Promotion and Application of Innovation Methods of the Ministry of Science and Technology)

¹ The scope of economic statistics is consistent with the scope of the Company's consolidated financial statements.

² The scope of social performance data covers the listed body of Zhejiang Sanhua Intelligent Controls Co., Ltd, excluding the overseas part.

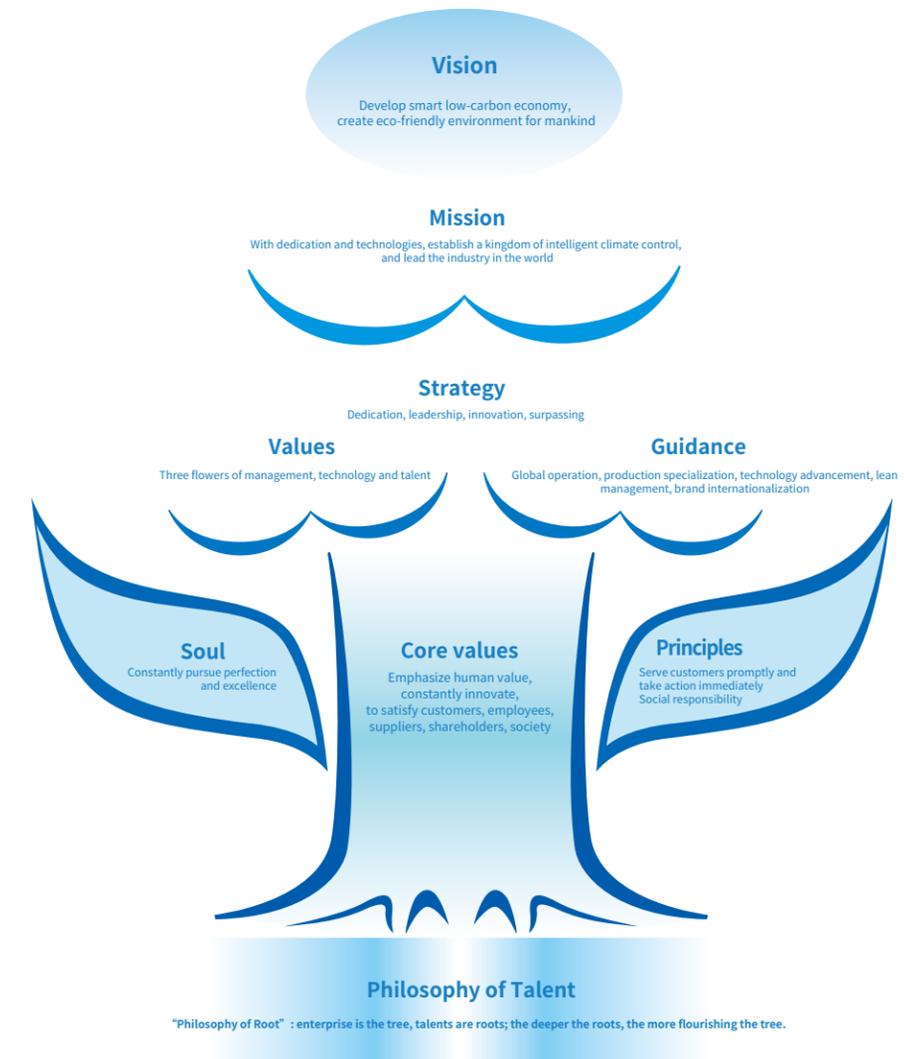
³ The scope of photovoltaic installed capacity data covers electromechanical parks in Meizhu, Daming, Hangzhou, Binhai, Wuhu, and Sitong; the scope of installed capacity data in energy storage stations covers parks in Meizhu, Daming, Hangzhou, and Binhai.

Sustainable Development Management

With the vision of "Develop smart low-carbon economy, create eco-friendly environment for mankind", Sanhua Intelligent Controls focuses on environmental protection and energy saving while pursuing economic benefits. We take the construction of resource-saving and environment-friendly enterprise as the important content of sustainable development strategy. The Company actively promotes the strategic transformation from "cost leadership" to "technology leadership", and continuously researches and develops a series of new products and technologies with independent intellectual property rights in energy saving, environmental protection, material saving and consumption reduction.

Corporate Culture System

In the course of development, the Company has been summarizing practical experience and refining cultural connotation to guide its development. It has formed an "evergreen" corporate culture system that originates from the development history, guides the development practice, and leads the development in the future.



▲ Evergreen Sanhua Culture Tree

November 2023

2023 Top 100 Enterprises of Shaoxing City (Sanhua Holding Group)

Shaoxing Enterprise Confederation
Shaoxing Enterprise Directors Association

November 2023

2023 Top 100 High-tech Enterprises of Zhejiang Province in Innovation capability

High-tech Enterprise Association of Zhejiang Province

September 2023

2023 Top 500 Chinese Enterprises (No. 441) (Sanhua Holding Group)

China Enterprise Confederation
China Enterprise Directors Association

August 2023

2023 Energy Saving and Emission Reduction Contribution Award of China Energy Conservation Association - Excellent Parts and Components Brand in Heat Pump Industry

Heat Pump Committee of China Energy Conservation Association

July 2023

2023 Excellent Case of CSR Practice in Automotive Industry (Sanhua Automotive)

China Association of Automobile Manufacturers

February 2023

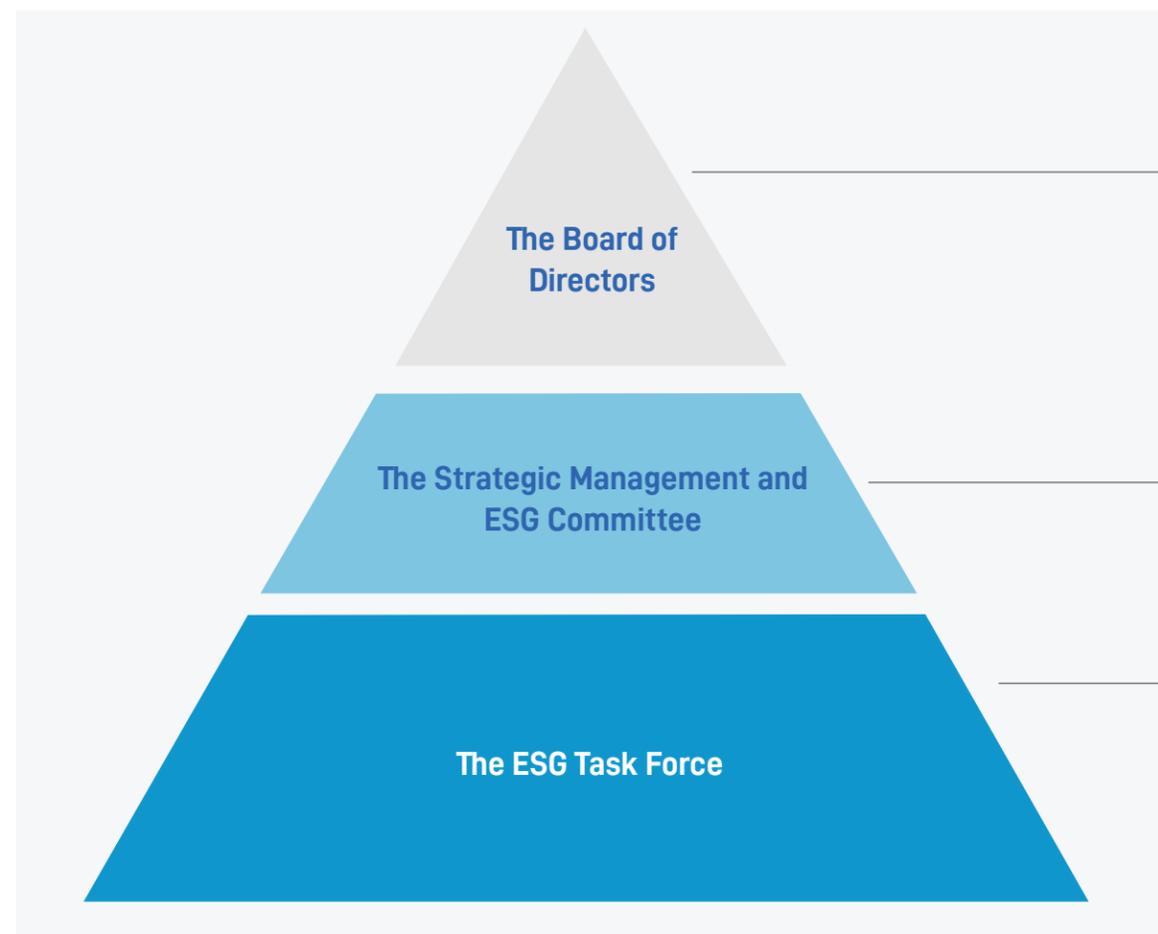
Benchmarking Enterprise for Management Benchmarking and Improvement of Zhejiang Province

Department of Economy and Information Technology of Zhejiang Province

ESG Management

The Company attaches great importance to ESG management, taking into account the concerns from regulators and the evaluation systems of ESG rating agencies in mainstream capital markets (e.g., MSCI ESG⁴, EcoVadis⁵) to guide the consolidation of governance and sustainable development. In 2023, the Company launched an ESG systematic work program. All departments actively took on the important responsibility of improving the ESG sustainability rating and participated in the formulation of ESG and sustainability strategies and action plans. By doing so, we ensure the effective implementation of ESG work, and regularly report the progress to the Strategic Management and ESG Committee to comprehensively deepen the ESG management and promote the Company's sustainable and long-term development.

In 2023, the Company's ESG Task Force took active actions. It has held 9 ESG working meetings to review and make decisions on core issues such as ESG and sustainable development strategies and goals, and figured out the focus of work in detail. Meanwhile, the Company attaches great importance to ESG promotion and capacity building. It has organized 19 ESG training sessions covering various aspects such as policy interpretation and practice cases, attracting more than 200 participants. We have effectively enhanced employees' ESG awareness and practice ability, providing strong support for the sustainable development of the Company.



● The Board of Directors

The Company's management attaches great importance to ESG management. The Board of Directors, as the highest governance body, is fully responsible for the Company's environmental, social and governance strategies and related supervision, formulates the Company's ESG/sustainability strategies, target frameworks, and major policies, and monitors the development trends, risks, and opportunities regarding ESG/sustainability, as well as evaluates their impact on the Company's long-term development.

● The Strategic Management and ESG Committee

The Company has established the Strategic Management and ESG Committee, which is mainly responsible for: organizing, implementing and effectively managing the Company's strategic development plans; leading and promoting the construction of the Company's ESG governance system to promote its long-term sustainable operation; ensuring the effective implementation of the Company's ESG strategies and plans, and promoting the improvement of ESG management performance and the implementation of sustainable development goals; guiding and facilitating the effective implementation of ESG work by the ESG project team and all business units.

● The ESG Task Force

Within the year, the ESG Task Force of the Company was established as a standing body of the management to incorporate ESG work into the entire work architecture. It enhanced the management's continuous and effective efforts into ESG work and ensured that ESG will be fully integrated into the Company's decision-making process and closely linked to strategy and risk management. The ESG Task Force is composed of the Company's senior managers, with the Company's Human Resources Director and Procurement Director as the leaders, and delegates from each functional department and each business unit as members.

The main responsibilities of the ESG Task Force include:

undertaking duties related to the promotion of the Company's ESG sustainability rating; participating in the formulation of the Company's ESG and sustainability work planning and action points; holding regular ESG work meetings to discuss and determine the duties of each member, implementing daily ESG work, and reporting to the Strategic Management and ESG Committee on a regular basis; responding to ratings, inquiries, questionnaires, etc. from investors and rating agencies regarding the Company's ESG and sustainability efforts; taking the lead in planning ESG information disclosure work and assisting in preparing annual ESG reports in accordance with the requirements of regulators, investors and rating agencies.

⁴ Morgan Stanley Capital International (MSCI), is an international authority on indices and ESG analysis.

⁵ EcoVadis, a global provider of environmental impact assessment services, has a Global Corporate Sustainability Rating System.



Stakeholder Communication

Sanhua Intelligent Controls actively expands communication channels with stakeholders in its daily operation and services. Through a regular communication mechanism, we carry out multi-channel and multi-form communication activities. We fully understand the expectations and demands of stakeholders, actively respond to their concerns, and build a harmonious and stable relationship.

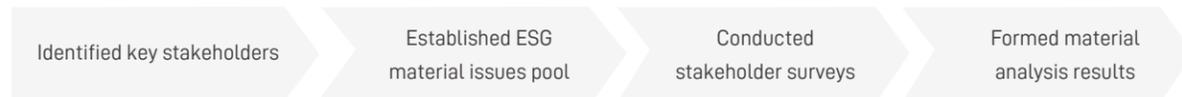
Stakeholders	Communication and Engagement Methods	Concerns and Expectations
<p>Government and Regulators</p>	<ul style="list-style-type: none"> • Communication and Reporting • Compliance Disclosure 	<ul style="list-style-type: none"> • Corporate Governance • Integrity and Compliance • Risk Management • Responding to Climate Change • Emissions and Waste • Employee Rights and Interests
<p>Investors</p>	<ul style="list-style-type: none"> • Timely Telephone Communication • Investor conferences • Performance Release • Shareholders' Meeting • Roadshows • Questionnaires 	<ul style="list-style-type: none"> • Responding to Climate Change • Emissions and Waste • Corporate Governance • Risk Management • Innovation and Intellectual Property Rights • Sustainable Procurement • Product Lifecycle Management
<p>Customers</p>	<ul style="list-style-type: none"> • Social Media • Customer Satisfaction Surveys • Customer Complaints • Questionnaires 	<ul style="list-style-type: none"> • Product Life cycle Management • Customer Relationship Management • Consumer Health and Safety • Compliance and Integrity • Network and Information Security

Stakeholders	Communication and Engagement Methods	Concerns and Expectations
<p>Management</p>	<ul style="list-style-type: none"> • Regular Announcements • Performance Reporting Meetings • Daily Communication • Questionnaires 	<ul style="list-style-type: none"> • Corporate Governance • Business Ethics • Innovation and Intellectual Property Rights • Risk Management • Emissions and Waste
<p>Employees</p>	<ul style="list-style-type: none"> • Employee Congress • Employee Training • Employee Events • Social Media • Intranet • Employee Satisfaction Surveys 	<ul style="list-style-type: none"> • Occupational Health and Safety • Pooling and Retaining Talents • Human Rights Protection • Human Capital Development
<p>Suppliers/Service Providers</p>	<ul style="list-style-type: none"> • Regular Communication • Suppliers' Official Websites • Questionnaires 	<ul style="list-style-type: none"> • Network and Information Security • Occupational Health and Safety • Sustainable Procurement • Consumer Health and Safety
<p>Industry Associations</p>	<ul style="list-style-type: none"> • Company Website • Industry Communication • Questionnaires 	<ul style="list-style-type: none"> • Innovation and Intellectual Property Rights • Fair Competition
<p>Media</p>	<ul style="list-style-type: none"> • Media Interviews • Company Website • Questionnaires 	<ul style="list-style-type: none"> • Responding to Climate Change • Community and Public Welfare



Materiality Analysis

In 2023, Sanhua Intelligent Controls established this year's material issues pool based on the macro environment and both internal and external conditions. It also identified the key material issues of sustainable development through a combination of questionnaires and key stakeholder interviews. Through the dual material analysis, we respond to stakeholder concerns in this report.



▶ Identified key stakeholders

Based on stakeholders' "influence by the enterprise" and "influence on the enterprise", we have identified 8 major categories of stakeholders, including: employees, management, government and regulatory agencies, suppliers/service providers, customers, industry associations, media, and investors.

▶ Established ESG material issues pool

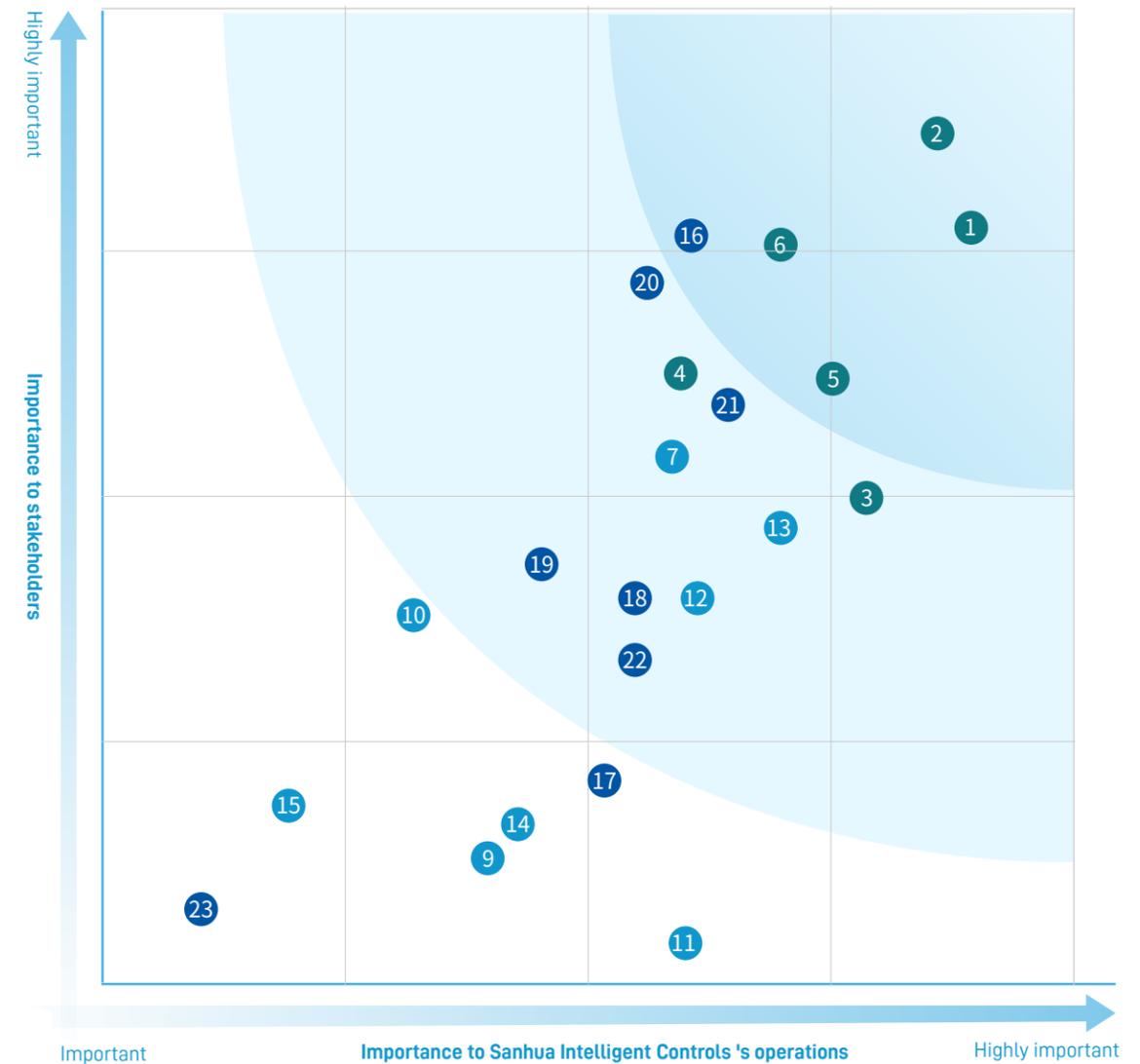
Through benchmarking against international supervision and policy trends, industry trends, peer performance, etc., as well as reference to the United Nations Sustainable Development Goals (SDGs), MSCI ESG ratings and S&P Corporate Sustainability Assessment (CSA) issues of concern for benchmarking and analysis, Sanhua Intelligent Controls has established a material issue pool for this year, covering a total of 23 issues in terms of environment, society and governance.

▶ Conducted stakeholder surveys

The issues included in the material issue pool were prepared into questionnaires and distributed to stakeholders for scoring. 278 valid questionnaires were collected by the Company in 2023. Meanwhile, we interviewed important stakeholders to further understand their concerns and expectations.

▶ Formed material analysis results

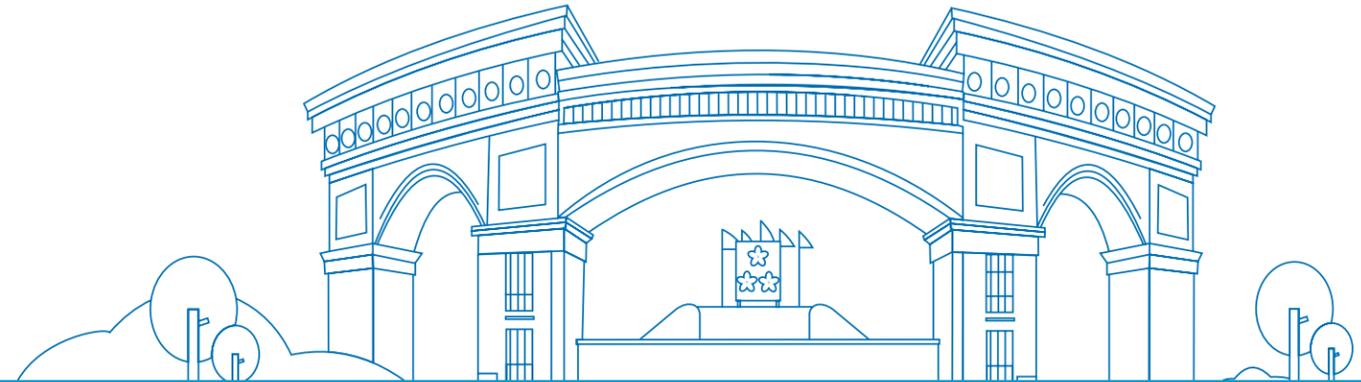
Combined with the results of stakeholder surveys, the Company ranked the 23 material issues. In the dimensions of "importance to stakeholders" and "importance to Sanhua Intelligent Controls's operations", we formed the 2023 Sanhua Intelligent Controls 's materiality matrix in 2023.



Governance Issues	Environmental Issues	Social Issues
1. Corporate Governance	7. Environmental Policies and Management	16. Occupational Health and Safety
2. Business Ethics	8. Energy Consumption and Greenhouse Gas Emissions	17. Human Capital Development
3. Innovation and Intellectual Property Rights	9. Water Resources Management	18. Human Rights Protection
4. Sustainable Procurement	10. Clean Technology Opportunities	19. Labor Practice Management
5. Risk Management	11. Product Life cycle Management	20. Pooling and Retaining Talents
6. Network and Information Security	12. Chemicals and Hazardous Substances	21. Customer Relationship Management
	13. Emissions and Waste	22. Consumer Health and Safety
	14. Responding to Climate Change	23. Corporate, Citizens and Public Welfare
	15. Biodiversity	

Responding to SDGs goals

The Company is taking actions on highly important material issues, aiming to contribute to the common sustainable development goals of humanity through corporate value. We have been actively engaged in the following key efforts in response to the United Nations Sustainable Development Goals (SDGs).



UN SDGs	Our Efforts	UN SDGs	Our Efforts
	<p>Actively taking up corporate responsibility to jointly deliver common prosperity, visiting the elderly in nursing homes, providing paired-up assistance to the needy in communities, and supporting the development of education to contribute to society and promote social harmony and sustainable development; carrying out university-enterprise cooperation to support the training of talents in colleges and universities, and to promote high-quality employment.</p>		<p>Responding to the trend of industrial and technological transformation, and continuing to increase R&D investment and expanding our scientific research and innovation platform to accumulate technological advantages through scientific and technological innovation; promoting intelligent manufacturing and lean production to enhance the digitalization of the Company's production equipment; and responding to the development trend of the new energy automobile industry by providing energy-efficient and intelligently controlled thermal management products for new energy automobiles.</p>
	<p>Attaching importance to the health and safety of consumers, and identifying and avoiding potentially hazardous factors in product design and development; providing employees with a full range of health protection, occupational disease protection and caring measures, and carrying out investigation and rectification of potential safety hazards to ensure that employees work in a safe and comfortable environment.</p>		<p>Upholding the low-carbon sustainable development in the full life cycle of products and services, incorporating the concept of ecological and environmental protection into product development, design and production, improving the performance of products, and adding whole-lifecycle carbon footprint tracking and other traceability information; promoting the construction of photovoltaic, energy storage and other projects, and using distributed photovoltaic to replace part of the purchased electricity in the park.</p>
	<p>Prohibiting discrimination or unfair treatment of employees due to gender, age, etc.; implementing the principles of equality between men and women, equal pay for equal work, and distribution according to work, and continuously optimizing the remuneration and benefits and performance appraisal system; building a scientific qualification system, combined with a clear career development path, to help employees clarify the positions and directions in their careers, and to provide employees with a broad space for development.</p>		<p>Attaching importance to the impact of our operations on stakeholders, continuing to develop and optimize our ESG governance system, and enhancing the supervision and participation of the Board of Directors and management in ESG affairs; staying committed to high business ethics and showing no tolerance for all types of corruption; working together with our supply chain partners under the principle of "Integrity and Shared Value" and formulating sustainable procurement policies to improve the environmental and social performance in supply chains.</p>
	<p>Attaching importance to environmental impacts during operation, preventing and controlling all types of pollutants, and strengthening environmental management and improving environmental performance to ensure effective management of emissions and conservation of resources; researching, developing and promoting environmentally friendly refrigerants, lead-free products, etc., to reduce environmental pollution while reducing negative impacts on underwater and terrestrial organisms.</p>		

Feature on Responsibility
Scientific and Technological Innovation Drives High-quality Development

Scientific and technological innovation is the inexhaustible driving force leading the development of enterprises. It is also the key to better applying technologies in industrial scenarios, and to promoting the continuous upgrading and transformation of industries. From the very beginning, Sanhua Intelligent Controls has embedded the concept of science and technology in its genes and cultivated the values and culture of "Respecting Talents and Valuing Science and Technology". Through decades of development, Sanhua Intelligent Controls has been drawing on its experience. Starting from "cost leadership", we move towards "technology leadership", and constantly upgrade our strategies. We also put innovation and key technology breakthroughs as top priorities, and strive to realize key technology breakthroughs by grasping market and technology development trends.

Strengthening Scientific and Technological Innovation and R&D

The Company attaches importance to the innovation and establishment of management systems and mechanisms. The Company and its subsidiaries have introduced management measures for R&D and innovation such as the Management Measures for Patent Work, Management Measures for Scientific and Technological Project Management and Awards, Control Procedures for New Product Development, Management Measures for Reviewing New Product Development Projects, and Management Measures for Implementing Product Line Planning and Product Power Building. As a result, it has formed unique innovation systems and mechanisms supported by management systems and targeting resource integration.

Focusing on fields	We uphold innovation and take energy-saving, low-carbon and intelligent control as the core concept of product development. We have developed a solid technological foundation by working intensively on core technologies such as fluid control, automatic pressure detection and control, high-efficiency heat transfer, electromagnetic control and industrial automatic control. We focus on commercial air conditioning, thermal management of new energy vehicles, heat pumps, energy storage, and commercial and industrial refrigeration, and are committed to realizing technological breakthroughs and innovation in these fields.
R&D Layout	We follow the strategic layout of "Reserving One Generation, Developing One Generation, and Producing One Generation" to ensure continuous technological advancement and product upgrading. We develop high-quality core components, control modules and system technology solutions for our global customers to meet the diversified needs of the market and promote the sustained development of the industry.

As an enterprise driven by scientific and technological innovation, the Company has been increasing R&D investment over the years. We continue to accumulate technological advantages through scientific and technological innovation, enhance product power, and form core competitiveness. In 2023, the Company's R&D investment amounted to RMB 1,097 million, a year-on-year increase of 10.92% compared with the previous year.



The Company implements the mechanism of "Agile Development, Rapid Testing", and carries out collaborative development to improve the reliability of product design while protecting patents. The R&D programs not only focus on improving the performance of existing products, but also on the research and development of new products and technologies. In addition, it actively carries out innovative R&D based on the existing technological advantages. As of 2023, the Company has achieved a number of achievements in its innovation programs.

Project/Product Name	Approval/Review Department
National Enterprise Technology Center	National Development and Reform Commission, Ministry of Science and Technology, Ministry of Finance, General Administration of Customs, State Taxation Administration
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, Zhejiang Provincial Tax Service, State Taxation Administration
National Technological Innovation Demonstration Enterprise	Ministry of Industry and Information Technology of the People's Republic of China
Key Enterprise Research Institute for Intelligent Control of Refrigeration Appliances in Zhejiang Province	Department of Science and Technology of Zhejiang Province
Industrial Internet Platform of Zhejiang Province	Department of Economy and Information of Zhejiang Province
Electronic Expansion Valve Awarded the Manufacturing Single Champion Product by the Ministry of Industry and Information Technology (2023-2025)	Ministry of Industry and Information Technology of the People's Republic of China
DC Drainage Pump for Air Conditioning Rated as Zhejiang Province's Excellent Industrial Product of 2023	Excellent Industrial Product Selection Committee of Zhejiang Province

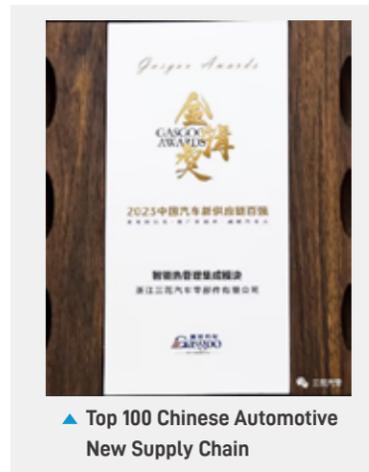
Automotive Components Module

The Company has shaped scale and become a technological pioneer in the automotive components industry, with its products and technologies covering the fields of automotive air conditioning thermal management, power battery thermal management, motor thermal management and other full-vehicle thermal management. In recent years, the Company has been promoting intelligent manufacturing and lean production, grasping the opportunity of rapid development in the new energy automobile industry, deepening product development and innovation in the field of automotive thermal management. It has committed itself to the research and development of more efficient and energy-saving, intelligently-controlled thermal management products and technological innovation.

Product Application Type	Product Name	Functions and Advantages
A/C Thermal Management	Electronic Expansion Valve	It can enhance temperature stability and capacity of the battery cooler, precisely controlling flow rate.
	Electric Ball Valve	A ball valve using refrigerant as a medium, features low pressure drop
	Refrigerant Solenoid Valve	A cost-effective solution for refrigerant flow on/off control
Powertrain Thermal Management	Electronic Oil Pump	It can adjust flow rate on demand through variable speed control, improving energy efficiency.
Battery Thermal Management	Electric Coolant Valve	Precise flow control, highly resistant to impurities
	Chiller with Expansion Valve	Simplified piping, minimizing packaging space
Other Applications	Actuator	Driven by a DC motor, responding instantly

The electronic expansion valve is a core component in the thermal management of new energy vehicles, with high demands for both software and hardware technologies. As a first mover, Sanhua Intelligent Controls has taken the lead in applying electronic expansion valves in the field of new energy vehicles, making it a signature product of the Company and maintaining a global leading market share for five consecutive years.

In 2023, the Company leveraged its component product advantages to develop integrated components, upgrading product structures to higher value and higher technical barriers. Sanhua Automotive won the "Top 100 Chinese Automotive New Supply Chain" award at the 5th GASGOO Awards with its "Intelligent Thermal Management Modules".



▲ Top 100 Chinese Automotive New Supply Chain

New technology research on R290 heat pump for electric vehicles



The new energy vehicle is a future industry that aligns with the trend towards a greener and more digital society. It is not only a paradigm of the new quality productive forces of our country, but also an important development strategy for the transformation and upgrading of the global automotive industry. The Company has proactively explored technical upgrades in new energy vehicle thermal management systems in response to the urgent industry needs for replacing hydrofluorocarbons (HFCs). In collaboration with the Chinese Academy of Sciences, and based on years of joint research with the Technical Institute of Physics and Chemistry, the Company signed the Research Agreement on Key Components and System Performance of R290 Heat Pumps for Electric Vehicles in August 2023. Significant progress has been achieved by the end of the reporting period.

Home Appliances and Commercial Refrigeration Business

The Company actively fulfills the Kigali Amendment to the Montreal Protocol on Substances that Deplete the Ozone Layer, collaborating with various sectors to limit HFCs to address ozone depletion and climate change. It explores alternative refrigerants in the air conditioning industry to actively contribute to ozone protection and climate change mitigation.

The Company is actively advancing its technologies in clean refrigerants such as carbon dioxide (CO₂) and R134a, which offer advantages in energy efficiency, environmental friendliness, and high-pressure tolerance. These technologies have higher demands and are harmless to the environment. They do not deplete the ozone layer, and have a low greenhouse effect. That's why these technologies are being actively promoted and are gradually becoming mainstream in the home appliance and commercial refrigeration industries. The Company holds numerous patents and has achieved significant technological advancements in the field of home appliance and commercial refrigeration components, with many independently developed products that have broken through technical barriers set by foreign enterprises.

Two home appliance products won the "Golden Nail Award" of China's home appliance industry chain



In April 2023, the Company's refrigerator micro-channel condenser and drawer-type dishwasher dispenser of Sanhua Aweco (Wuhu) won the "Golden Nail Award" of China's home appliance industry chain in 2023 at the China Home Appliance Industry Chain Conference.

- **Refrigerator micro-channel condenser:** light weight, small volume, high energy efficiency, less refrigerant charging, and applicable to R290, R600a and other combustible refrigerants; compact product structure, environmentally friendly materials that are easy to recycle; not only meets the customer's requirement of improving the space utilization of the compressor compartment, but also conforms to the national strategy of low carbon and environmental protection.
- **Drawer-type dishwasher dispenser:** The product has a thin, light and minimalist design with high effective capacity. It is intelligent and infinitely adjustable, enabling users' personalized settings, and prolonging the use cycle while reducing the frequency of refilling liquids, which significantly improves the users' experience.



▲ The scene of "Golden Nail Award" China's home appliance industry chain in 2023

The Company facilitated the application of low GWP⁶ refrigerants



Low GWP refrigerants tend to increase the risk of flammability and have high costs of components. To address these problems, the Company, as a supplier of components, has come up with numerous workable solutions:

- **Electric ball valve (EBV):**

The Japan Refrigeration and Air Conditioning Industry Association released the JRAGL-16 standard for the use of slightly flammable refrigerants in August 2017, which requires that the use of R32 refrigerant in commercial air conditioners (mainly multi-connected units) must be equipped with a safety shut-off valve from 2025 onwards to prevent accidents caused by refrigerant leakage. The Company's stepper motor-driven electric ball valves, EBVs, have been widely adopted by the market for their design and performance advantages.



▲ Electric ball valve (EBV) products

- **Building the test bench for R290-specific plate heat exchanger performance:**

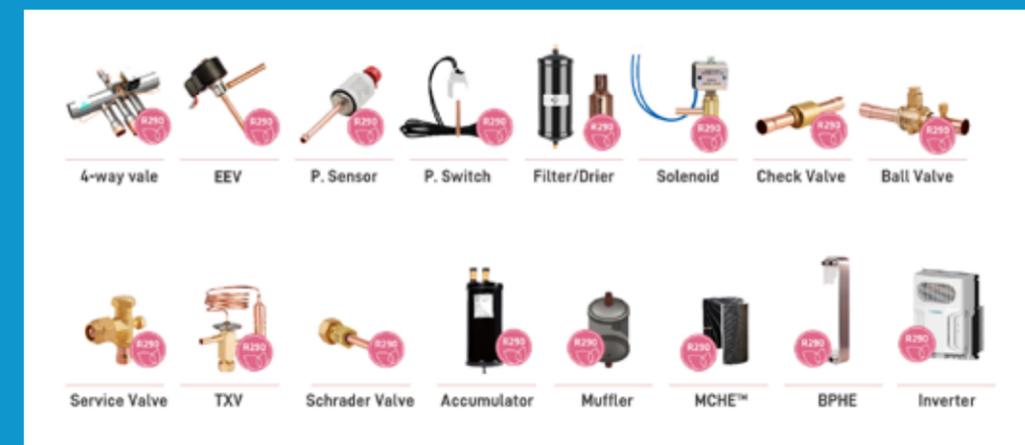
To reduce the charge of R290 refrigerant and improve the heat exchange efficiency of R290 system, the Company is the first in the industry to invest in the construction of R290-specific plate heat exchanger performance test bench, which is used for the development and testing of R290-specific plate heat exchanger.



▲ Sanhua Brazed Plate Heat Exchanger

- **Enhancing product safety standards:**

According to the EU regulations, R32 refrigerant will be phased out in the future and replaced by R290 refrigerant which is flammable and explosive. The Company has upgraded and certified the related products at the first time to ensure that they meet the new safety standards. Among them: four-way reversing valves, solenoid valves, electronic expansion valves, pressure transmitters and pressure switches have all obtained the relevant third-party certification.



▲ Products that have obtained safety certification

⁶ Global Warming Potential (GWP) values, the index of the greenhouse effect produced by a substance, is used to estimate and compare the potential impact of emissions of different gases on the climate system.

Emerging Business

The Company pays close attention to the global scientific and technological revolution and industrial change trends. Relying on the homology of technology, we actively lay out the development in energy storage, robotics and other fields, cultivate future industries to pool new quality productive forces, and enhance the new momentum for the Company's development. In addition, the Company focuses on electromechanical actuators and other segments. With its own technological advantages, it designs and develops electromechanical actuators for bionic robots, and has carried out research and development of related products, trial production, adjustment.

Deepening Digital Transformation

The Company actively responds to the Plan for Development of the Digital Economy During the "14th Five-Year" Period, which mentions the steady advancement of industrial digital transformation. It continues to improve the digitalization of production equipment, and promote the integration and innovation of digital technology, application scenarios and business models, so as to improve the Company's production efficiency.

The Company continues to develop and innovate more intelligent and digital products, automotive parts, HVAC appliances and other key products, to enhance the Company's comprehensive competitiveness in the field of HVAC appliances as well as automotive thermal management. In terms of the green performance of its products, the Company has also developed many energy-efficient, low-carbon and environmentally friendly products to realize the sustainable development of its business.



Intelligent solutions for Sanhua Automotive Binhai Factory



Under the guidance of the intelligent manufacturing strategy, Sanhua Automotive Binhai Factory has built an intelligent factory with stable quality, optimal cost and flexible delivery by focusing on the digitization of the full life cycle of the products and automated and intelligent equipment.

- **Tracking Data, Controlling Quality:**

Binhai Factory has introduced a data collection and uploading system for automated production to improve the stability of product delivery quality; the production line also applies the MES system, which analyzes key data and helps to quickly identify problems and make improvements, further improving the stability of product delivery quality.

- **Data Management, Agile Delivery:**

Binhai Factory has set up a data collection team with strong professionalism and high executive power, to work with the self-developed SH-PCS equipment data collection system. It greatly reduces the docking cycle and improves the data management efficiency through the establishment of a unified data collection specification with equipment manufacturers.

- **Independent R&D, Flexible Application:**

The Company is strengthening its independent research and development efforts to improve the level of intelligent manufacturing through the use of digital tools.

- **High Quality and Efficiency, Intelligent Production:**

AGV (automatic guided vehicle), SH-PCS system (intelligent manufacturing execution system), 5G network and other equipment and facilities are fully put into use in Binhai Factory, realizing full automation in the workshop.



▲ Sanhua Automotive Binhai Intelligent Factory

Digital empowerment of assets - Sanhua Intelligent Controls TMS Cloud

Case

In October 2023, Sanhua Intelligent Controls TMS Cloud (Phase I) was launched, which directly connects the settlement of many banks and integrates various business systems and capital platforms within the Company. The first phase of the platform includes six functional modules and 299 accounts directly connected with banks and enterprises, which has covered the balance, details, and return inquiries of major accounts in China, Singapore, Vietnam and North America, and realized the visualization, controllability and adjustability of funds in the above regions.

The successful launch of the system realizes the closed-loop operation of business, finance and fund information, promotes the Company's "integration of business, finance and assets" and "paperless finance", and accelerates the Company's digital transformation.

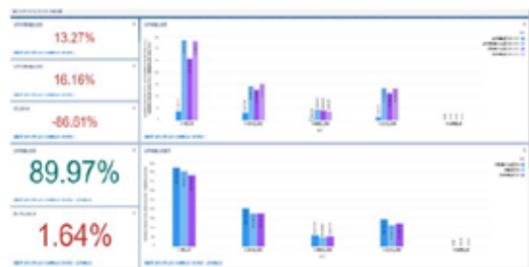


▲ TMS Cloud (Phase I) Launching Ceremony

In 2023, Sanhua Intelligent Controls gradually built and improved the industrial internet platform consisting of the domestic supply chain collaboration sub-platform, the design and R&D collaboration sub-platform, the intelligent manufacturing sub-platform, the operation and management sub-platform, the intelligent warehousing and logistics sub-platform, the intelligent energy IoT sub-platform, and the information security control sub-platform, and put a number of projects into practice.

CRM Marketing Window Project

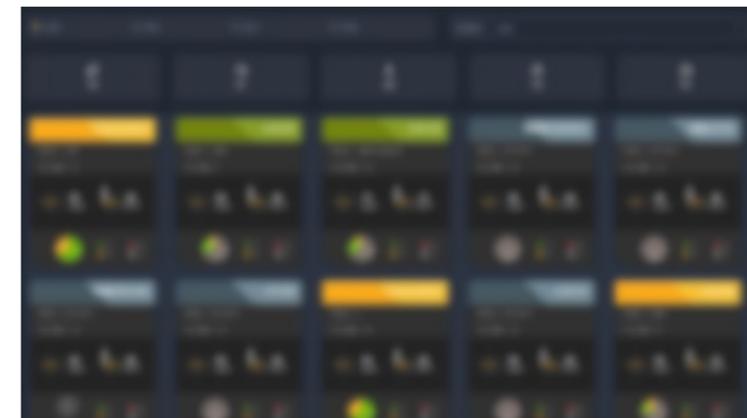
sorting out the computer view of business staff in business units based on management objectives and indicator systems; displaying the daily sales plan of the sales staff; through the shipment and invoicing to prejudge the achievement of sales targets; monitoring new products and strategic customer sales in real time; assisting the business personnel in assessing their own sales performance from multiple perspectives, guiding and motivating them.



▲ Figure of the CRM Marketing Window Project at PC end

Electronic Expansion Valve Gold Processing Intelligent Control Cloud Platform

It realizes functions such as automated data collection and analysis, provides data support for the Company's management when making decisions on equipment resources, and monitors equipment abnormalities in real time, and alarms in advance.



▲ Figure of the instrument panel of the Electronic Expansion Valve Gold Processing Intelligent Control Cloud Platform

5+3 Visualization Window Project--Operation Mechanism Model

For each level of management positions, 5 themes and 3 points are identified, which are carried through to daily or monthly performance appraisal. The model focuses on the Company's operational goals, highlighting clue discovery and management, and effectively promoting the Company's "MASI" cycle.



▲ Figure of the 5+3 Visualization Window Project

Full-lifecycle Traceability System

Based on 5G "Industrial Gateway + Sinking UPF + Industrial Internet Platform + Application System", the system realizes full-lifecycle traceability to meet the requirements of high-end customers. At the same time, it can be flexibly deployed and dynamically tuned to the equipment to improve the yield rate and reduce the number of customer complaints.

In addition, the Company has created digital tools such as OA system (Collaborative Office Platform), EHR platform (Electronic Human Resource Platform), M365 project (Document Collaboration Platform), etc., to improve the office and production efficiency in all aspects from the daily office, human resource integration, and document sorting.



Feature on Responsibility

Quality Products Creating Sustainable Value

Sanhua Intelligent Controls continues to improve its product quality management system to ensure that each product meets or exceeds customer expectations. The Company is constantly investing in research and development while also focusing on improving the effectiveness of its services. It adheres to the principle of integrity, putting quality first to ensure the stability and reliability of product quality and providing customers with more excellent products and services.

Product Quality Management

The Company strictly abides by the Product Quality Law of the People's Republic of China, the Metrology Law of the People's Republic of China, the Standardization Law of the People's Republic of China and other laws and regulations, and has formulated rules and regulations such as the Control Procedures for Defective Products, to strictly conduct product quality management, and to prevent defective products from unintended use or delivery.



Responsibilities of Departments

- The quality department coordinates product quality management, clearly identifies, determines, and handles non-conforming products, and issues instructions to stop or resume production; conducts statistical analysis of non-conforming products and supervises the implementation of decisions on their disposal; and determines the responsibility for quality losses due to non-conforming products.
- The production department is responsible for identifying, reporting, isolating, reviewing, and handling non-conforming products in the manufacturing process.
- The departments of supply management, planning, and sales are respectively responsible for reviewing and handling non-conforming samples, batch products, and finished products in the warehouse.



Review and Supervision Mechanism

A comprehensive management approach is adopted throughout the lifecycle of non-conforming products, involving classification, identification, review, disposal, data analysis, deductions, and other review and supervision procedures to ensure product quality standards, including:

- Raw materials and outsourced components
- Raw materials and outsourced components used in production
- Finished products during production
- Outsourced components before processing
- Finished products in storage inspection
- Customer products
- Third-party warehouse products
- Suspect products
- Recalled products



Recall Mechanism

- **Determination:** Products delivered with large-scale non-conformance or safety hazards, or affected by other changes (including technological, legal, regulatory, and conflict events) impacting the quality or safety of delivered products, as well as batches found internally affected by non-conforming products, are included in the recall scope.
- **Identification and Review:** require quality engineers to complete the Recall Product Process Form and establish a task force for recall review, with the general manager and legal counsel participating as necessary.
- **Implementation of Recall:** Based on the review, the quality department deliver the Recall Product Process Form to relevant departments; sales personnel are responsible for communicating with customers and providing feedback on recall events; to ensure smooth product recall; coordination with customers is conducted via telephone, fax, email, etc.
- **Disposal:** Sold products are isolated, labeled, and registered in a separate area in the finished product warehouse; products on the production line are isolated and labeled in a separate area by workshop personnel; products in storage are isolated, labeled, and registered in a separate area by warehouse personnel; finally, instructions for handling recall products are issued based on conclusions from review meetings.



Sanhua Household conducted regular quality management activities

Case

Sanhua Household regularly conducts quality management activities using the QRQC board as a platform and face-to-face visual management as a means. Quality managers from each business unit focus on customer concerns and potential market risks, delving into internal improvement work. Through visual quality management, we continuously improve product quality and services to meet customer needs and effectively address market risks, laying a solid foundation for the Company's stable development.



▲ Quality management activities at Sanhua Household



▲ Quality training at Sanhua Commercial Refrigeration



▲ Quality training at Sanhua Automotive



▲ On-site quality investigation at Sanhua (Hangzhou) Micro Channel Heat Exchanger



▲ On-site quality investigation for Leaderway Electronics

Striving for excellence, supporting high-quality product testing

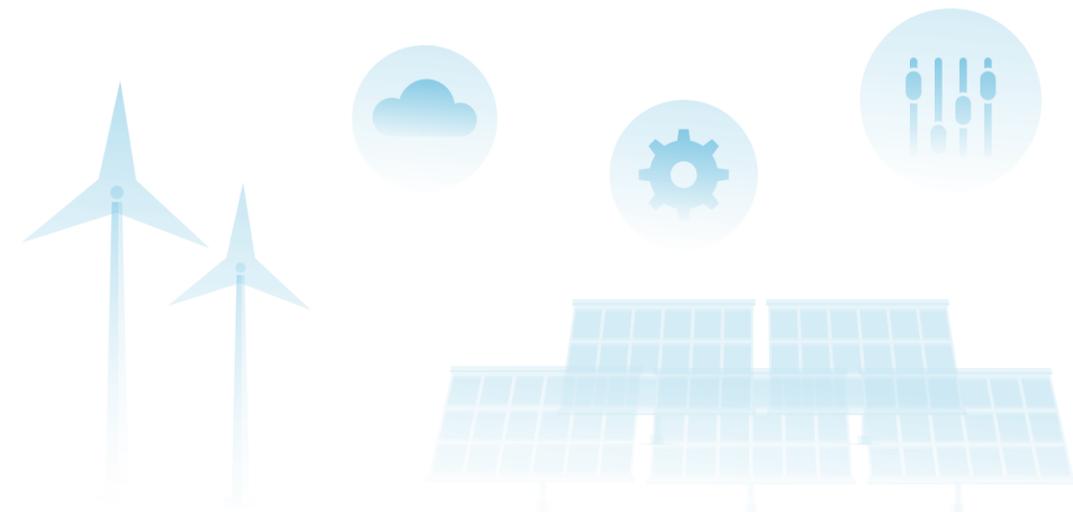
Case

In March 2023, assessment experts from China National Accreditation Service for Conformity Assessment (CNAS) conducted an on-site conformity assessment of Sanhua Intelligent Controls Metrology and Testing Center, and audited the requirements of all management and technical elements of the accreditation guidelines covered by the quality management system documents. The assessment involved a total of 7 testing objects and 110 testing parameters, including valve product testing items, copper and copper alloy, metal material chemical and physical testing items. Since the first CNAS accreditation in 2012, Sanhua Intelligent Controls Metrology and Testing Center has upheld the principle of objectivity, impartiality, science and rigor. It continues to improve the testing services for the construction of the Company's product quality system.

In 2023, the Company also placed significant emphasis on the quality digitalization project, and both the Quality Master Data and Quality Window have been launched. The uniqueness, integrity, and consistency of the Quality Master Data ensure data accuracy, reducing business risks and costs while facilitating data sharing and enhancing work efficiency. The Quality Window provides accurate, comprehensive, and real-time data support, assisting management in making more scientific and rational decisions, thus improving the Company's competitiveness and market share. Furthermore, the construction of the Quality Management System (QMS) has been completed, ensuring more timely access to quality information and faster quality improvement. The Company has strengthened its efforts in special external quality inspection, guaranteeing transparent quality data and efficient control through measures such as separating external inspectors from sampling personnel and automatically uploading external inspection data in real-time.



▲ The Quality Master Data window interface of Sanhua Commercial Refrigeration



Customer Relationship Management

The Company adheres to the service concept of "Customer First, Customer Foremost", continuously strengthens the customer service before, during and after the sale, and builds a high-quality customer service system. It has formulated customer relationship management systems, such as the Measures for the Management of Non-conforming Products of Customers and the After-sales Service Control Procedures. During the reporting period, the Company added the Handling and Assessment Standards for After-sales Quality Abnormalities to improve the internal management of customer service and enhance the efficiency of response to customer needs.

If customers return non-conforming products, the Company will take the following actions

- | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • Customer information feedback and acceptance • Preliminary investigation of the cause of defects and product disposal • Defective product analysis • Determination of results | <ul style="list-style-type: none"> • Formulation of improvement measures • Implementation of improvement measures and verification of effectiveness • Experience put into database • Management of ineffective returned goods |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

The Company attaches great importance to customer satisfaction, actively listening to customer feedback and opinions, and ensures that all negative feedback and complaints from customers on product quality and any related information are timely and effectively received and rectified. The Company has established a sound mechanism for handling after-sales quality exceptions and an accountability system, and clarified the responsibilities of each department in the handling process. The handling process of after-sales quality exceptions mainly include problem disposal and analysis for improvement, and employees will be assessed for accountability.



Verifying related information

including product details, quality data, and customer demands.



Issuing a quality anomaly investigation

to confirm the product's quality status and provide interim measures and investigation progress to the customer within 24 hours; in the event of a batch of incidents or significant quality anomalies, immediately reporting to the department director and quality director, and providing interim measures to the customer within 24 hours.



Initiating a product quality review

with the responsible unit required to confirm the causes of the quality issue within 48 hours and provide a written analysis report.



Incident handling

In the event of a situation causing the production stoppage or product quarantine of the customer, the after-sales quality team sends personnel to the site for disposal to minimize quality losses. Simultaneously, we initiate a Quality Anomaly Risk Review Form, conduct testing or risk control investigations as necessary, and promptly communicate with the customer to clarify timelines, thereby preventing customer complaints.



Consumer Health and Safety

The Company prioritizes the health and safety of consumers. To ensure that all employees understand the principle of product responsibility, during the reporting period, we revised the Control Procedures for Product Safety Management. In addition, we defined, identified, and controlled safety-related products and characteristics, and established procedures for addressing potential or actual defects and their impacts. The specific control procedures are as follows:

- Principle of Product Responsibility**

we organize education and training in advance on product safety issues; when these issues occur, if safety-related products cause significant harm to customer interests, we will assume defendant responsibility, and relevant department directors will bear primary responsibility.
- Product Design and Development**

we strictly adhere to relevant laws and regulations, conducting risk assessment, evaluation, and validation of product safety characteristics; combining customer requirements, we conduct risk analysis on products to identify potential hazards during the manufacturing process, and taking preventive measures in advance.
- Raw Material Management**

we are responsible for the transfer and delivery of goods, products, and materials, with clear traceability markings on manufacturing batches.
- Product Certification**

we submit product certification applications to third-party laboratories and promptly notify customers.

- Emergency Plan**

we develop emergency plans for non-conforming products. Once non-conforming products are identified, they should be recalled immediately, and relevant personnel should be investigated.
- Document Archiving**

safety-related quality certification documents must be archived by the corresponding department for at least 15 years (or according to customer requirements if specified).

The Company has established the Control Procedures for Product Identification and Traceability to standardize the management process of product identification throughout the stages from raw material/component inspection, warehousing, production, to delivery, ensuring the traceability of products.

- **Offline Product Information Traceability:**

products are traced by batch numbers and product models as unique identifiers. If there is no process flow path in the system, a flow card will be used to track the product's movement between various processes.

- **Online Product Information Traceability:**

relying on the MES system for traceability management, comprehensive traceability of quality, production processes, and materials is conducted. Additionally, QR codes are used as important identifiers for some products.

Flower of Management Blooms for a Better Future

Sanhua Intelligent Controls continuously improves the corporate governance structure, establishes and enhances the internal control system, strengthens the information disclosure management, actively carries out the investor relationship management, and regulates operations, so as to step up the level of corporate governance. In 2023, we revised the Articles of Association, the Rules of Procedure of the Shareholders' Meeting, and the System of Independent Directors, etc., to deepen and improve the planning and formulation of the corporate governance system. The actual situation of corporate governance is in line with the normative documents of China Securities Regulatory Commission and the Stock Exchange regarding the governance of listed companies.

- Corporate Governance Structure
- Risk Management System
- Integrity and Compliant Operation
- Protecting Information Security
- Supply Chain Management
- Protecting Intellectual Property Rights

Corporate Governance Structure

Sanhua Intelligent Controls insists on building an open, transparent and efficient corporate governance system. We have formulated and continuously revised the Articles of Association, the Rules of Procedure of the Shareholders' Meeting, the Rules of Procedure of the Board of Directors, the Rules of Procedure of the Board of Supervisors and other normative operational documents in strict accordance with the requirements of the Self-regulatory Guidelines for the Companies Listed on the Shenzhen Stock Exchange No. 1 – Standardized Operation of the Companies Listed on the Main Board, and other relevant laws, regulations and normative documents. The Company has formed an operational decision-making and supervision and management system structured by the Shareholders' Meeting, the Board of Directors, the Board of Supervisors and the management, and has established an efficient internal management system.

The remuneration of the Company's senior management personnel is determined in accordance with the standards of the Company's unified remuneration management system, and the remuneration is determined on the basis of the Company's operating results and performance assessment indicators through the Company's performance assessment mechanism, which conducts regular appraisals of the senior management personnel.

Investors' Rights and Interests and Communication

Since its listing, the Company has insisted on rewarding its shareholders through a relatively stable profit distribution policy and cash dividend program, and has conducted equal communication and built mutual trust with investors. The Company fulfils its information disclosure obligations voluntarily in strict accordance with the provisions and requirements of laws and regulations, ensuring that the disclosure of information is true, accurate, prompt, complete and fair. In this way, we can help shareholders and creditors to promptly understand and grasp the Company's operating dynamics, financial situation and the progress of all major matters.

The Company emphasizes communication and exchange with investors, and takes seriously the opinions and suggestions of investors, so that investors can fully obtain information to understand the Company through a variety of channels. In 2023, 11 investor research activities were organized, and the on-site participants were registered in accordance with the relevant provisions and signed a commitment letter, and the record sheet of investor activities and relationships was promptly disclosed. Meanwhile, we actively communicate with investors through strategy meetings, the interactive platform of Shenzhen Stock Exchange, emails and telephone calls.

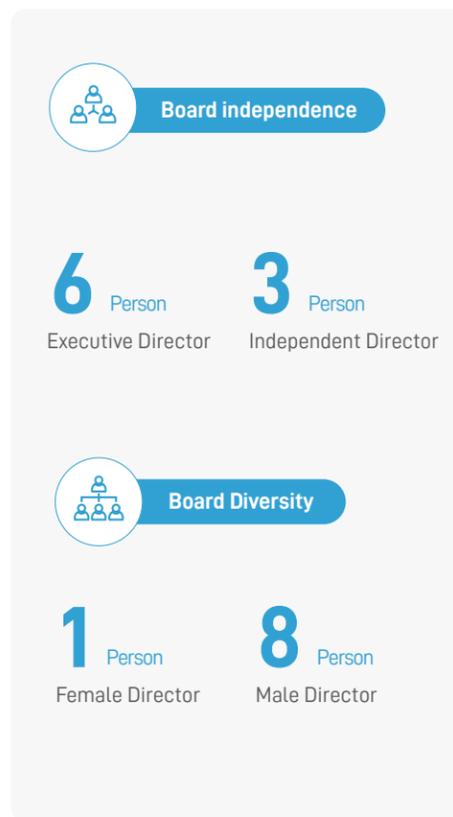
In order to fully protect the rights and interests of the Company's shareholders, especially minority shareholders, the Articles of Association and the Rules of Procedure of the Shareholders' Meeting clearly stipulate the duties of the Shareholders' Meeting, the convening procedures, the submission and deliberation of proposals, and the form of voting on the motions. The Board of Directors exercises its powers in accordance with the law, and all directors exercise their rights diligently and conscientiously, attend the meetings of the Board and the Shareholders' Meeting, actively participate in relevant trainings to improve their business knowledge. In 2023, the Company convened and held four general meetings in accordance with the Articles of Association and the Rules of Procedure of Shareholders' Meeting. The combination of online and offline voting was adopted for all the matters deliberated by the shareholders' meeting. Additionally, for the significant matters affecting the interests of minority investors, the voting used separate vote counting, which effectively protected the legitimate rights and interests of minority shareholders.

Board of Directors Governance

The Board of Directors consists of 9 directors and is accountable to the Shareholders' Meeting. Its main duties include implementing the resolutions of the Shareholders' Meeting, exercising the decision-making authority on major matters, formulating the working regulations of specialized committees and regulating the operation of specialized committees. Under the Board, there are Audit Committee, the Nomination Committee, the Remuneration and Assessment Committee, the Strategic Management and the ESG Committee, all of which are responsible to the Board of Directors; among them, the members of specialized committees are all composed of directors, and independent directors account for the majority and act as convenors of the Audit Committee, the Nomination Committee, and the Remuneration and Assessment Committee. In 2023, the Company held a total of 10 Board of Directors' meetings, and the 9 directors attended all 10 meetings, with an attendance rate of 100%.

To ensure the independence and effectiveness of the Board of Directors, the Company makes a clear distinction between supervisory and executive functions. Currently, the number of independent directors is 3, accounting for one-third of the total number of directors.

The Company focuses on the diversity of its Board of Directors. Currently, there is one female director. A study has been conducted to increase the proportion of female directors, and the Nomination Committee assumes the responsibility for identifying suitable candidates.



Risk Management System

A sound internal control and risk management system is the guarantee for the Company's robust governance. In 2023, in strict accordance with the Company Law of the People's Republic of China, the Basic Internal Control Norms for Enterprises and its accompanying guidelines, and other relevant regulatory requirements for internal control from CSRC and the SZSE. Taking into account its own actual situation and characteristics and management needs, the Company has formulated an internal control system covering the entire Company and ensured that it is operated effectively without any major omissions, so as to effectively manage risks.

The Company aims to regulate the auditing behaviors and processes, strengthen the Company's supervision, management and auditing of its departments and subsidiaries (branches), promote the effective implementation of rules and regulations, and contribute to the healthy and stable development of the Company. To achieve these goals, we have formulated the Internal Audit System in accordance with the Audit Law of the People's Republic of China, the Provisions of the National Audit Office on Internal Auditing, the China Internal Audit Principles, the Self-regulatory Guidelines for the Companies Listed on the Shenzhen Stock Exchange No. 1 – Standardized Operation of the Companies Listed on the Main Board, the Guidelines for Auditing of Enterprise Internal Controls and other relevant laws and regulations in order to strengthen the internal auditing work of the Company.

In 2023, the Company invited a third party to carry out an internal control audit of the financial reports in accordance with the Guidelines for Auditing of Enterprise Internal Controls and the relevant requirements of the Practice Standards for Certified Public Accountants of China. Meanwhile, the Company improves its risk management system, and promotes comprehensive risk management work in terms of process management, training and crisis response for risk identification, assessment, response and improvement.

The Company has established a "three lines of defence" mechanism to ensure the effectiveness of its risk management and internal control system.



▲ Internal audit training of Sanhua Intelligent Controls

In response to information security risks, the Company has formulated the Information Security Risk Management Procedures to standardize and guide the identification, statistics and risk assessment of information assets, stipulating the identification, statistics, risk assessment and risk management methods and processes. It also requires that risk assessment activities for information security be conducted on a regular basis, with routine risk assessment activities implemented once a year. In the event of the following circumstances, the Company will temporarily initiate a new risk assessment: the addition of important information assets, such as: new on-line business systems, the acquisition of new servers, the addition of new network resources, etc.; significant changes in the business environment; major changes in management or technological innovations.



Integrity and Compliant Operation

The Company adheres to integrity and compliant operation, and regards law-abiding and compliant operation as a prerequisite for its sound development. The Company has formulated and issued the Contract Management Measures, the Trademark Management Measures, the External Lawyer Management Measures, the Overseas Legal Affairs Management Measures and other systematic documents; at the same time, it has formulated/ revised the "16+22" standard contract model texts to strengthen the Company's standardized operation.

The Company opens a legal affairs column on the "Sanhua Intelligent Controls E-learning Platform", produces and uploads training courses and related training slides, such as a brief analysis of customs supervision on employees carrying goods in and out of the country and the promotion of knowledge on enterprises' overseas investment. Furthermore, we establish a database of laws and regulations related to the Company's business for the exchange of and study by the employees.

Time	Legal trainings in 2023 (off-line)
March	Training on "Building a Trade Secret Protection System"
April	Training on "Explaining Contracts for Sanhua Automotive Customers"
April	Training on "Antitrust Compliance"
May	Training on "Patent Application and Protection for Process Equipment"
June	Training on "Exchanges in Mexican Import and Export Businesses".
July	Training on "Corporate Compliance Knowledge"
August	Training on "Trade Secret Protection System and Enforcement".
September	Training on "Compensation as Part of a Series of Trainings on Labor Compliance in Enterprises".
October	Training on "Contract Management Methods and Contract Evaluation Process".
November	Training on "Recruitment as Part of a Series of Trainings on Labor Compliance in Enterprises"
December	Training on "Independence Compliance for Listed Companies".
December	Training on "Contract Management Practices"

Compliant Management

The Company identifies, monitors and examines the compliance situation in production and operation through daily legal work (including but not limited to legal answers, contract review, trademark management, business administration, dispute resolution, and exchanges and discussions with business departments), compiles risk points, provides improvement or enhancement solutions, upgrades systems and optimizes processes. In 2023, the Company has formed special reports on compliance issues such as fixed employee remuneration, evaluation of customer contracts, use of commercial fonts, export control, data entry and exit, filing of overseas investment, protection of trade secrets, etc., and the overall compliance situation was good. At the same time, the Company includes special improvement recommendations in the compliance special reports and sent them to relevant departments or business units for implementation or reference, which promotes continuous rectification and improvement in key compliance areas, as well as enhanced the compliance awareness of various departments and business units to firmly control business compliance risks.

The Company emphasizes compliance risk prevention and other management work, and is actively committed to strengthening employees' awareness of the compliance culture. In 2023, the Company held 14 legal trainings, with 1,500 employees in key positions as participants, to strengthen the management's awareness of compliance, and to create a favorable atmosphere of compliance awareness within the Company.



▲ Compliant operation training



200 +

Total number of legal enquiries from business staff

In 2023, the Company had no significant compliance risk incidents and was not involved in any major litigation cases. The Company provides its employees with access to compliance counselling. During the year, employees made over 200 legal enquiries to the Company's legal staff.

Integrity and Business Ethics

The Company has zero tolerance for corruption. We insist on investigating and punishing any case of corruption, and safeguard our legitimate rights and interests in accordance with the law. In order to strengthen the construction of anti-corruption and integrity of enterprises, we have formulated the monitoring work method, the system of integrity return visit, the cooperation agreement of integrity, the agreement of employees' integrity, and the management method of employees' acceptance of gifts and other related documents.

Employees' Integrity Governance

In order to build the ideological and institutional defence of "not daring to corrupt", "not being able to corrupt" and "not wanting to corrupt", and to continuously promote the sound and sustainable high-quality development of the Company, we have established and revised the internal supervision management system in accordance with the relevant laws and regulations and in combination with the actual situation of the Company. We actively carry out the publicity and education of integrity practice, investigate and handle all kinds of illegal and disciplinary behaviors, and put forward opinions on the handling of these behaviors.

The Company emphasizes integrity management, formulates anti-corruption policies and strategic plans, and promotes the construction of anti-corruption systems and the effective implementation of relevant systems and regulations. In addition, we strengthen our ability to supervise the integrity of suppliers and other key partners, forming an internal and external corruption governance pattern.

The Company pays attention to the cultivation of integrity consciousness of all staff. During the reporting period, in order to strengthen the education and management of personnel in sensitive positions, build up the ideological line of defence of not wanting to commit corruption, and make efforts to curb the occurrence of illegal and disciplinary incidents, the Company organized its procurement personnel in batches to go to the "Zhejiang Provincial Law and Discipline Education Base" (Xiaoshan Nanjiao Prison) to acquire warning education. This activity disseminates the culture of probity and strengthens the staff's awareness of the law. By the end of 2023, the coverage rate of anti-corruption training for procurement staff was 100%.

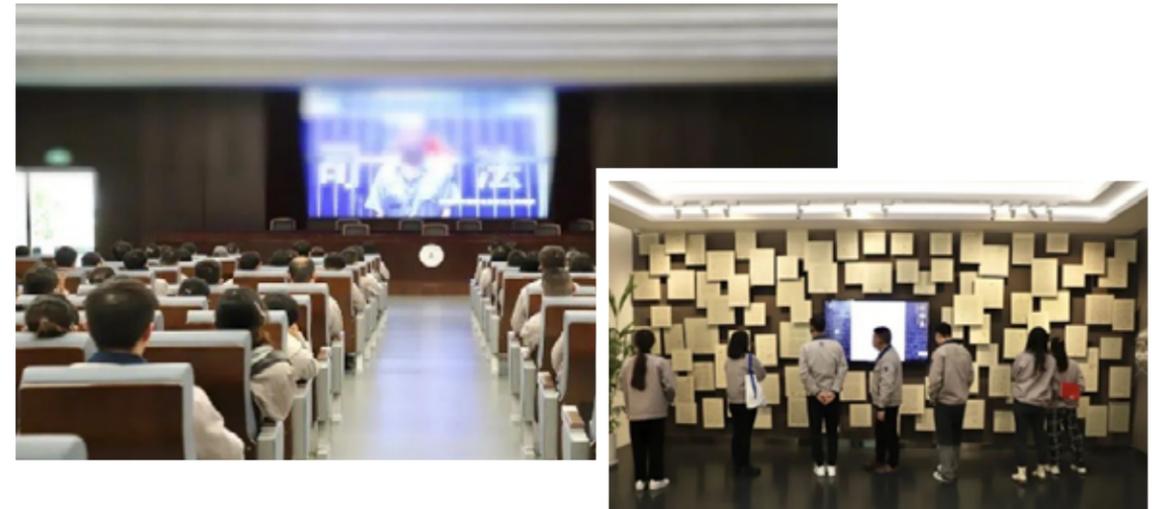
By the end of 2023

100 %

The coverage rate of anti-corruption training for procurement staff

- Integrity risk prevention**
- Identify integrity risks and formulate countermeasures to clearly identify those assuming responsibility;
 - Identify problems through investigations, upgrade systems and plug loose holes;
 - Carry out special infrastructure prevention, conduct special supervision and preventive investigations in the area of infrastructure, sort out key risk points and countermeasures, and set up reporting boxes to receive reports for supervision;
 - Sort out the basic situation of personnel in sensitive positions and complete a program of classified supervision and management.

- Integrity training**
- Strengthen staff awareness, organize training seminars, and sign the Employee Integrity and Self-Discipline Agreement;
 - Set up a special integrity account, hand over to the Company all gifts received, and adhere to the "three prohibitions principle" in dealing with the issue;
 - Send short message reminders before traditional festivals, and a total of 38,465 messages were sent to employees to remind them of the integrity of the festivals during the year.



▲ Organizing anti-corruption training for employees

Supplier Integrity Governance

The Company continuously strengthens the internal control, auditing, monitoring and supervision of the supply system, and endeavors to provide a favorable competitive environment for its suppliers by identifying risk points, clarifying the responsible persons, opening up reporting channels and carrying out special supervision work in the field of infrastructures. In this way, we can continuously improve the integrity management system of our suppliers, prevent and detect problems in advance, and resolutely eradicate the occurrence of underhand dealings, commercial bribery and improper transactions. We endeavor to provide a good competitive environment for suppliers and promote long-term and stable cooperation between the Company and suppliers.

The Company requires suppliers to comply with laws and regulations, honesty and trustworthiness, fair competition, protection of intellectual property rights. Additionally, they are asked to regulate marketing behavior, resolutely guard the bottom line, put an end to bribery and unfair competition, and strictly prevent theft, infringement of other people's financial behavior and the dissemination of false information. Acting in good faith, suppliers should also regulate the operation under the premise of "open, fair and just" to carry out cooperation, building a strong dam against commercial bribery. At the same time, the Company strengthens the supervision and management of suppliers, insists on carrying out return visits to suppliers, and carries out special promotion for suppliers and subcontractors. We require suppliers sign the Integrity and Self-discipline Cooperation Agreement, with the signing rate reaching 96%.

Whistleblowing Management

The Company opens up various reporting channels, continuously improves the provisions on the acceptance and disposal of reports, and encourages employees to report violations of business ethics to protect the interests of individuals and enterprises from being infringed upon. The Company has set up a report box in each business unit, posted a report publicity notice to clarify the content of the report and complaints. Reporting methods include web pages, telephone, e-mail, public number, microblogging, mailboxes, report boxes, etc., so as to give full play to the role of employees and external affiliates of the supervision, and to effectively protect the legitimate rights and interests of the whistleblowers, creating a fair, open and just i working environment of integrity. The Company focuses on whistleblower protection. We allow anonymous or pseudonymous reporting, and protect whistleblowers' information in the acceptance, registration, custody, investigation and other aspects. In addition, we strictly prohibit retaliation for whistleblowers, any form of retaliation will be investigated for criminal responsibility in accordance with national laws and regulations.

Protecting 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 in carrying out its business.

With the rapid development of business, the Company's information security management boundary has been expanded to the upstream and downstream supply chain. In 2023, the Company regulated the safe use and management of the information network, safeguarding the smooth operation of the information network and the safe use of computer resources, and guarding against the risks to the information system or data due to the unauthorized access to the network resources. Also, the Company has issued the network security management specification to maintain network security.

Information Security Management System

The Company emphasizes the construction of security management. In order to meet the requirements of the parties related to the information security management system (customers, employees and suppliers) on strengthening the attention to the confidentiality of the personal information, the Company establishes and implements a documented management system in accordance with the standards of the management system, and the basic structure has been completed. The ISO/IEC 27001 :2022 management system established by the Company meets the requirements of ISO/IEC 27001 :2022 standards and relevant laws and regulations, which operates normally and effectively.

In 2023, the Company upgraded its information security management system, with 18 new systems added during the year, including office terminals, network security, third-party security, data backup and recovery, security compliance, business continuity, system security and human resources security.

Protecting Information Security in all Respects

The Company has an all-round coverage of network security, and has set up the Information Security Division and Infrastructure Department to guide the network security management work of each industrial unit of the Company, as well as to coordinate the planning of the Company's overall network architecture planning; the ITBP of each industrial unit is responsible for the implementation of the requirements of the management specification in the respective industrial unit. At the same time, employees are required to strictly comply with the management requirements of this specification and actively participate in trainings and activities related to network security management.

The Company carries out standardized management in terms of network structure, access, use, equipment, protection, monitoring and early warning, supervision and inspection, etc., so as to effectively reduce the risks to the information system or data due to various reasons. In addition, in order to standardize the management of the Company's network environment, strengthen the terminal network security management, ensure that third-party communications and operating procedures meet the requirements of information security protection, the Company formulates the office terminal security management specification and third-party network security management specification in the light of the company's actual situation, so as to safeguard the Company's network security in an all-round way.

The Company steps up information security awareness training for new employees and technicians, and carries out information security awareness promotion for employees in the form of monthly e-mails. In addition, the Company carries out internal detection of situational awareness and threat intelligence analysis, and conducts daily statistics and checking and erasing of out-of-service and high-risk assets; and increases the vulnerability scanning, IPS, and other security equipment, so as to reduce the vulnerability of the Company's internal security and strengthen the ability of defending against external attacks. In order to prevent information security loopholes caused by human operations, the Company also conducted information security drill tests to enhance employees' awareness.

- Conduct two phishing email prevention campaigns in the form of emails to employees;
- Organise an internal phishing email drill in which 1,800 employees were randomly selected and sent phishing emails, and provide targeted training and guidance to employees based on the test results;
- Produce a special information security training PPT on phishing emails and select the topics for the training test;
- Complete on-site training and examination for employees who clicked on phishing links;
- Complete the analysis of the test results and inform 11 employees of the training and test results by email.



▲ Information security training for new employees

Supply Chain Management

As a global manufacturing enterprise, Sanhua Intelligent Controls is committed to building a globally competitive product industry chain ecosystem. Adhering to the principle of "Integrity and Shared Value", the Company works hand in hand with its supply chain partners to continuously promote high-quality development and build a safe and responsible supply chain. We emphasize the relationship with suppliers and customers, and strengthen communication and cooperation with all parties in the process of operation and management, effectively protecting the legitimate rights and interests of suppliers and customers.

As for suppliers, the Company always adheres to the business values of mutual benefit and win-win cooperation, strictly fulfils the contractual agreements and business rules signed with suppliers. We establish and strictly implement the procurement standards and evaluation system, carry out stable and effective management of procurement, and guarantee the safety and compliance of suppliers' business operations.

Digital Management of Supply Chain

The Company actively develops digital intelligence of supply chain, and has built a number of digital platforms to continuously improve the service level and customer experience.

SRM supplier management platform	In January 2023, the platform was formally put on line and applied in Sanhua Automotive, and played an important role in enhancing cost advantages and efficiency through the online running of supply side management, demand management, price management, execution synergy, and financial synergy boards. Meanwhile, in December 2023, the supply side management and inquiry module went online in the main business units.
OTWB supply chain management platform	For the shipping business of finished products, in order to solve the problems in the process of controlling the reverse flow from the ordering to the signing of acceptance by customers and of the return of goods, we have built a set of flexible and universal supply chain management platforms (integrated with the warehousing function of PES) to support the control of order management, transport management, expense management and other aspects of different business segments.
Logistics Intelligent Project	We improve the efficiency and quality of the supply chain by equipping the entire production line with automated equipment from transport, unloading, receiving, warehousing, storage to the end production line.

Sustainable Procurement

The Company actively develops a sustainable procurement policy by incorporating environmental issues, labour and human rights (e.g., working hours, wages) into the principles and agreements of supply chain management in the Basic Supply Agreement for Suppliers and the Letter to Suppliers, which regulates the supplier's code of conduct and ensures that rules are followed to fulfil social and environmental responsibilities. Corporate purchasing staff undergo specialized training on sustainable procurement policies to make themselves aware of social and environmental issues and to integrate themselves into the purchasing function management.

Supplier responsibility	Incorporate Corporate Social Responsibility (CSR) risk analysis items into the scoring items during new supplier enrolment and annual audits. Evaluate suppliers on environmental or social practices, notify suppliers of relevant official announcements, and organise CTI environmental dynamics training, hazardous substances training, and global environmental regulations training to strengthen the management capability of suppliers.
Avoid conflict mineral	Sign a Conflict Minerals Statement, develop a Conflict Minerals Reporting Template, supplement the Conflict Minerals Policy with supply agreements, and actively engage in responsible mining procurement.
Eliminate hazardous substances	The Company requires suppliers to provide reports on hazardous substances, which are incorporated into supplier performance management and appraisal. We regularly summarize and share case studies on the sustainability of suppliers.
Carbon reduction in the supply chain	The Company conducts research into the recycled materials industry, including copper scrap, aluminium scrap and steel scrap, in its procurement practice, and gradually procures alternative electrolytic copper to reduce carbon emissions at source; explores clean energy such as green power to optimize its own energy structure; and exchanges with suppliers with clear plans and progress in the areas of green development and carbon neutrality, in order to learn from advanced carbon management concepts and measures.

Supplier Access Mechanism

The Company carries out access management for new suppliers in terms of operation status, production, qualification certification, industry experience, etc., so that suppliers with excellent potential can enter the Company's supply system and provide strong protection for the Company's operation and production.

The Company requires suppliers involved to sign documents such as the Basic Supply Agreement for Suppliers, the Integrity and Self-Discipline Cooperation Agreement, and the Corporate Social Responsibility Agreement, in order to regulate the management of suppliers in the areas of product quality, compliance, working environment and human rights, health and safety, business ethics, and environmental protection.

Supplier survey
the purchasing department is responsible for finding and researching new suppliers that are in line with the Company's supplier development principles, and registering suppliers who meet the standards.
Registration Approval and Audit
we complete the system registration, audit and approval of new suppliers according to the Regulations for Supplier Audit Management. For the suppliers who do not pass, they are given an opportunity to review and listed in the Potential Supplier Audit Report after being approved.
Access approvals, potential inclusion/qualified supplier lists
suppliers approved for access are first included in the Potential Supplier List and, after approval of key documents, in the Qualified Supplier List, both of which are updated in the first quarter of each year.

Gathering Chains for Winning, Creating the Future with Intelligence - Sanhua Automotive Holding the Supplier Conference



In November 2023, Sanhua Automotive held the annual Partner Conference with the theme of "Partnership & Globalization", inviting representatives of more than 150 suppliers from all over the world, totaling about 400 people, to participate in the conference. This event starts a new journey to improve "partnership" and "build a global ecological supply chain together".

Adhering to the globalization strategy, green and low-carbon concepts, efficient operation and digital management, Sanhua Automotive takes a global vision in the areas of purchasing, quality and R&D. During the meeting, Sanhua Automotive introduced the annual global procurement plan, called on suppliers to establish long-term deep cooperation with the Company to foster a supply chain ecosystem. The Company introduced the relevant situation from the level of quality management, R&D innovation and made an outlook.

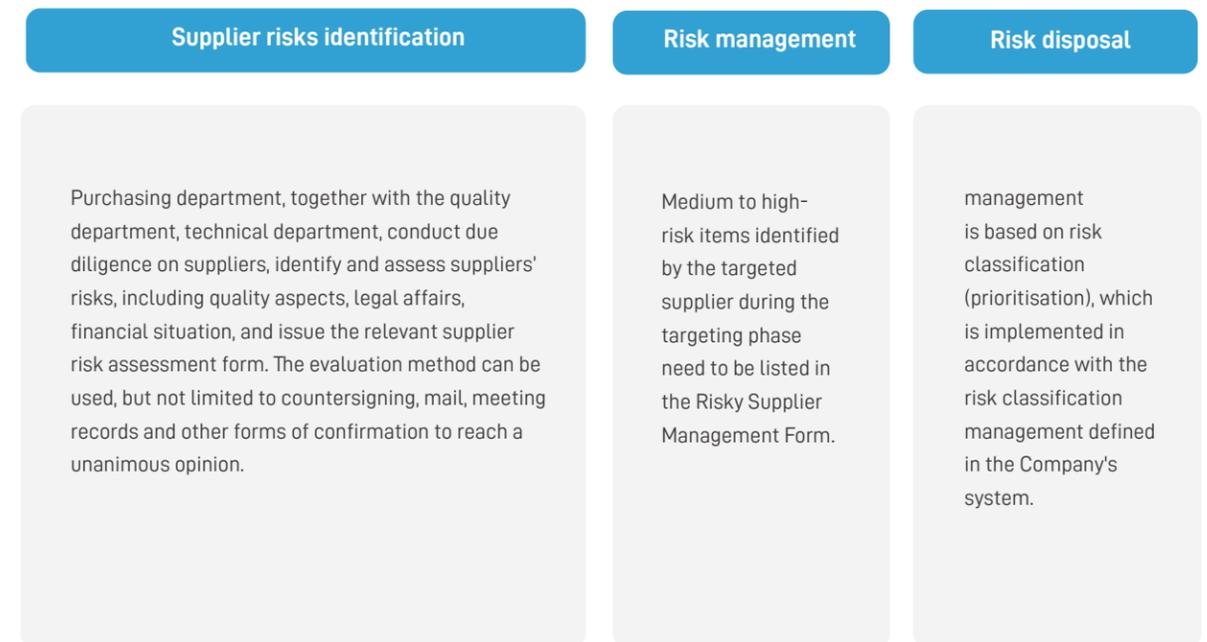
Sanhua Automotive also invited experts to form a jury. After rigorous evaluation and comprehensive assessment in terms of product quality, service capability and technical strength, cost control, etc., the Company awarded 58 suppliers with titles such as Supplier Excellence, Value Contributor, Technological Innovator, Best Quality, Quality Progress, and other awards.



▲ The photo of Supplier Conference and excellent suppliers

Supplier Risk Management

The Company emphasizes supply chain risks. In the context of the division of labour in global industrial chain, through the construction of line management system and risk prevention initiatives, the Company continues to enhance the industry chain supply chain resilience and security level. The Company requires approved suppliers to sign documents such as the Confidentiality Agreement, the Basic Supplier Agreement, the Integrity and Self-discipline Cooperation Agreement, the Corporate Social Responsibility Agreement, etc. The Company requires suppliers to strictly abide by the Supplier Code of Conduct, and urges suppliers to standardize their management in terms of product quality, business compliance, working environment and human rights, health and safety, business ethics and environmental protection.



The Company conducts risk-oriented due diligence investigations on potential suppliers and cooperative suppliers to effectively assess and grasp their potential operational or compliance-related risks and information, so as to construct line of defence and control barriers to prevent and effectively control potential risks. In the Analysis of Potential Supplier Audit Report, the Company requires suppliers to provide detailed information on quality management plan, production process control management, material resources usage and human resources management.

Supplier Performance Evaluation

The Company actively promotes supplier performance appraisal. Regular supplier appraisal can enhance their work efficiency, reduce procurement costs, and ensure the quality of suppliers while maintaining good supplier relationships to match the Company's procurement strategic objectives.

▼ **Supplier performance evaluation for the automotive components**

Monthly performance evaluation

- Evaluation process: According to the monthly supplier performance table compiled by the Purchasing Department, the final performance evaluation results are discussed and determined by all relevant departments, countersigned by the Quality Centre and the Purchasing Department, and approved by the Director of purchasing; and the results are announced after the approval of the quarterly evaluation results of the suppliers;
- Monthly performance application: Quality and purchasing departments take action against the single worst performing supplier based on monthly quality and delivery scores.

Quarterly performance evaluation

- Evaluation process: According to the quarterly supplier performance table compiled by the Purchasing Department, the final performance evaluation results are discussed and determined by all relevant departments, countersigned by the Quality Centre and the Purchasing Department, and approved by the Director of purchasing; and the results are announced after the approval of the quarterly evaluation results of the suppliers;
- Quarterly performance application: A quarterly performance score is obtained from the combined score of the average quality and delivery scores for each month and the quarterly price and service scores, and a Supplier Comprehensive Performance Notification Letter is issued based on the results of the rating.

Annual performance review

- Evaluation process: According to the annual supplier performance table compiled by the Purchasing Department, the final performance evaluation results are discussed and determined by all relevant departments, countersigned by the Quality Centre and the Purchasing Department, and approved by the Director of purchasing; and the results are announced after the approval of the annual evaluation results of the suppliers;
- Annual performance application: An annual performance score is obtained from the combined score of the average quality and delivery scores for each quarter and the quarterly price and service scores, and a Supplier Comprehensive Performance Notification Letter is issued based on the results of the rating.

Supplier appeals and awards

- Suppliers may appeal to the Procurement Centre if they disagree with the results of the performance evaluation. The Centre shall complete the investigation within 10 working days. If there is no objectionable issue in the investigation result, the original evaluation result shall be maintained; otherwise, the Procurement Department shall gather all relevant departments together to revise the evaluation.
- The following awards are given on the basis of annual supplier performance ratings: Best Quality Supplier, Outstanding Supplier and Strategic Supplier.

Protecting Intellectual Property Rights

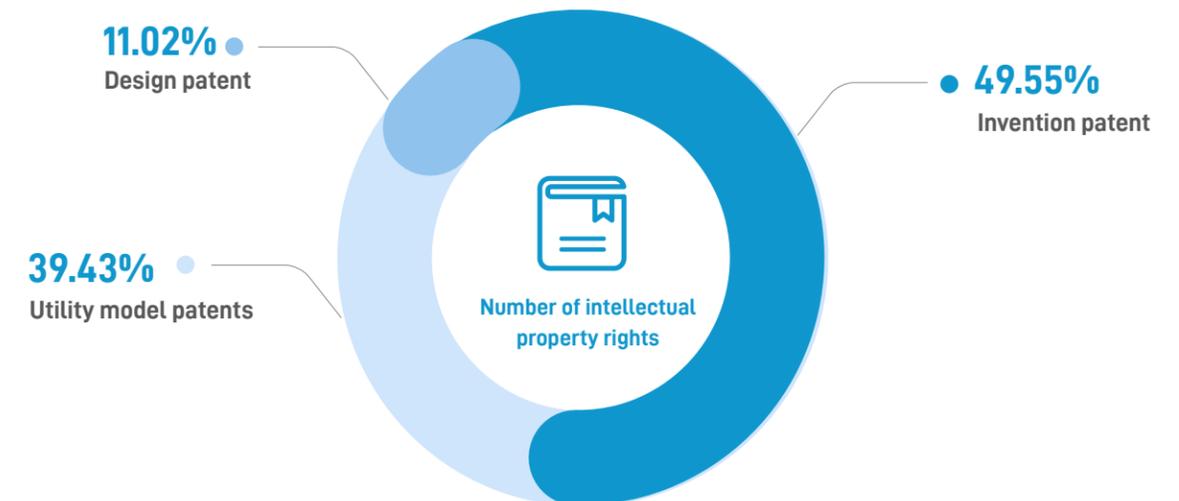
Sanhua Intelligent Controls issued the Management Measures of Intellectual Property Rewards and Remuneration. It stipulates the terms and definitions of intellectual property rewards and punishments management, responsibilities, rewards and remuneration for patent filing, assessment of outstanding patents and the specific amount of rewards, rewards for filing of technological secrets, integrated circuit layout designs and software copyrights, as well as intellectual property penalties.

The Company adheres to the principle of "respecting other's intellectual property rights and protecting its own intellectual property rights". We protect our own competitive advantages and brand reputation with perfect intellectual property management, and avoid infringing other people's intellectual property rights. By the end of 2023, the Company applied 169 valid trademarks. In order to enhance employees' awareness of intellectual property protection, during the reporting period, the Company carried out training on "patent application and protection of process equipment", with a total of 120 participants. The Company emphasizes the protection of intellectual property rights and carries out group building activities with the theme of intellectual property rights.

By the end of 2023

169 Pcs

Trademark



3,792 Pcs
Number of intellectual property rights

Include: **1,495** Pcs
Utility model patents

1,879 Pcs
Invention patent

418 Pcs
Design patent



Flower of Technology Blooms for Green Development

At present, in the face of pressures from global resources and environmental protection, the initiative to comply with the scientific and technological revolution and industrial change, accelerate the development of green industries, and promote comprehensive green transformation of economic and social development has become a broad consensus in all walks of life. With the vision of "Develop smart low-carbon economy, create eco-friendly environment for mankind", the Company fully responds to the national goal of "dual carbon", actively grasps the development opportunities brought about by the green transformation, and takes scientific and technological innovation as the driving force. To achieve that, we focus on expanding independent innovative green products and technologies, and continue to carry out key actions such as environmental governance, energy saving and emission reduction, so as to continuously improve the level of green development and jointly create a sustainable future.

- Low-carbon and Innovative Development
- Strengthening Environmental Protection
- Promoting Green Operations

Low-carbon and Innovative Development

The automotive and refrigeration home appliance industries are the key industries for green transformation. Reducing carbon dioxide emissions during the product life cycle and reducing carbon consumption throughout the life cycle of products through technological advances will not only help to promote the advancement and application of energy-saving technologies and products in the industry as a whole, but also help to promote the realization of the "dual carbon" goal. With a deep understanding of green and low-carbon development, Sanhua Intelligent Controls makes every effort to grasp the opportunities from clean technology, take green energy-saving technology as the lead, continuously enrich green products and green services, and actively drive the whole industrial chain to carry out recycling and carbon reduction practices, so as to jointly provide green energy for the high-quality development of the economy and society.

Opportunities from Clean Technology

With the accelerated pace of transformation and upgrading of economy, energy and industrial structure, the demand for green and low-carbon products and services is increasing. The Company insists on promoting scientific and technological innovation and green technology. We are committed to researching green and low-carbon technologies, advocating the concept of green technology, promoting the strategic transformation from "cost leadership" to "technology leadership", and developing new products and technologies with independent intellectual property rights in energy-saving, environmental protection, material saving and consumption reduction.

Focus on low-carbon

Environmentally friendly refrigerants	<ul style="list-style-type: none"> The Company is deeply committed to developing a new generation of green refrigerants, actively promoting the substitution process of low GWP (Global Warming Potential) refrigerant products, and reducing system charge and direct emissions through the development and application of low charge components. At the same time, we select new refrigerants in terms of environmental performance, safety, energy efficiency, cost, applicability and availability, and jointly promote the development and application of new environmentally friendly refrigerants.
Low-carbon products	<ul style="list-style-type: none"> The Company actively develops energy-efficient products in the areas of refrigeration, air-conditioning and home appliances, and automotive thermal management. We improve energy efficiency through the development and application of high-efficiency components, system optimisation and other measures, and giving full play to the direct and indirect emission reduction of the relevant products. The variable frequency drive developed by Hangzhou Leaderway Electronics Co., Ltd are widely used in home appliances, commercial air conditioning and refrigeration, and heat pumps, significantly improving energy efficiency and reducing power consumption and carbon emissions.
Energy storage field	<ul style="list-style-type: none"> To meet the needs of thermal management customers, we provide plate heat exchangers, pressure regulating valves, electronic expansion valves, sight glasses, and variable frequency drive, etc. With the advantages of technological innovation and product series, we foster a thermal management system of energy storage, and provide good temperature management for the large amount of heat generated during the process of charging and discharging of batteries. As a participant in the drafting of the standard of the Liquid Cooling Radiator for Energy Storage Batteries, Sanhua Thermal Management Technology (Hangzhou) Co., Ltd actively participates in the formulation of industrial standards.

Green products

As a solutions provider in the field of thermal control and thermal management, the Company follows the principle of green and low-carbon, and carries out a number of key projects during the year in the areas of lead-free, environmental protection and safety, and endeavors to create greener and more environmentally friendly quality products.

Lead-free product development by replacing copper with stainless steel

Based on the three principles of "lead-free, reduce carbon emissions and increase customer value", the Company has successfully produced many products with stainless steel. Such product process is more environmentally friendly, and the product itself is compact, with light weight and small size, high pressure resistance, high strength, good corrosion resistance and other advantages, which has been supplied in large quantities.



▲ Image of stainless steel four-way valve

Develop environmentally friendly refrigerants

The Company ploughs into the development of a new generation of green refrigerants. We have developed various types of products suitable for R32/R290/R454B refrigerants. To meet the market demand for carbon dioxide (CO₂) environmentally friendly refrigerant, we have developed various products for HVAC&R systems using CO₂ as refrigerant, including 4-way valve, electric expansion valve, ball valve, check valve, etc. At the same time, during the year, we also completed the development of a full range of solenoid valves for ammonia systems, which do not contain copper and reduce the environmental pollution caused by lead, and effectively avoid the risks of explosion and stress corrosion caused by the reaction with ammonia, thus improving the safety of the products.

Develop energy-saving products

The new microchannel products independently developed by the Company feature high energy efficiency, low refrigerant charge and full recovery, etc. By replacing the traditional finned tube heat exchanger, it achieves a 30% increase in heat transfer efficiency and can reduce refrigerant charge by up to 50%, which significantly reduces the power consumption and carbon emission; at the same time, the products are made of aluminum, which is easy to be recycled and is friendly to the environment.



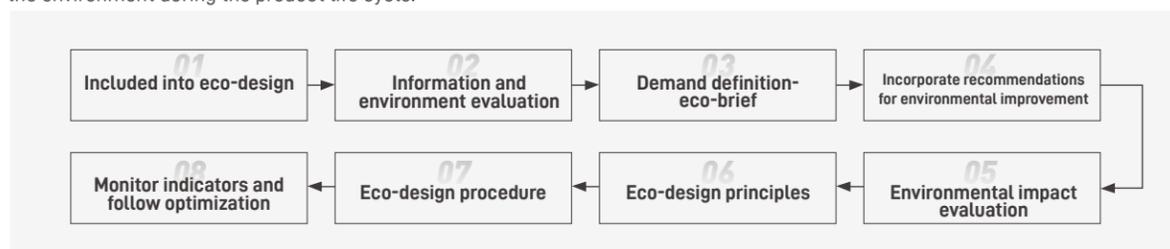
▲ Micro Channel Heat Exchanger

Product Life Cycle Management

The Company emphasizes the environmental impact of the full life cycle of products, especially the practicability of sustainable development, and takes the initiative to incorporate the concept of ecological and environmental protection into the process of product development, design and production, etc. Adhering to the concept of sustainable development, we start from the various stages of the life cycle of the products, and based on the principles of environmental ethical management, we measure and assess the impacts of products on the environment during their life cycle, and improve the competitiveness and sustainability of products, including cycle carbon footprint tracking and other traceability information.

Eco-Product Design

With innovation at the core, the Company continuously reduces the environmental impact of its products through product risk assessment and eco-product design to achieve sustainable development. The Company has drafted eco-product design-related guidance requirements, which explain eco-product design in terms of initiation, compliance, implementation and identification of the whole process as well as continuous improvement, and require engineers in each business unit to follow the sustainable product eco-design regulations in product design. Meanwhile, based on the international standards related to the carbon footprints of products, the Company docks with the international and domestic standardisation organizations and industry associations, compiles relevant standards, takes concrete actions to formulate international/industry standards. Additionally, we conduct research on the carbon footprint of the full life cycle of products, remanufacturing and recycling, energy and resource efficiency, etc., and systematically incorporate environmental factors into the design of products, so as to reduce the impact of products on the environment during the product life cycle.



▲ Eco-product design procedure

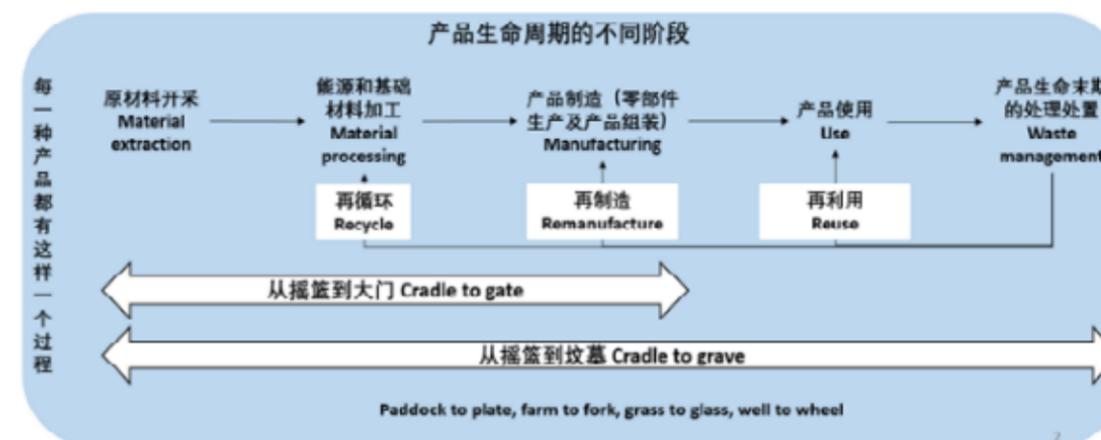
The Company fully consider sustainable product eco-design regulations in the requirements definition section, as well as covering a wider range of products and requirements, including: product durability, reusability, upgradability and reparability; the presence of substances that inhibit recyclability; energy and resource efficiency; recycled content; remanufacturing and recycling; LCA carbon footprints; traceability; and other information requirements. In the section on incorporating recommendations for environmental improvement, it is mandatory to consider life cycle impacts from the three sides of the environment, human health, and disposal of natural resources, and it is encouraged to consider specific environmental impacts such as global warming, use of energy resources, and ozone depletion.

Eco-design incorporated into the application of efficient thermal management products for new energy vehicles 🔦 Case

During the R&D process of high-efficiency thermal management products for new energy vehicles, the Company identifies and responds to possible climate change risks based on the principle of risk assessment to ensure the environmental friendliness and sustainability of product design. Based on the requirements of eco-product design, R&D personnel also conduct carbon footprint analysis of the products and apply the "3R" design concept of reducing, reusing and recycling to achieve the improvement of product energy efficiency and low-carbon indicators. For example, the micro-channel product has introduced new processes and solutions, achieving a 30% increase in heat transfer efficiency and a significant reduction in the weight of the heat exchanger and refrigerant charge, greatly contributing to the promotion of green travelling and low-carbon life while enhancing the performance of new energy vehicles.

Products' Carbon Footprint Management

The Company fully considers the carbon footprint of the product life cycle at the product design stage, and correlates the BOM materials, manufacturing process and transport process with the carbon emission model of greenhouse gas emissions (Scope 1, 2 and 3). At the same time, it has organized the preparation of product carbon footprint accounting (company standard) to enhance the standardisation of product carbon footprints.



▲ Product Life Cycle Management

The Company pays close attention to product life cycle evaluation methods such as the full life cycle climate performance LCCP (Life Cycle Climate Performance). We take the initiative to manage the environmental impacts in the entire life cycle from raw material production, product manufacturing, transport, operation to product elimination, and are committed to measuring the contribution of emission reduction of the production end of the full cycle and the whole chain. In March 2023, during the National People's Congress and Chinese People's Political Consultative Congress, Zhang Yabo, a deputy to the National People's Congress and chairman of Sanhua Intelligent Controls, brought the Suggestion on the Establishment of Carbon Emission Evaluation Methods for the Full Life Cycle of Products to offer advice and suggestions for promoting the establishment of a full-cycle carbon emission evaluation system for products.

Sanhua Micro Channel Heat Exchanger Co., Ltd. participated in 2023 AHR Expo in North America 🔦 Case

In 2023, American AHR Expo was held in Atlanta. As the largest exchange event in the global air-conditioning, refrigeration and HVAC industry, this year's Expo (AHR EXPO) attracted more than 1,800 exhibitors and more than 200,000 visitors from more than 30 countries and regions around the world. Sanhua Micro Channel participated in this exhibition and displayed several products such as the internal A-Coil heat exchanger for domestic heat pump system, OPTIFLOWTM evaporator, second-generation TCP coated condenser, CO₂ air cooler and so on. Among them, the domestic heat pump system A-Coil evaporator and OPTIFLOWTM heat exchanger stood out from the crowd and became the focus of attention on the exhibition site with their excellent performance, innovative design and green concepts such as optimized refrigerant charging.



Strengthening Environmental Protection

Sanhua Intelligent Controls strictly abides by the laws and regulations related to environmental protection and resource conservation, ensures that all pollutants are discharged in compliance with the standards, and that there are no incidents of environmental protection violations or accidents of environmental pollution. In addition, we encourage enterprises to strengthen the management of energy consumption, stop wastage, effectively and reasonably utilize energy, reduce the cost of production, and improve economic benefits.

Environmental Management System

The Company emphasizes environmental protection, adheres to the principle of "prevention as the mainstay, combining prevention and treatment". We take the initiative to shoulder the social responsibility of environmental protection while seeking our own development, and endeavors to promote the sustainable development of the society and the environment.

The Company actively responds to the concept and requirements and adheres to green development. We strictly follow 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 Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Wastes and other laws and regulations of the environment management applicable to the Company. We also continue to improve the environmental protection related policies and system documents, and start from the multi-dimensional aspects of system, policy, implementation, assessment and evaluation to ensure the operation, audit and continuous improvement of the environmental management system, improving the level of environmental management.

By the end of 2023, all of the Company's 16 subsidiaries had passed the third-party certification of the ISO14001 Environmental Management System.



By the end of 2023

16 subsidiaries

All passed the third-party certification of the ISO14001 Environmental Management System



▲ The certification of the ISO14001 Environmental Management System.

保 Institutional guarantees

- Formulate a series of environmental management system procedure documents such as the Exhaust Gas Prevention and Control Procedures, the Solid Waste Control Procedures, the Chemical Hazardous Materials Control Procedures and the Hazardous Waste Management Measures.
- Regulate the use of resources and waste discharge of each production base according to the requirements of ISO14001 system standards, and scientifically monitor and prevent the occurrence of environmental risks.
- Formulate the Environmental Protection Assessment Rules to further strengthen the environmental management.

保 Management guarantees

- Organize special environmental protection personnel to carry out monthly environmental protection inspections for each division and functional department, and follow up the completion of the rectification of each problem, and issue environmental protection on-site checklists for the problems identified on site.
- The directors of each division and functional department are mainly responsible for the environmental protection work of their own departments, the implementation of environmental protection management, and are directly responsible for the environmental protection work of their own departments;
- The director of the planning department of each division and the person in charge of the relevant departments are responsible for arranging the implementation of the rectification of identified problems, and complete of the rectification within the specified time and report;
- Each division regularly organises environmental self-inspection of the department and reports the self-inspection problem points of the month and the rectification situation of the previous month.

保 Executive guarantees

- According to the Environmental Protection Assessment Rules, all departments and subsidiaries are required to strictly implement the provisions of the environmental management system formulated by the Company to eliminate all kinds of violations.
- The Company's assessment of the monthly report is reflected in the monthly performance appraisal.

The Company continues to standardize the management of project construction and production operations. We establish strict safety and environmental protection rules and regulations, and provides effective guidance to the environmental protection work of each subsidiary. At the same time, the Company continuously optimizes the production process, carries out maintenance and overhaul of environmental protection facilities and technological transformation, improves the level of "three wastes" management and clean production, maintaining the stable operation of various indicators.

● Investigation, identification and determination of environmental factors

- Each department lists the environmental factors that have an impact on the environment based on their activities, and then identifies and determines environmental risk factors based on the Environmental Factors Record and Determination Sheet.
- Based on the Environmental Factors Record and Determination Sheet submitted by each department, we send our personnel to conduct a reasonableness assessment, and then collate and make a company-level Environmental Factors Record and Determination Sheet.

● Environmental facilities operation and management

- The relevant departments should be notified in time for repair and replacement for environmental protection facilities not in normal use or damaged.
- Each division should maintain and record environmental protection facilities.
- Waste gas, wastewater and other emissions outlets should be installed in accordance with the requirements of environmental treatment facilities.

● Environmental monitoring

- The Company should submit implementation reports on the national emissions permit management platform, which will be made public on government platforms after review by local environmental protection authorities.
- The controlled emission points of key emission units are installed with online monitoring facilities in accordance with the requirements, the monitoring data are transmitted in real time to the national and local regulatory platforms, and supervisory monitoring is carried out in co-operation with the regulatory authorities.
- In accordance with national environmental protection requirements and the requirements of the EIA report, qualified third-party agencies are hired to conduct regular testing of environmental pollutants such as waste gas, wastewater and noise, and to issue third-party-certified test reports.

● Emergency management

- The key production departments (pickling, electroplating, sewage treatment stations, hazardous chemical warehouses) organize at least one emergency rescue drill before November 30 each year.
- When an accident occurs, it will be handled strictly in accordance with the principle of "four no spares" (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), and not conceal, misrepresent, or delay in the reporting of accidents.

● Nuclear radiation management

- Radiation flaw detection equipment is examined through environmental protection records and may not be purchased without authorization.
- Radiation flaw detection staff need to be licensed.

In order to accelerate the green development of industry, promote energy saving and consumption reduction, reduce costs and increase efficiency, and increase the effective supply of green products and services, the Company actively carries out the evaluation of "Green Factory", so as to help the Company achieve the goals of plant intensification, harmlessness of raw materials, cleaner production, resourcefulness of waste, and low-carbon energy. As of the end of 2023, 4 factories have been awarded the title of "Green Factory" by the Ministry of Industry and Information Technology of the People's Republic of China.

Environmental Impact Management

The Company fully recognizes the importance of biodiversity conservation and remains constant attention to the impact of its own activities on biodiversity. We carry out risk factor identification and hidden danger investigation in compliance with relevant laws, regulations and policies, such as the Opinions on Further Strengthening Biodiversity Conservation, the Soil Pollution Prevention and Control Law of the People's Republic of China and the Regulation on Groundwater Management, and other relevant laws and regulations. When we select sites for project construction, biodiversity conservation is taken into consideration. Environmental impact assessment is carried out in accordance with the requirements of laws and regulations, and projects are not developed within the ecological protection red line, so as to fundamentally reduce the impact of project construction and later operation on biodiversity.



Green Intelligent Platform

The Company responds to the National Plan on IT Application for the 14th Five-Year Plan period (2021-2025), which is "promote green, intelligent and ecological civilization, and promote the synergistic development of digitalization and greening", and continues to promote the construction of digital factories, boost automation levels, and improve production, office and management efficiency, so as to explore new ways of digitalization.

Case: Smart energy IoT management platform



The Company's products focus on energy-saving and emission reduction. We pursue low-carbon and environmental protection in manufacturing operations and park management. Through the intelligent energy system, we monitor in real time the status of energy consumption of all divisions, workshops and energy-consuming equipment in the park, and summarize and analyze the total amount of energy consumption, so as to provide data support for the optimisation of the energy consumption structure and carbon reduction.

By the end of 2023, the platform has covered 7 domestic parks, and other domestic parks and overseas parks are being actively promoted. The platform monitors real-time data on electricity and natural gas consumption in the parks and conducts statistical analyzes of energy consumption, which, combined with in-house production, provides early warning of unreasonable energy consumption anomalies in each business unit for improvement and analysis.

The smart energy IoT management platform can also achieve the following benefits through real-time monitoring and data analysis:

- Electricity savings: optimize electricity consumption behavior, improve efficiency of electricity consumption during off-peak hours and reduce costs.
- Basic utility optimisation: Based on the analysis of electricity consumption data, the billing method is adjusted to reduce the payment of basic utility.
- Reduction of equipment costs: energy-saving renovation of energy-consuming equipment to reduce equipment operating costs.
- Energy management automation: energy metering and billing services for multi-corporate companies in the park.
- Rapid policy response: the platform's billing model is synchronized with policy adjustments, helping enterprises to adjust their energy management strategies in a timely manner and reduce energy costs.



▲ The schematic map of smart energy IoT management platform in Xiasha Park Overview Area, Hangzhou

Building a Green Workplace

The Company actively advocates low-carbon operation and environmental protection, encourages employees to practice green concepts in the production and offices, so as to enhance energy conservation and environmental protection awareness, and jointly carry out actions to save resources and energy.

Paper management

- Promote paperless office, paper documents require double-sided printing
- Strictly control color printing and stop unnecessary color printing.
- Use e-mail and OA system as much as possible for the transmission of documents and information, and reduce the number of paper documents.

Procurement of environmentally friendly office supplies

- Procurement of environmentally friendly office products, e.g. recycled paper, refillable ballpoint pens
- Procurement of recyclable toner cartridges for laser printers, pencils, etc.
- Procurement of energy-efficient labelled office appliances (e.g. photocopiers, printers)
- Procurement of office furniture made of environmentally friendly materials

Saving electricity

- Turn off the power of lights, air-conditioners, computers, printers, water dispensers, etc. after work.
- Switch off the video system in time after the video conference, so as to reduce the long-time standby energy consumption.
- Avoid prolonged standby time for computers, printers, shredders and other office equipment.
- In places where central air conditioning is not used, do not open doors and windows when the air conditioner is turned on as well as turning on the air conditioner when there is no one, and control the cooling temperature in summer at 26°C or above, and heating temperature in winter at 20°C or below.
- Use LED energy-saving lamps in the office as much as possible

Disposals management

- Classified collection of waste toner cartridges, waste lamps, old computers and other office wastes
- Outsourcing qualified third agencies for proper disposal
- When recycling, toner cartridges and batteries need to be wrapped, and certain recyclables need special treatment, such as light tubes need to be put into special recycling boxes.
- Household waste is collected and transported by the property management and handed over to the city sanitation department for disposal.

Other issues

- Strict management, scientific scheduling and rational use of official vehicles
- Post notices at workplaces to remind employees to save resources.
- Vigorously promote green travelling and encourage employees to commute by public transport and reduce driving.

Promoting Green Operations

Sanhua Intelligent Controls actively promotes green and low-carbon development. Relying on the environmental management system, we incorporate the concepts of resource conservation, protection and improvement of ecology and the environment into the whole process of operation and management and in all aspects, in order to achieve sustainable growth, and to bring benefits to environment, society and environment.

Greenhouse Gas Emission

Facing the impact of global climate change, the refrigeration industry is accelerating upgrading and transformation. As a pioneer in the refrigeration industry, the Company always adheres to the corporate philosophy of energy saving and environmental protection, and actively improves the efficiency of its resources and energy utilisation through scientific and technological innovations to reduce carbon emissions in all business segments.

Carbon calculation software helps scientific energy saving and carbon reduction



In order to promote the landing and implementation of the dual-carbon policy, Hangzhou Leaderway Electronics has independently developed a full life cycle carbon emission calculation tool, which is mainly used for parts and components of refrigeration and air-conditioning equipment, including micro-channel heat exchangers, electronic expansion valves, four-way valves, and inverter controllers. The tool can statistically account for greenhouse gas emissions from raw material collection, production, transport, use and disposal, providing important data support and calculation basis for determining the carbon footprint of related products. By the end of 2023, Hangzhou Leaderway Electronics has selected two representative products (main control board and driver board) for carbon emission calculation and comparison, and will be applied to more products and scenarios in the future.

The Company's greenhouse gas emission primarily from direct greenhouse gas emissions resulting from the use of natural gas, petrol and diesel, and indirect greenhouse gas emissions resulting from purchased electricity.

Indicators	Unit	2023
Direct (Scope 1) GHG emission ⁷	Tonnes of CO ₂ equivalent	22,780
Direct (Scope 2) GHG emission ⁸	Tonnes of CO ₂ equivalent	233,439
Total amount of GHG emission	Tonnes of CO ₂ equivalent	256,219
GHG emission intensity	Tonnes of CO ₂ equivalent/RMB 10,000revenue	0.10

Optimize Energy Structure

The Company actively tracks the progress of policies and measures to address climate change at home and abroad, continuously adjusts and improves its carbon emission management system, and takes targeted emission reduction measures. It has accelerated the application of photovoltaic and energy storage. In order to achieve the goals of clean energy and higher resource utilization efficiency, distributed photovoltaics are widely used in industrial areas to replace the original purchased electricity and adopt waste heat recovery technology. Furthermore, the energy storage system in the production park can comprehensively take advantage of peak and off-peak electricity, which improves the efficiency of distributed photovoltaic utilization.

⁷ Greenhouse gas emissions (scope 1) mainly come from production and vehicles, as well as the primary energy consumption of natural gas. The energy emission coefficient refers to 2006 IPCC Guidelines for National Greenhouse Gas Inventories (Trial), etc.

⁸ GHG emissions (Scope 2) are mainly from consumption of purchased electricity and heat. For the GHG emission factor of electricity, refer to the *Notice on Managing Greenhouse Gas Emission Reporting for Enterprises in the Power Generation Industry in 2023-2025* issued by the Ministry of Ecology and Environment of the People's Republic of China; and for the emission factor of purchased heat, refer to the *Guidelines on Methods of Accounting and Reporting for Greenhouse Gas Emissions by Enterprises (Trial)* issued by the National Development and Reform Commission.

<p>Photovoltaic projects</p>	<ul style="list-style-type: none"> •The total installed capacity of Sanhua Household PV system is 11 MW. The energy-saving renovation of the 5.8 MW facility connected to the grid in the first phase in 2015 was completed in September 2023. The renovation increases the power generation efficiency of this system by 5%, increases the power generation capacity by 510 MWh per year, and reaches an average annual power generation capacity of 10,250 MWh. •The total installed capacity of the solar photovoltaic (PV) systems on the roofs of Sanhua Commercial Refrigeration's factories in the Damien City Park amounts to 10.76 MW, and PV power generation accounts for about 34% of the park's total overall electricity consumption by the end of 2023. •Sanhua Automotive Thermal Management in Shaoxing added a 5.8 MW PV project, which was completed and connected to the grid in July 2023, bringing the overall installed PV capacity to 16.3 MW by the end of 2023.
<p>Energy storage project</p>	<p>The Company has built energy storage power stations in Xiasha, Hangzhou, Xinchang, Shaoxing, Binhai, Shaoxing etc. The system is used to store the off-peak electricity and release it for use during the peak electricity period, making full use of the price difference between the peak and off-peak electricity, and accurately calculating and determining the installed capacity of the energy storage to realise the "two charging and two discharging" every day to assist the green transformation of enterprises.</p>



▲ Sanhua Household PV system



▲ Sanhua Household energy storage station



▲ Sanhua Commercial Refrigeration solar PV system



▲ Sanhua Commercial Refrigeration energy storage station

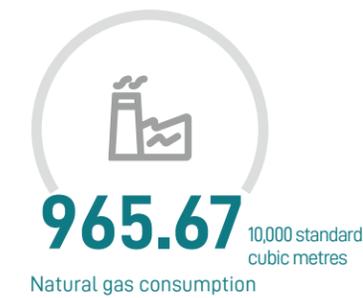


▲ Sanhua Automotive PV system in Binhai



▲ Sanhua Automotive energy storage station

2023



Emission Management

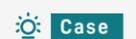
The Company emphasizes the environmental impact of its operations, and has formulated and implemented a number of internal environmental management procedures, including the Waste Gas Prevention and Control Procedures and the Solid Waste Control Procedures, to strengthen environmental management and improve environmental performance, ensuring that emissions can be managed effectively and resources can be conserved.

Waste Gas

The production process of the Company involves electroplating, acid pickling, powder spraying, welding, injection molding and other processes, and the air pollutants generated are mainly soot, sulphur dioxide and nitrogen oxides. The Company has a waste gas management procedure, and the collected waste gas must be filtered and treated to meet the *Integrated Emission Standard of Air Pollutants* before being discharged.

The Company carries out regular spot checks on the waste gas and treatment systems to ensure that the systems are functioning properly. The results are recorded in the "Waste Gas Exhaust System Spot Check Sheet" and the "Waste Gas Treatment System Spot Check Sheet". At the same time, in accordance with regulatory requirements, a third party is commissioned to regularly monitor and assess the level of exhaust emissions to ensure compliance with air pollutant emission standards.

Using aqueous cleaning technology to guard the lucid water and blue sky



Taking the "Green Factory" as an opportunity and responding to the national target of preventing and controlling PM2.5, ozone, volatile organic compounds (VOCs) and other air pollution, the Company invested a total of RMB 13 million to build an annual production capacity of 200 million sets of refrigeration components equipped with aqueous cleaning and hydrocarbon cleaning technology transformation projects in households. By investing in a number of aqueous cleaning line, replacing part of the original trichloroethylene cleaning process, the cleaned products not only significantly improve the surface color, uniformity, cleanliness, welding quality, but also effectively reduce the emission of volatile organic compounds (VOCs). This is of great significance to improve the quality of the local air environment, enhancing the enterprise efficiency and social benefits.

According to the *Work Plan for Building of "Zero-Waste Cities" during the "14th Five-Year Plan" Period*, the Company emphasizes the prevention and control of solid waste pollution, combines with the "dual carbon" strategy, and actively promotes the pollution control action, accelerates the green and low-carbon development of the enterprise, and fully participates in the construction of "Zero-Waste Cities". In 2023, Zhejiang Sanhua Commercial Refrigeration Co., Ltd. was awarded the certificate of "Zero-Waste Cities Cell" issued by Shaoxing Pilot Zero-Waste Cities Construction Leading Group Office.



Solid Waste

Waste is classified and managed according to the Company's Solid Waste Control Procedures, and household waste and production waste are handled separately. 3 bins are set up in the production site as needed, respectively for recyclable waste, non-recyclable waste and hazardous waste, with uniform and obvious signboards or directly marked on the containers.

According to regulations, when collecting waste, each department should fill in the "Solid Waste Classification and Disposal List" according to the solid waste generated by the department, report it to the Integrated Management Department for the record, and put the waste into the collection points or containers in accordance with the requirements of the List. Except for recycled waste, all other waste is entrusted to a qualified third party for disposal, and the "Waste Disposal List for Third Party" is filled out to ensure that timely adjustments are made in the event of a change in the third party.

Hazardous Waste Management

The Company strictly abides by the relevant provisions of the *Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes*, the *State Council's Measures for the Administration of Permit for Operation of Dangerous Wastes*, and the Ministry of Environmental Protection's *Measures for the Transfer of Hazardous Wastes*. In addition, the Company formulates the *Measures for the Administration of Hazardous Wastes*, which monitors the whole process of hazardous waste from the generation, collection, storage, packaging and transportation to the treatment and disposal, so as to achieve the "minimization, resourcefulness and harmless" of hazardous waste disposals.

Hazardous waste identification

Hazardous waste is identified according to the national hazardous waste list or the national hazardous waste identification standards and identification methods. At the beginning of each year, each production department identifies, counts and sums up the amount and types of hazardous waste generated and incorporates them into the hazardous waste management plan for strict management.

Hazardous waste collection

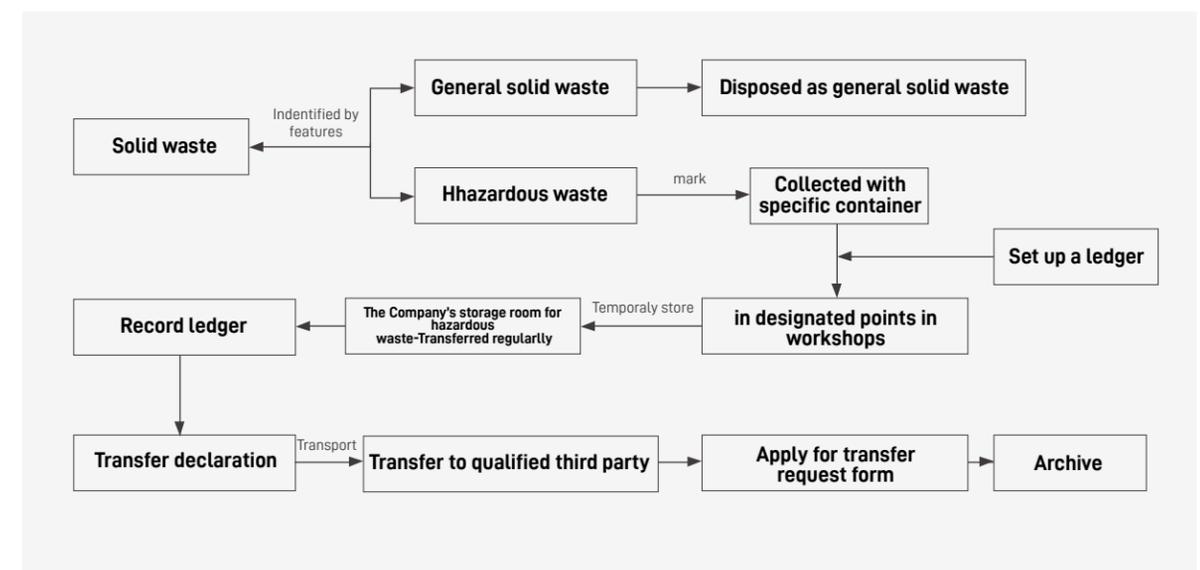
Each hazardous waste generation point must set up hazardous waste management card; set up "hazardous waste registration account", and truthfully record the collection and use of hazardous waste; set up a temporary storage point for hazardous waste and have a conspicuous danger sign; have a hazardous waste commissioner to collect and transfer hazardous waste to the company's hazardous waste warehouse for storage procedures in a timely manner, and the hazardous waste shall not be stored in the open air.

Hazardous waste storage

each production workshop set up temporary placement points in accordance with the classification of hazardous waste types, and general solid waste and hazardous waste containers with identification markers. All waste must be classified; set up storage cofferdam and wastewater conduit to proof wind, rain, seepage, etc., warning signs must be clear; storage period of no more than one year, extended period of storage must be reported to the environmental protection department; prohibit hazardous wastes mixed with non-hazardous waste storage.

Hazardous waste disposal

qualified units dispose hazardous waste and sign the "Hazardous Waste Disposal Agreement", strictly implement the hazardous waste transfer management methods, establish a hazardous waste management account and make an online declaration to the Environmental Protection Bureau; apply for the hazardous waste transfer joint sheet, check the quantity and type of hazardous waste and file information. The information should be properly archived.



▲ The chart of hazardous waste identification, collection, storage and disposal



Wastewater Management

The Company's wastewater sources are mainly production wastewater and staff domestic sewage. We carry out sewage diversion, with clear water pipe, sewage pipe and reuse water pipe, for different wastewater using different collection and treatment methods, to improve the efficiency of water resources. According to the relevant regulations, the sewage is regularly monitored once a year, to ensure that the quality of water sewage standards.

175.52 10,000 cubic meters
Total amount of wastewater

Treating measures for wastewater

Sanhua Household has two wastewater treatment stations in Meizhu Park, which can treat five streams of wastewater: chromium-containing wastewater, nickel-containing wastewater, copper-containing wastewater, composite wastewater, and citric acid wastewater, with a total of about 3,110 tonnes of wastewater treated per day.

Measures to reduce water pollutants emission

<p>Hydrocarbon cleaning technique</p>	<p>According to the national standard Limits of Volatile Organic Compounds Content in Cleaning Agents GB38508-2020, trichloroethylene and other substances involved in the traditional cleaning process are volatile organic compounds (VOCs) exceeding the standard substances, which cannot meet the new environmental protection requirements. In this regard, the Company spontaneously develops hydrocarbon cleaning technique to help the cleaning agent can be recycled. This technique does not produce waste liquid and has no need for waste liquid treatment. In addition, hydrocarbon cleaning agent also has a high flash point, which belongs to the safety of the general chemicals (flash point higher than 60 °C), easy to store and manage.</p>
<p>Development of non-phosphorus additives</p>	<p>Most of the cleaning aids in the market contain phosphate. Though the effect of rust removal on the surface of steel parts is obvious, the phosphorus-containing substances discharged into the sewage will lead to eutrophication of the water body, which in turn causes environmental pollution. By optimising the formula of cleaning agent, the Company has successfully developed non-phosphorus additives, which not only meet the requirements of cleaning and rust removal, but also effectively reduce the pollutants in the water body.</p>

Packaging Material Management

In 2023, the Company systematically sorted out its packaging process management and improved the construction of packaging process standards in all aspects, including system construction, standardisation management, quality management and supplier technology management. The reduction and saving of packaging materials was achieved through the adoption of recyclable folding packaging, recycling of recycled packaging, and the reduction of packaging airfreight volume. We also integrated packaging methods, changing the existing plywood pallets and plywood pallet covers to honeycomb paperboard pallets and honeycomb paper pallet covers, which saved more than RMB 2 million in packaging procurement costs during the year.

RMB 2 million
Packaging procurement costs saved

Measures	Relevant Measures
<p>Recyclable folding packaging</p>	<p>Heat pump integrated Module, Integrated Coolant Module , Accumulator , and many other parts use polypropylene blow-molding and blister-molding laminates in the overall recyclable folding packaging, instead of the disposable material-based cardboard boxes and wooden pallets.</p>
<p>Recycling of recycled packaging</p>	<p>Cooperate with third parties in packaging leasing and transport and packaging integration projects to optimize supply chain management, improve the efficiency and transparency of the supply chain, reduce intermediate links in the supply chain, lower supply chain costs, promote sustainable development, reduce resource wastage and environmental pollution in the process of logistics and packaging, and improve the efficiency of resource utilisation.</p>
<p>Reduce packaging airfreight volume</p>	<p>Increase the protective strength of packaging for components, reduce the use of disposable packaging materials, and reduce resource consumption, further reduce the volume of packaging airfreight, realizing logistics cost reduction and efficiency improvement.</p>



2023			
<p>18.10 <small>million</small> Number of cardboard boxes</p>	<p>118,400 Number of pallets</p>	<p>81,900 Number of plastic boxes</p>	<p>19,000 Number of recyclable packages</p>

Water Resource Management

The Company emphasizes the conservation and comprehensive use of water resources, abides by environmental protection requirements, and strictly complies with relevant regulations. The Company uses water resources mainly from municipal tap water.



2023

332.00 10,000 cubic meters

Total amount of water consumption

130.68 10,000 cubic meters

Total amount of recyclable water consumption

192.62 10,000 cubic meters

Total amount of waster disposal consumption

Water conservation measures

Water conservation measures

- Water conservation signs are posted on bathroom taps in offices and dormitories;
- Urinals are flushed by induction;
- Daily publicity on water conservation.



▲ Post water conservation signs

Wastewater recycling project

- Wastewater (e.g., steam condensate, welding wastewater, hot water from washing tanks, rinsing water, and water reused after being treated in wastewater stations) is purified and treated for reuse. The wastewater recycling project carried out by Sanhua Commercial Refrigeration at the Daming City Park will reduce 33,000 cubic metres per year.

Workshop toilet flushing renovation project

- The bathroom flushing in Sanhua Commercial Refrigeration production area was originally a direct-flush type. The flushing valve was frequently damaged and replaced and the flushing water was uncontrollable. Later, the production area flushing valve is replaced with water storage tank.

Surface water collection and irrigation project

- Sanhua Commercial Refrigeration collects surface water from the plant and the administrative area into a stainless steel water tank, and sets up a frequency-controlled water supply system with constant-pressure beside the tank to ensure uninterrupted water supply to the administrative area and the water pipe network.

Electronic water replenishment project for circulating pools

- Due to the instability of the pool float valves (easy to damage, stuck stones, etc.) resulting in the constant and uncontrollable replenishment of water, Sanhua Commercial Refrigeration replaces 10 circulating pool float valves with solenoid valves (with sound and light alarm system) to control the replenishment of water.

The Company closely tracks the water consumption in production, analyzes the room for improvement of water consumption in the light of the characteristics of water consumption process, and optimizes the production process through the introduction of new processes, technologies and equipment to increase the recovery and recycling of water resources.

Recycling measures	Achievements
Wastewater reuse	The copper-containing wastewater treated in the wastewater station of Sanhua Household's first phase is filtered by sand filtration device and then reused in the cleaning process before pickling of the pipe division, which does not require high water quality, with a daily reuse volume of 320 cubic metres and an annual reuse volume of 96,000 cubic metres.
Technique wastewater reuse	Through the application of electroplating wastewater reuse and counter-current rinsing process, Sanhua Household recycles 105 cubic metres per day and 31,500 cubic metres per year. Sanhua Household recycles welding water through cooling and sedimentation, with a daily recycling volume of 87,750 cubic metres and an annual recycling volume of 26,325,000 cubic metres.
Steam condensate reuse	Sanhua Automotive utilizes the condensate generated from purchased steam for heat exchange, then reheating it to reuse in the equipment's hot water tank. 

▲ Steam condensate reuse device for gold processing workshop

3 Flower of Talents Blooms for Prosperity

Sanhua Intelligent Controls creates an enabling environment for pooling, motivating and developing talents, upholding the core values of "people-oriented", and creating a working environment featuring fairness, respect and harmony for all employees. It emphasizes both personal growth and career development, providing diverse learning opportunities through a comprehensive training system. By doing so, the Company assists employees in enhancing their personal qualities and comprehensive abilities to realize their self-worth. In addition, it ensures employee rights, empowers employee growth, creates quality services, and participates in charity and public welfare activities, contributing to the sustainable development of the enterprise and the harmonious progress of society.

- Ensuring Employee Rights
- Occupational Health and Safety
- Empowering Employee Growth
- Participation in Charity and Public Welfare

Ensuring Employee Rights

Sanhua Intelligent Controls strictly adheres to the laws and regulations concerning labor contracts and the protection of labor rights and interests in the Labor Contract Law of the People's Republic of China. It rigorously implements national regulations and standards in aspects including employment, labor safety and health, and social security. In addition, it continuously improves the mechanism for safeguarding the rights and interests of employees, supervises its subsidiaries to standardize labor management, and effectively protects the legitimate rights and interests of employees. At the same time, it adheres to its commitment to employee rights, respects and cares for all employees, provides fair compensation, adequate rest time, and safe and comfortable working conditions, continuously improving their satisfaction and sense of belonging.

Employee Rights and Interests Protection

The Company strictly complies with national laws and regulations, and signs and fulfills labor contracts with employees. According to the actual situation of the Company, the Employee Handbook and Quota Management Measures for Staff have been formulated to make the rules and regulations transparent. Collective agreements and collective agreements for female employees have been formulated to provide employees with various career development channels. The annual evaluation is conducted in accordance with the Company's Management Measures for Annual Excellence Evaluation. At the same time, the Company adheres to the principle of fair competition, provides equal opportunities to all employees, and strictly prohibits any form of employment discrimination. Halal canteens are also provided to meet the needs of ethnic minority employees.

Anti-discrimination statement



We are committed to creating a working environment featuring respect and equality, where employees are not discriminated against or treated unfairly based on race, religion, gender, nationality, age, marital status, disability, or sexual orientation, in terms of remuneration, training, promotion opportunities, and other aspects. Specific labor compensation regulations are established for female workers during pregnancy, childbirth, and breastfeeding, ensuring that there is no discrimination or unjustified reduction in wages. Furthermore, we firmly oppose any form of sexual harassment and maintain a zero-tolerance policy towards any acts of sexual harassment.

Employees' salaries statement



The Company values employee welfare and ensures the maintenance of daily life, guaranteeing that all workers can obtain a living wage that meets their basic needs. Our remuneration policy stipulates that wage levels shall not be lower than the local minimum wage standards. We maintain close collaboration with labor unions and organizations, continuously monitor changes in local economic conditions and living costs, and timely evaluate and adjust employee remuneration.

Talent Recruitment and Introduction

The Company adheres to the principle of "openness and fairness", treating all applicants equally and selecting talents based on merit, without discrimination based on age, disability, ethnicity, gender, marital status, nationality, political affiliation, etc. We strictly prohibit the employment of child labor and forced labor, and conduct regular internal inspections to ensure legal and compliant employment to the maximum extent.

In 2023, the Company continued to optimize its talent recruitment strategy, striving to attract and cultivate more outstanding talents. Throughout the year, we further implemented a diversified talent strategy, with a total of 2,872 new employees recruited, among which 2,058 were recruited through social recruitment. In addition, we conducted over 50 campus recruitment presentations, cooperated with more than 20 colleges and universities, and selected 500 outstanding graduates to join us.

The Company focuses on cultivating outstanding young management talents, continuously carrying out management trainee programs. Within the year, a total of 60 management trainees were contracted, among which 23% were overseas graduates, and 47% were graduates in majors such as machinery, electric and electronic engineering, and energy and power.



2,872
New employees

50+

Campus recruitment presentations

20+

Colleges and universities cooperated

500

Outstanding graduates

60

Management trainees contracted

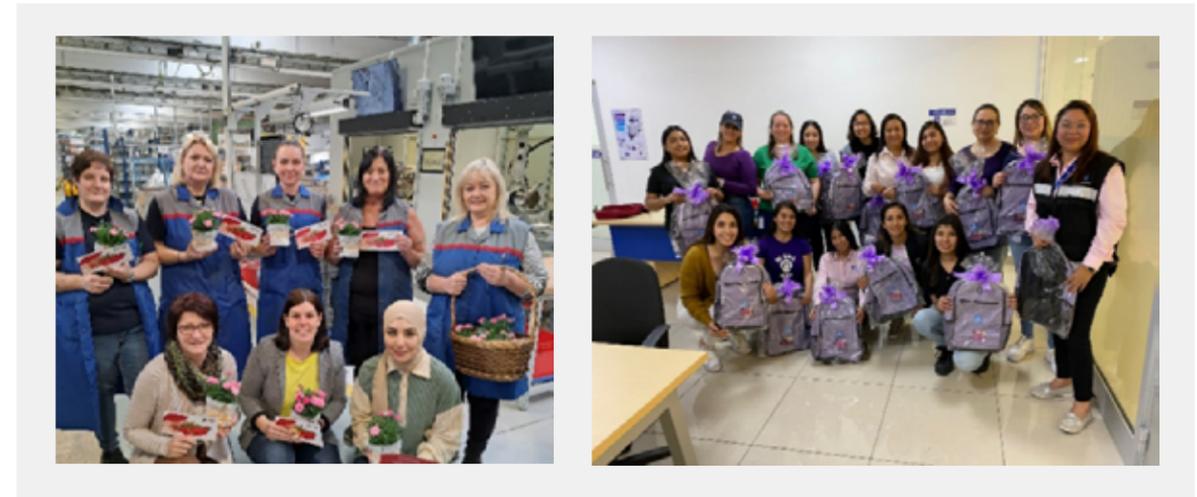
Employee Remuneration and Benefits

The Company is committed to providing employees with fair working arrangements, aiming to promote a balance between work and personal life. Adhering to the principles of remuneration according to work and equal remuneration, the Company has established a system of regular salary increases and strictly complies with timely payment of social insurance to ensure the due legal rights and benefits of employees.

The Company has established a reasonable human resource management system and a scientific and comprehensive performance appraisal system. To implement the principles of equality between men and women, equal pay for equal work and distribution according to work, the Company links the performance appraisal of the management at all levels with the Company's business goals, and makes the employees and the Company become a community of shared interests through a reasonable remuneration structure and level. It aims to fully mobilize the employees' motivation, and stimulate the employees' sense of responsibility and sense of mission.

Protection of Female Employees' Rights and Interests

The Company actively responds to the Law of the People's Republic of China on the Protection of Women's Rights and Interests and the Special Provisions on Labor Protection for Female Employees, protects the leave rights of female employees such as maternity leave, breastfeeding leave and childcare leave, and prohibits salary reduction, dismissal, or the termination of employment or labor contracts due to pregnancy, childbirth or breastfeeding. The Company prioritizes and strengthens the labor protection of female employees during production, continuously improves the working environment and conditions for female employees, and protects the physical and mental health of female employees by carrying out health examinations.

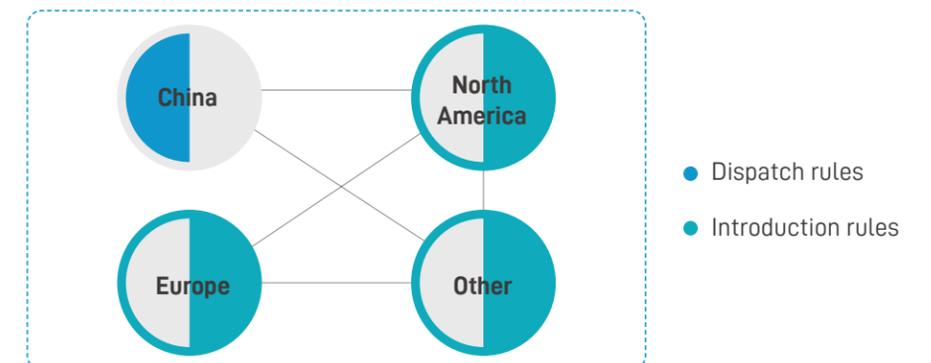


Globalization and Diversity

The Company values globalization and diverse development of its employees, and has built an international talent management system. Through regular training and experience sharing, the Company continues to improve the cross-cultural communication skills of its employees, and jointly promotes sustained development and progress with employees, contributing to the Company's international development.

International Dispatch Management System

The Company has established a globalized international dispatch management system, and its subsidiaries at home and abroad have also formulated international dispatch management methods to provide standardized and consistent guidance for international dispatch and to ensure that expatriates work in a safe, compliant and efficient manner worldwide. Meanwhile, to improve the experience of international assignment and overseas business trip, the Company has formulated various country guides, visa guides, guides for overseas employees coming to China, and code of conduct guides for working overseas, to provide employees with convenience and assistance in international assignment.



- ✓ HQ and BUs have set dispatch rules
- ✓ European and US platforms have set introduction rules

Cross-cultural Awareness Publicity and Training

The Company attaches importance to the cultivation of employees' cross-cultural awareness and international vision, and helps employees better understand and respect the differences between cultures and promotes the development of cross-cultural integration by carrying out bi-weekly cross-cultural awareness publicity activities and online/offline cross-cultural training.



▲ Cross-cultural awareness training for junior managers at Sanhua Household



▲ Cross-cultural awareness training of the international high potential class at Sanhua (Hangzhou) Micro Channel Heat Exchanger



▲ Chinese work culture training



▲ European work culture training



Foreign Language Learning and Certification

Focusing on foreign language improvement, the Company has established a management system for foreign language subsidies targeting outstanding talents with language proficiency. It encourages employees to learn one or more languages through various learning methods, to enhance international cooperation, communication and information processing, and improve work efficiency. In addition, the Company encourages employees to improve their English ability through English corners, online English learning APPs and one-on-one conversations with foreign teachers, creating a positive atmosphere for foreign language learning.



Globalized Internal Communication Platform

To strengthen communication and collaboration at home and abroad, the Company utilizes the globalized office platform as an internal communication platform to facilitate communication and collaboration among employees from different countries and regions. The platform features a variety of functions such as community, storyline, leadership, and Q&A. As an online communication hub for employees around the world, the platform helps everyone keep abreast of important Company achievements around the world, interact with colleagues from different countries, and gain access to valuable resources that help support personal career development and physical and mental health. With the platform, the Company brings together leaders and colleagues across the organization. Through interactive quizzes and story sharing, it creates a sense of belonging at work and provides a wealth of information and resources through its official account.



Rich platform content

- Sanhua Intelligent Controls History and Culture
- Corporate Vision, Mission and Values
- Global News and Events
- Sanhua Intelligent Controls Leadership Insight
- Cross-Cultural Awareness and Inclusiveness
- Employee Recognition and Health
- Best Practices and Knowledge Sharing

Globalized communication platform



The Viva Engage globalized internal communication platform



Globalized internal communications platform

Occupational Health and Safety

With a sense of dignity, happiness and fulfillment at the core, Sanhua Intelligent Controls is committed to employee health, occupational disease protection and employee care. To safeguard the health of our employees, we not only provide regular and comprehensive annual medical examinations, but also strength the safety management of the working environment. Effective measures are taken to reduce the risk of occupational injuries and to ensure that employees work in a safe and comfortable environment.

Strengthening Work Safety

The Company continues to promote the construction of dual prevention system for work safety, and has formulated and issued the Handbook of Dual Prevention System for Work Safety. The handbook combines risk management and control with hidden danger investigation, curbs the risk of work safety from the source and effectively reduces the occurrence of accidents. The Company has established a well-improved mechanism for hidden danger investigation and management, identifies all kinds of hidden dangers of safety, and eliminates these dangers through regular and irregular inspections, special rectification and other methods. Combined with the relevant reward and punishment mechanism, the Company ensures the effective operation of the dual prevention system of work safety, and safeguards the safety of employees' lives and properties.

Dual prevention mechanism for work safety

- Curbing work safety risks at the source, effectively identifying, grading and controlling potential safety hazards in the plant, dividing the risk level according to "severe risk, major risk, general risk, low risk", and strictly implementing the risk control hierarchy with clear responsibilities and risk points.

Hidden danger investigation and management for work safety

- Organizing regular hidden danger inspection and management for work (fire) safety every month, strictly implementing the safety inspection plan, and conducting monthly special inspections and weekly random safety inspections in the workshop from time to time. Conducting rectification immediately to ensure work safety once hidden dangers are found.

Emergency plan for work accidents

- In conjunction with the emergency plan, forming an emergency management team, and equipping production units at all levels with emergency facilities, equipment and materials; regularly conducting special emergency plans/site disposal drills, fire emergency escape drills and related training, and actively participating in the joint drills organized by the local emergency safety and fire departments, to comprehensively improve the prevention of work incidents and the ability to deal with emergencies.

Safeguarding fire safety by actively carrying out fire drills



In 2023, Sanhua Intelligent Controls conducted regular fire safety activities across all business units. Through extensive promotion, training, and emergency drills, employees' understanding and awareness of fire safety were enhanced. The Company aimed to strengthen fire awareness, improve employees' capabilities of responding to emergencies, and demonstrate the Company's fire safety policy of "putting prevention first, combining prevention with firefighting."



▲ Fire drill at Sanhua Household



▲ Fire drill at Sanhua Commercial Refrigeration



▲ Fire Drill by Leaderway Electronics



▲ Fire drill at Sanhua Automotive Heat Exchanger



▲ Fire drill at Sanhua (Hangzhou) Micro Channel

Protecting Employee Health

The Company provides comprehensive health protection, occupational disease prevention, and care measures for employees, creating a working environment filled with respect, care, and opportunities. The Company's injury system and leave system cover all employees. When an employee is injured at work, the Company will determine and provide corresponding benefits according to national regulations, including leave during the medical treatment.

To address potential risks concerning occupational diseases, the Company has established a Safety and Occupational Health Office and formulated the Occupational Disease Examination Regulations, clarifying the management responsibilities and operating procedures for occupational disease examinations. For positions involving occupational hazards such as electric welders, gas welders, painters, as well as key managers and married female employees, the Company has detailed regulations on examination items, conducts regular health examinations, and effectively protects employee health.

Empowering Employee Growth

Empowering employee growth is a key objective of Sanhua Intelligent Controls. We continuously improve our training system, providing rich training contents as well as scientific and effective training assessments. This effectively enhances employees' knowledge, skills, and overall qualities, creating favorable conditions for their continuous growth. Additionally, the Company focuses on employees' career development planning, continuously optimizing talent promotion channels, providing diversified career development opportunities, and encouraging employees to grow actively.

Optimizing Training System

The Company places great importance on talent development. We have built targeted training systems with different levels and sequences, covering various aspects such as job skills, professional knowledge, and management abilities. These training systems aim to help employees enhance their abilities and achieve career development.

Improving training system

- We have established a comprehensive training system, including basic infrastructure training, leadership training, professional skill training, international talent training, new employee training, and other open courses, to provide employees with channels for comprehensive skill enhancement.
- Throughout the year, we conducted various themed training sessions such as the "Navigation Series," "Elite Procurement Class," "Elite Financial Class," "Management Performance Training," "Management Trainee Program," and "TDR Training," providing more systematic and comprehensive training for management personnel, technical and professional talents. Additionally, we optimized employee training plans in line with our development strategies, increasing efforts in talent development for areas such as international talent cultivation and digital transformation empowerment.

Developing internal lecturer

- The establishment of the lecturer and course system presents crucial for talent development. In 2023, we launched the "Internal Lecturer Training Program - Bright Star Plan," involving 53 business elites from all business units in a six-month professional TTT program. They underwent course development, trial teaching, and course polishing, resulting in 30 certified junior lecturers and 30 professional courses, injecting new vitality into our lecturer team.



▲ A group photo of certified internal lecturers at the certification ceremony

Sanhua Household organized a R&D Project Leader Training Camp



In May 2023, Sanhua Household organized the 2023 R&D Project Leader Training Camp, with over 70 R&D project leaders participating in the training. For this training camp, the Company developed a series of courses titled "R&D Project Leader Training Camp," covering modules such as refrigeration systems, reliability, project management, motor design, and cross-departmental communication. The objective was to help project leaders enhance their knowledge and skills, improve project management capabilities, and enhance cross-departmental communication skills. During the training, participants collectively discussed the "Portrait of an Excellent R&D Project Leader," encouraging everyone to strive for excellence and continuously develop themselves.

Sending Teacher's Day blessings, and expressing gratitude to internal lecturers



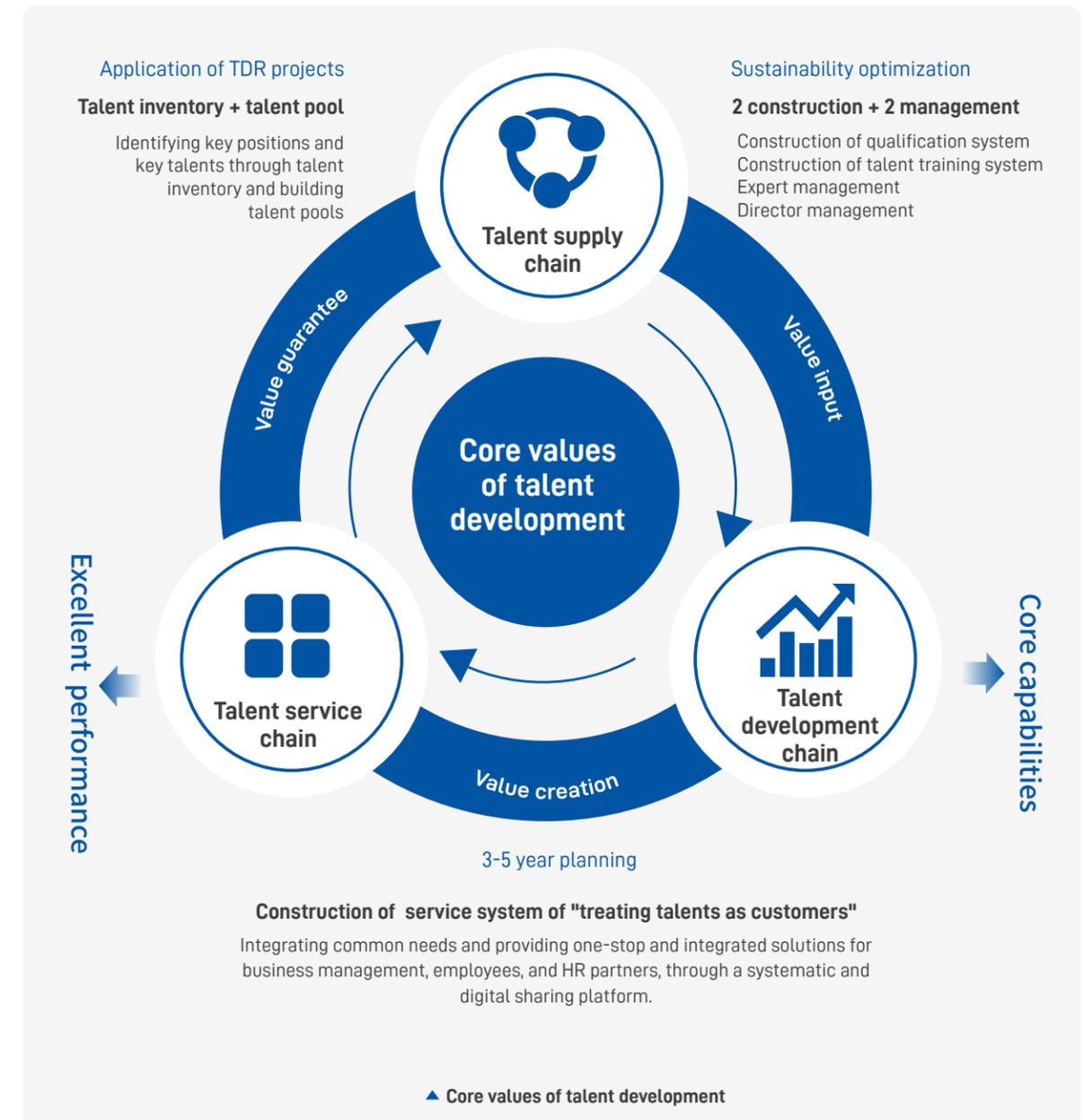
During the Teacher's Day in September 2023, the Company and its subsidiaries conducted Teacher's Day activities for internal lecturers, sending them holiday blessings.

- We organized Teacher's Day activities for internal lecturers, gathering more than 30 outstanding lecturers to participate in this event. The representatives shared their educational mottos and delved into discussions on how to further enhance teaching quality, striving together to cultivate more outstanding talents.
- We carried out activities under the theme of "Not Wasting Good Times, Treading New Heights with Each Step," inviting over 10 teachers to embark on an autumn hiking. While enjoying the beautiful autumn scenery, the activity also symbolized the continuous pursuit of new educational heights and the firm belief in scaling the peak of knowledge.



Facilitating career pathways

The Company has established a scientific job qualification system. In conjunction with clear career development paths, we help employees identify their career coordinates and directions, providing them with broad development opportunities. We divide the employee development path into two main categories: development for frontline employees and development for professional and management personnel. Furthermore, we refine talents into five categories based on skill levels, professional expertise, and management direction.



Optimization of qualification system



Within the year, qualification standard interviews were conducted, covering 33 position categories and 40 participants, to confirm the division of positions, and adjustments were made to 22 qualification standards.

Application of qualification



Establishing learning maps for all positions, and collecting training learning requirements for necessary knowledge, skills, and professional abilities for promotion at each level; based on the professional competence items collected from interviews, integrating them into the professional competence pool for each position group.

Standardizing management systems



- Formulating qualification standards for technical positions, position maps for all sequences, career development channels, corresponding relationships of position systems, and simultaneously reviewing learning maps, professional competence libraries (competency model construction), *Position Management Measures*, and *Qualification Management Measures*.
- Setting up a system of qualification standards for employees

Professional Talent Development

The Company has formulated relevant regulations such as the Management Measures for the Evaluation and *Management of Professional Talents*, clarifying the responsibilities, evaluation, and application of professional talent evaluation management. By establishing the Professional Talent Evaluation Committee, the Company conducts specialized assessments and evaluations of the abilities of applicants, and provides relevant suggestions. The Company's human resources department fully participates in the certification defense of professional skills, supervises the evaluation process, and engages in the promotion evaluation of professional talents.



- For grades 4 and below, employees submit the "Application Form for Professional Talent Evaluation" and "Personal Score Sheet". After department recommendation and HR review, employees who meet the promotion conditions and competency requirements specified in the "Promotion Evaluation Form for Grades 4 and Below" submit to the Professional Talent Evaluation Committee for evaluation and approval by the general manager.
- For grades 5 and above, promotion requires meeting point value requirements and passing the professional skills certification defense by the evaluation committee.

R&D Talent Development

The Company attaches great importance to the cultivation and development of research talents, and has established cooperative relationships with multiple universities and research institutions. Through the combination of industry, academia, and research, the Company promotes technological innovation and talent cultivation. Additionally, the Company actively participates in international scientific cooperation projects, providing employees with opportunities for international exchanges and cooperation. Encouraging employees to participate in various technical innovation activities further expands their perspectives and modes of thinking.

To strengthen the construction of the R&D talent team, the Company has formulated the Management Measures for the Cultivation of R&D Talent Production Line, aiming to continuously optimize and improve the research curriculum. This initiative aims to create an efficient and comprehensive R&D talent production line to ensure the continuous output of high-quality research talents. Furthermore, the Company focuses on the construction of an innovation system and the enhancement of innovation capabilities, inclining towards innovation capabilities in aspects such as selection, cultivation, appointment, and retention. This approach aims to enhance the Company's innovative capabilities in leading industry development, thereby promoting continuous innovation and excellence development.

In 2023, the Company initiated innovation and talent engineering projects in locations such as Hangzhou, as well as Binhai and Xinchang of Shaoxing. Through the construction of new research buildings and talent apartments, the Company improves the living support facility for R&D personnel, creating a comprehensive and favorable working and living environment for them.

Caring for Employee Well-being

The Company is committed to creating a vibrant and diverse working environment for all employees worldwide, fostering a healthy, positive, and collaborative atmosphere. Providing convenience and subsidies in areas such as housing, transportation, and meals, the Company strives to meet the needs of its employees. It also closely monitors employee difficulties and requirements, actively listens to their voices, and promptly addresses and resolves their issues.

Assisting employees in need

The Company extends warmth to employees facing family difficulties or sudden disasters and has established the "Sanhua Intelligent Controls Family" Employee Assistance Fund to aid those in need. This initiative aims to enhance employees' sense of belonging by providing financial assistance to employees and their families experiencing significant illnesses or accidents that result in financial hardship. The fund covers 100% of the assistance, and since its inception in 2016, it has aided a total of 183 employees.

Enriching employee lives

Organizing events such as sports competitions, skills contests, and holiday parties, the Company showcases the sound spirit of its employees, fostering their identity and integration into the corporate culture. These activities facilitate a balance between work and life, enhance physical fitness, enrich spiritual well-being, and increase employee happiness and satisfaction with the Company. They also serve as platforms for employee interaction, effectively boosting sense of group honor and team cohesion.



▲ Mid-Autumn Festival garden party and cultural performance



▲ Employee birthday celebrations



▲ International Women's Day care activities



▲ First basketball league

Embracing the striving spirit, contributing to the Asian Games



On September 23, 2023, the 19th Asian Games Hangzhou kicked off, delivering to the world a great event that is distinctly Chinese, uniquely Asian and spectacular with over 10,000 athletes from across Asia. In the lead-up to the Asian Games, employees of the Company actively participated in a series of activities to welcome the event. From chess competitions to track and field events, from basketball matches to football games, from intellectual challenges to intense competitions, and even to the resilience shown on the marathon track, the employees of Sanhua Intelligent Controls were vibrant and energetic. With wisdom, sweat, and passion, they added a unique charm to the atmosphere of the Asian Games.



Employee Communication and Engagement

The Company provides channels for employees to provide feedback, report issues, and lodge complaints. We strictly implement the Quota Employee Management Measures for Staff and ensure the independence, confidentiality, and safety of the process. We encourage employees to speak up proactively. Employees can communicate their feedback through channels such as the "Director's Mailbox," "Employee Complaint Form," and the Sanhua Intelligent Controls Employee Service Platform. Through democratic participation, employees can fully express their opinions and suggestions, actively exchange ideas with management, and deliver sound teamwork and common growth.

Employee Communication and Engagement

Sanhua Intelligent Controls is committed to fulfilling social responsibilities and promoting social harmony and sustainable development through charity and public welfare projects. In 2023, the Company showed its dedication to the community by visiting elderly people in nursing homes, providing assistance to disadvantaged groups in targeted communities, and engaging in various charitable activities in the fields of social responsibility and education. Through initiatives like the "Sanhua Intelligent Controls Family" fund, the Company also extends support to employees and their children in need, visiting them during the Spring Festival, and setting a positive example for corporate social responsibility.

We regularly organize voluntary blood donation activities to encourage employees to contribute to society by donating blood voluntarily, promoting the spirit of caring for life while fulfilling their job responsibilities.

Sanhua Holding Group has established the "Sanhua Intelligent Controls Education Fund" and pledged to donate RMB 2 million annually from 2022 to 2026. This fund aims to reward outstanding teachers in the education sector of Xinchang, promoting the high-quality development of the education industry.

Since 2019, Sanhua Holding Group has sponsored the Xia Anshi Fund for five consecutive years, rewarding outstanding professors and students in the Chinese refrigeration and air conditioning industry. In April 2023, the 27th Xia Anshi Education Foundation Fund — Award Ceremony of the "Sanhua Award" was held at Sanhua Intelligent Controls Hangzhou Industrial Park. A total of 18 nominees from renowned institutions nationwide received the award, including one professor, 13 undergraduate students, and 4 graduate students (both master and PhD students), who were respectively awarded the "Outstanding Professor Award" and the "Excellent Student Award."



◀ Conducting voluntary blood donation activities

Visiting the Hailuo Nursing Home during the Dragon Boat Festival, 2023 ▶



ESG Performance

Economic Performance

Scope of statistics for the reporting period

The scope of economic statistics is consistent with the scope of the Company's consolidated financial statements.

Indicator	Unit	2023
Total asset	RMB 100 million	318.91
Revenue	RMB 100 million	245.58
Net benefit	RMB 100 million	29.34
Total tax paid	RMB 100 million	12.83

Governance Performance

Scope of statistics for the reporting period

The scope of economic statistics is consistent with the scope of the Company's consolidated financial statements.

Governance of the Board of Directors

Indicator	Unit	2023
Number of board meetings held throughout the year	Time	10
Average attendance during the year	%	100

Integrity and Compliance⁹

Indicator	Unit	2023
Number of anti-corruption and integrity training sessions	Time	5
Number of employees covered by anti-corruption and integrity training	Person	493
Anti-corruption and integrity training coverage	%	100

Supplier Management

Indicator	Unit	2023
Number of social responsibility training sessions for suppliers	Time	2
Supplier review coverage rate ¹⁰	%	42.20

⁹Among them, the data related to anti-corruption initiatives only cover the Company's procurement system (Sanhua Automotive and Sanhua Household)

¹⁰Supplier review data only covers Sanhua Automotive.

Environmental Performance

Scope of statistics for the reporting period

The scope of environmental performance data covers the listed main body of Zhejiang Sanhua Intelligent Controls Co., Ltd, except for overseas parts.

Waste Gas

Indicator	Unit	2023
Total sulphur dioxide emissions	Kg	2,729
Total nitrogen oxide emissions	Kg	30,059
Total soot emissions	Kg	43,468

Greenhouse Gas¹¹

Indicator	Unit	2023
Direct (Scope 1) GHG emission	Tonnes of CO ₂ equivalent	22,780
Direct (Scope 2) GHG emission	Tonnes of CO ₂ equivalent	233,439
Total amount of GHG emission	Tonnes of CO ₂ equivalent	256,219
GHG emission intensity	Tonnes of CO ₂ equivalent/ RMB 10,000 revenue	0.10

Waste

Indicator	Unit	2023
Total amount of solid waste disposal	Tonne	23,602.55
Disposal of ash	Tonne	325.30
Disposal of household waste	Tonne	8,429.00
Disposal of kitchen waste	Tonne	441.60
Disposal of general waste	Tonne	14,406.65
Disposal of hazardous waste	Tonne	25,255.22
Disposal of municipal sludge	Tonne	22,079.80
Disposal of hazardous liquid waste	Tonne	351.40
Disposal of other hazardous solid waste	Tonne	2,824.02

Water Resources

Indicator	Unit	2023
Total amount of water consumption	Cubic meter	3,316,957.40
Total amount of recyclable water	Cubic meter	1,303,787.41
Percentage of recyclable water in total water use	%	39.31
Total amount of water discharge	Tonne	1,926,189.85
Total amount of sewage	Tonne	1,755,207.44
Water pollutant (COD)	Tonne	107.41
Water pollutant (ammonia)	吨 Tonne	23.50

Package

Indicator	Unit	2023
Number of cardboard boxes	10,000	1,810.00
Number of pallets	10,000	11.84
Number of plastic boxes	10,000	8.19
Number of recyclable packages	10,000	1.90

Energy Consumption

Indicator	Unit	2023
Electricity generation from new energy facilities	MWh	33,727.60
Comprehensive energy consumption ¹²	MWh	525,259.04
Total oil used for production	Tonne	164.54
Total petrol volume	Tonne	281.26
Total diesel volume	Tonne	246.10
Natural gas consumption	10,000 standard cubic meters	965.67
Total amount of purchased heat power ¹³	GJ	60,705.88
Total amount of purchased electricity	MWh	397,617.65
Total amount of purchased green power	MWh	18,000.00

¹¹GHG emissions (Scope 1) mainly come from energy consumption for production and vehicles, etc., and natural gas, while GHG emissions (Scope 2) mainly come from consumption of purchased electricity and heat. For the GHG emission factor of electricity, refer to the *Notice on the Management of Greenhouse Gas Emission Reporting for Enterprises in the Power Generation Industry in 2023-2025* issued by the Ministry of Ecology and Environment of the People's Republic of China; Refer to the National Development and Reform Commission (NDRC) Guidelines on Accounting Methods and Reporting of Greenhouse Gas Emissions by Enterprises (Trial) for the emission factor of purchased heat; refer to the IPCC 2006 Guidelines for the Preparation of National Greenhouse Gas Inventories (Trial) for the emission factor of other energy sources, and so on..

¹²Calculated with reference to the *General Rules for Calculation of Comprehensive Energy Consumption* (GB/T2589-2020), the types of energy consumed by the Company include petrol and diesel consumption for production and vehicle use, purchased heat and natural gas.

¹³The scope of the data for purchased heat only covers Sanhua Household and Sanhua Commercial Refrigeration

Social Performance

Scope of statistics for the reporting period

The scope of social performance data covers the listed body of Zhejiang Sanhua Intelligent Controls Co., Ltd. and includes the overseas part, but the total number of employees data therein does not include dispatched employees.

Number of employees

Indicator	Unit	2023
Total number of employees on duty	Person	17,732
Number of female employees	Person	6,551
Number of Male employees	Person	11,181
Number of employees aged below 30	Person	6,220
Number of employees aged 30 to 50	Person	10,091
Number of employees aged above 50	Person	1,421
Number of employees educated in high school or less	Person	7,801
Number of Employees with bachelor's degree and vocational degree	Person	8,972
Number of employees with master's degree or above	Person	959
Number of female employees in middle management	Person	215
Number of female employees in senior management	Person	28
Number of newly recruited employees	Person	2,872
Number of college graduates	Person	740

Employee training

Indicator	Unit	2023
Number of trained employees	Person	20,000
Number of trained female employees	Person	5,000
Number of trained male employees	Person	15,000
Number of trained senior management	Person	200
Number of trained middle management	Person	2,000
Number of trained primary employees	Person	17,000

Employee training

Indicator	Unit	2023
Training expenses	RMB 10,000	2,000.00
Training expenses per employee	RMB	1,000.00
Training hour per employees	Hour	10
Training hour per senior management	Hour	21
Training hour per middle management	Hour	15
Training hour per primary employee	Hour	15
Training hour per female employee	Hour	10
Training hour per male employee	Hour	15
Number of trainers (including in-house trainers and externally hired faculty)	Person	200

Employee' rights and interests

Indicator	Unit	2023
Labor contract signing rate	%	100.00
Social insurance coverage rate	%	100.00

Employees' welfare

Indicator	Unit	2023
Number of employees on maternity leave during the year	Person	21
Number of timely returns from maternity leave	Person	18
Female post-natal return rate	%	96.00
Union building rate	%	90.00
Labor union coverage rate	%	91.50
Number of employees in difficulty receiving help	Person	10

Intellectual property right

Indicator	Unit	2023
Number of intellectual property rights	/	3,792
Number of utility model patents	/	1,495
Number of invention patents	/	1,879
Number of design patents	/	418
Number of trademarks	/	169

Product quality managementEmployee training

Indicator	Unit	2023
Number of customer factory inspections	Time	292
Customer Factory Inspection Pass Rate	%	98.00
Number of participants in quality management training	Person	3,797
Number of quality management trainings	Time	306

Vehicle use

Indicator	Unit	2023
Number of cars	/	58
Mileage on cars	Km	2,524,637
Number of trucks	/	15
Mileage on trucks	Km	498,075.5
Number of electric forklifts	/	252

Social welfare¹⁴

Indicator	Unit	2023
Donation expenditure throughout the year	RMB 10,000	637.9
Amount of targeted support donations (charitable donations)	RMB 10,000	343.2
Donations for rural revitalization	RMB 10,000	52
Donations for education	RMB 10,000	215
Donations for disaster relief	RMB 10,000	27.7

Volunteer activity¹⁵

Indicator	Unit	2023
Number of Volunteers ¹⁵	Person	258

¹⁴The scope of the social welfare data is from the parent company, Sanhua Holding Group Co., Ltd.

¹⁵ The scope of the data on the number of volunteer only covers Sanhua Domestic, Sanhua Commercial Refrigeration and Sanhua Automotive.

Appendix

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 January 1, 2023, to December 31, 2023 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI Standards	Disclosures	Location
GRI 1: Foundation 2021		
1: Foundation 2021	Report foundation, including GRI content index, report description, etc	
GRI 2: General Disclosures 2021		
The organization and its reporting practices		
2-1	Organizational details	Report Description
2-2	Entities included in the organization's sustainability reporting	Report Description
2-3	Reporting period, frequency and contact point	Report Description
2-4	Restatements of information	Not applicable
2-5	External assurance	Not applicable
Activities and workers		
2-6	Activities, value chain and other business relationships	About Us
2-7	Employees	About Us
2-8	Workers who are not employees	Not applicable
Governance		
2-9	Governance structure and composition	Corporate Governance Structure
2-10	Nomination and selection of the highest governance body	Corporate Governance Structure
2-11	Chair of the highest governance body	Corporate Governance Structure
2-12	Role of the highest governance body in overseeing the management of impacts	Corporate Governance Structure

GRI Standards	Disclosures	Location
Governance		
2-13	Delegation of responsibility for managing impacts	Corporate Governance Structure
2-14	Role of the highest governance body in sustainability reporting	Corporate Governance Structure
2-15	Conflicts of interest	Not applicable
2-16	Communication of critical concerns	Not applicable
2-17	Collective knowledge of the highest governance body	Not applicable
2-18	Evaluation of the performance of the highest governance body	Not applicable
2-19	Remuneration policies	Not applicable
2-20	Process to determine remuneration	Not applicable
2-21	Annual total compensation ratio	Not applicable
Strategy, policies and practices		
2-22	Statement on sustainable development strategy	Message from Chairman
2-23	Policy commitments	Supply Chain Management Strengthening Environmental Protection Ensuring Employee Rights Occupational Health and Safety Quality Products Creating Sustainable Value
2-24	Embedding policy commitments	Supply Chain Management Strengthening Environmental Protection Ensuring Employee Rights Occupational Health and Safety Quality Products Creating Sustainable Value
2-25	Processes to remediate negative impacts	Risk Management System
2-26	Mechanisms for seeking advice and raising concerns	Integrity and Compliant Operation
2-27	Compliance with laws and regulations	Integrity and Compliant Operation
2-28	Membership associations	Not applicable

GRI Standards	Disclosures	Location
GRI 2: Stakeholder Engagement 2016		
2-29	Approach to stakeholder engagement	Stakeholder Communication
2-30	Collective bargaining agreements	Not applicable
GRI 3: Material Topics 2021		
3-1	Process to determine material topics	Materiality Analysis
3-2	List of material topics	Materiality Analysis
3-3	Management of material topics	Materiality Analysis
GRI 201: Economic Performance 2016		
201-1	Direct economic value generated and distributed	ESG Performance Overview
201-2	Financial implications and other risks and opportunities due to climate change	Not applicable
201-3	Defined benefit plan obligations and other retirement plans	Not applicable
201-4	Financial assistance received from government	Not applicable
GRI 202: Market Presence 2016		
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Not applicable
202-2	Proportion of senior management hired from the local community	Not applicable
GRI 203: Indirect Economic Impacts 2016		
203-1	Infrastructure investments and services supported	Not applicable
203-2	Significant indirect economic impacts	Not applicable
GRI 204: Procurement Practices 2016		
204-1	Proportion of spending on local suppliers	Not applicable
GRI 205: Anti-corruption 2016		
205-1	Operations assessed for risks related to corruption	Not applicable
205-2	Communication and training about anti-corruption policies and procedures	Integrity and Compliant Operation
205-3	Confirmed incidents of corruption and actions taken	Integrity and Compliant Operation

GRI Standards	Disclosures	Location
GRI 206: Anti-competitive Behavior 2016		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Not applicable
GRI 207: Tax 2019		
207-1	Approach to tax	Not applicable
207-2	Tax governance, control, and risk management	Not applicable
207-3	Stakeholder engagement and management of concerns related to tax	Not applicable
207-4	Country-by-country reporting	Not applicable
GRI 301: Materials 2016		
301-1	Materials used by weight or volume	Packaging Material Management
301-2	Recycled input materials used	Packaging Material Management
301-3	Reclaimed products and their packaging materials	Packaging Material Management
GRI 302: Energy 2016		
302-1	Energy consumption within the organization	Optimize Energy Structure
302-2	Energy consumption outside of the organization	Optimize Energy Structure
302-3	Energy intensity	Optimize Energy Structure
302-4	Reduction of energy consumption	Optimize Energy Structure
302-5	Reductions in energy requirements of products and services	Optimize Energy Structure
GRI 303: Water and Effluents 2018		
303-1	Interactions with water as a shared resource	Water Resource Management
303-2	Management of water discharge-related impacts	Water Resource Management
303-3	Water withdrawal	Water Resource Management
303-4	Water discharge	Water Resource Management
303-5	Water consumption	Water Resource Management

GRI Standards	Disclosures	Location
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	Environmental Impact Management
304-2	Significant impacts of activities, products and services on biodiversity	Environmental Impact Management
304-3	Habitats protected or restored	Not applicable
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Not applicable
GRI 305: Emissions 2016		
305-1	Direct (Scope 1) GHG emissions	Greenhouse Gas Emission
305-2	Energy indirect (Scope 2) GHG emissions	Greenhouse Gas Emission
305-3	Other indirect (Scope 3) GHG emissions	Not applicable
305-4	GHG emissions intensity	Greenhouse Gas Emission
305-5	Reduction of GHG emissions	Greenhouse Gas Emission
305-6	Emissions of ozone-depleting substances (ODS)	Not applicable
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Emission Management
GRI 306: Waste 2020		
306-1	Waste generation and significant waste-related impacts	Emission Management
306-2	Management of significant waste-related impacts	Emission Management
306-3	Waste generated	Emission Management
306-4	Waste diverted from disposal	Emission Management
306-5	Waste directed to disposal	Emission Management

GRI Standards	Disclosures	Location
GRI 308: Supplier Environmental Assessment 2016		
308-1	New suppliers that were screened using environmental criteria	Supplier Access Mechanism
308-2	Negative environmental impacts in the supply chain and actions taken	Supplier Risk Management
GRI 401: Employment 2016		
401-1	New employee hires and employee turnover	Talent Recruitment and Introduction
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employee Remuneration and Benefits
401-3	Parental leave	Employee Remuneration and Benefits
GRI 402: Labor/Management Relations 2016		
402-1	Minimum notice periods regarding operational changes	Not applicable
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

GRI Standards	Disclosures	Location
403-10	Work-related ill health	Occupational Health and Safety
GRI 404: Training and Education 2016		
404-1	Average hours of training per year per employee	Optimizing Training System
404-2	Programs for upgrading employee skills and transition assistance programs	Optimizing Training System
404-3	Percentage of employees receiving regular performance and career development reviews	Optimizing Training System
GRI 405: Diversity and Equal Opportunity 2016		
405-1	Diversity of governance bodies and employees	Talent Recruitment and Introduction
405-2	Ratio of basic salary and remuneration of women to men	Not applicable
GRI 406: Non-discrimination 2016		
406-1	Incidents of discrimination and corrective actions taken	Talent Recruitment and Introduction
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	Not applicable
GRI 408: Child Labor 2016		
408-1	Operations and suppliers at significant risk for incidents of child labor	Talent Recruitment and Introduction
GRI 409: Forced or Compulsory Labor 2016		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Talent Recruitment and Introduction
GRI 410: Security Practices 2016		
410-1	Security personnel trained in human rights policies or procedures	Not applicable
GRI 411: Rights of Indigenous Peoples 2016		
411-1	Incidents of violations involving rights of indigenous peoples	Not applicable
GRI 413: Local Communities 2016		
413-1	Operations with local community engagement, impact assessments, and development programs	Not applicable
413-2	Operations with significant actual and potential negative impacts on local communities	Not applicable

GRI Standards	Disclosures	Location
GRI 414: Supplier Social Assessment 2016		
414-1	New suppliers that were screened using social criteria	Supplier Access Mechanism
414-2	Negative social impacts in the supply chain and actions taken	Supplier Risk Management
GRI 415: Public Policy 2016		
415-1	Political contributions	Not applicable
GRI 416: Customer Health and Safety 2016		
416-1	Assessment of the health and safety impacts of product and service categories	Consumer Health and Safety
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Consumer Health and Safety
GRI 417: Marketing and Labeling 2016		
417-1	Requirements for product and service information and labelling	Product Quality Management
417-2	Incidents of non-compliance concerning product and service information and labelling	Product Quality Management
417-3	Incidents of non-compliance concerning marketing communications	Product Quality Management
GRI 418: Customer Privacy 2016		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Not applicable

