

# Sanhua Intelligent Controls

## Business Ethics Statement

Doc. No. G/ZSH G03.002-2025

Zhejiang Sanhua Intelligent Controls Co., Ltd. consistently upholds integrity and compliance as fundamental principles for its business operations. It maintains a zero-tolerance stance towards actions that violate business ethics and takes all necessary measures to prevent and combat such conduct.

### Scope of Application

This statement applies to Zhejiang Sanhua Intelligent Controls Co., Ltd. and its affiliates, covering operational activities including production, business operations, products, and services. The Company expects third-party partners, including suppliers, service providers, distributors, contractors, and other business associates, to actively adhere to this statement or equivalent policy requirements.

### Revisions and Updates

This statement was first released in August 2024. Led by the ESG Working Group, it is revised periodically based on external factors such as policy requirements, market trends, stakeholder expectations, as well as internal factors like adjustments to the company's strategic plan. Revisions are released after review and approval by the Strategy Management and ESG Committee. The Company conducted the first revision and issued this statement in March 2025. If you have any questions regarding this statement, please contact us at [sustainability@ic.sanhuagroup.com](mailto:sustainability@ic.sanhuagroup.com).

## Implementation and Review

The Audit, Supervision, and Legal departments conduct a comprehensive review of this Business Ethics Statement at least annually to ensure its legality, reasonableness, and effectiveness, and to assess its alignment with the Company's existing business and future development strategy. The review results serve as important input for continuous policy improvement, driving the dynamic optimization of the business ethics management system.

All employees have signed the "Employee Integrity and Self-Discipline Agreement", explicitly committing to comply with relevant policy requirements and actively cooperate with the Company's supervision and inspection regarding business ethics (including anti-corruption, anti-bribery, anti-fraud, anti-money laundering, prevention of conflicts of interest, information security protection) and other compliance matters. For employees who violate business ethics regulations, the Company will initiate accountability and disciplinary procedures in accordance with rules. Depending on the nature and severity of the violation, possible measures include verbal warnings, performance appraisal actions, and termination of labor contracts, ensuring strict enforcement of the Company's business ethics requirements.

## Management Structure and Functions

The Company has established a business ethics governance structure comprising the "Board of Directors - Audit Committee - Audit, Supervision, and Legal Departments". The Board of Directors bears ultimate responsibility for the management, implementation, and supervision of business ethics. Based on internal rules and regulations such as the "Employee Integrity and Self-Discipline Agreement", the "Post-Employment Integrity Visit System", and the "Integrity and Self-Discipline Cooperation Agreement", the roles and responsibilities of various departments are clearly defined to ensure the effectiveness and systematic nature of business ethics governance.

The Audit Department is responsible for formulating the company's internal audit system and improving the risk management system covering risk identification, assessment, response, and improvement.

The Supervision Department, in accordance with the laws of the locations where the company operates, formulates business ethics management policies, promotes the implementation of related work, fulfills supervisory duties, establishes grievance and reporting channels, and investigates and handles received report cases.

The Legal Department identifies, monitors, and inspects the company's production and operational activities according to relevant laws.

The Information Security Office and Infrastructure Department are responsible for the overall planning of the company's network architecture and guiding various business sectors in carrying out network security management work.

## Sanhua's Action Commitments

### **1. Employee Integrity Management**

We adhere to zero tolerance for corruption, investigating every case and punishing all corruption. We have established regulatory documents such as the "Supervision Work Measures", "Post-Employment Integrity Visit System", "Integrity and Self-Discipline Cooperation Agreement", "Employee Integrity and Self-Discipline Agreement", and "Employee Gift Acceptance Management Measures" to protect individual and corporate interests and foster a fair, open, and just integrity work environment.

We enhance employee awareness through daily integrity training and communication activities, and send integrity reminder messages to employees before traditional holidays. Simultaneously, we regularly review the status of employees in risk-sensitive positions (e.g., roles involving technical, process, application experiment information; roles involving planning, schemes, strategies, financial status, customer, supplier list information), conduct commercial behavior risk assessments, and develop classified supervision and management plans.

We strictly prohibit employees from accepting kickbacks or commissions in any form from partners in business dealings or external interactions; employees are required to truthfully and fully hand over any received monetary gifts. For passively accepted gifts, if their value exceeds the company's stipulated standard, they should原则上 (in principle) be returned; if truly unable to refuse or return, they must be registered with the Supervision Work Liaison within 30 days of receipt.

Example:

Before the Spring Festival, a client sent a box of tea as a gift with a market value of approximately 600 RMB. The employee thought the amount was small and that returning it might harm the client relationship, so they temporarily accepted it and kept it in the office.

## **2. Supplier Integrity Management**

We are committed to creating a fair and transparent competitive environment for suppliers, strengthening integrity supervision over suppliers and other key partners, and promoting the establishment of long-term, stable cooperative relationships between the company and suppliers.

We require suppliers to strictly comply with the "Supplier Code of Conduct", prohibiting seeking improper benefits in any form during economic interactions, and eliminating black-box operations, commercial bribery, and improper transactions. Suppliers must sign and adhere to the "Integrity and Self-Discipline Cooperation Agreement". The Company will also conduct special integrity promotion sessions for suppliers and their subcontractors.

We require suppliers to comply with laws and regulations, act honestly and trustworthy, compete fairly, protect intellectual property rights, standardize marketing practices, and strictly guard against improper acts such as theft, infringement of others' property, and spreading false information.

Example:

Before the project acceptance, a supplier representative offered a high-value gift card to the company's technical staff as a "token of appreciation for the cooperation," hinting at "more support" for future projects.

### **3.Preventing Conflicts of Interest**

We strive to avoid conflicts of interest between employees and the company, committing to identifying and strictly prohibiting such situations, while also avoiding the influence of private interests in personnel appointment and removal processes.

We require employees to strictly manage and restrain their specific related parties, including spouses, children and their spouses, parents and their spouses, parents' children and their spouses, and other individuals with whom there exists a common interest relationship. If an employee's specific related party receives gifts from partners, the employee should register or hand them over according to regulations. We strictly prohibit employees from engaging in, instructing others to engage in, or investing in economic activities that compete with or have a conflict of interest with the company, as well as economic activities that conflict with their own job responsibilities. We strictly prohibit employees from having employment or investment relationships with the company's customers, suppliers, or competitors.

Example:

An employee responsible for raw material procurement had a spouse working for a major company supplier and involved in the supplier's sales operations. The employee failed to disclose this situation to the company and continued to participate in supplier selection and price negotiations.

### **4.Preventing Money Laundering and Fraud**

We pledge to strictly comply with the "Anti-Money Laundering Law of the People's Republic of China", firmly prohibiting any money laundering activities in business operations and preventing illegal funds from entering the legitimate business and financial system. Simultaneously, we commit to being truthful and accurate in the promotion of products and services, strictly prohibiting employees from making false, misleading, or deceptive statements about competitors or their products.

## 5.Ensuring Information Security and Personal Privacy

We value security management, strictly protect the personal information of customers, employees, and suppliers, continuously improve the information security management system compliant with the ISO/IEC 27001 standard, enhance overall employee information security awareness, ensure the confidentiality, integrity, and availability of information in all business links, prevent information security incidents, and enhance corporate credibility and competitiveness.

We standardize the secure use and management of the information network, establishing systems such as the "Information Security Risk Management Procedure", "Information Security Management System Manual", "Office Terminal Security Management Specification", and "Third-Party Network Access Security Management Specification" to ensure the stable operation of the information network and the secure use of computing resources.

We require all employees and suppliers granted system access to sign a "Confidentiality Agreement" to prevent related parties from disclosing IT information.

Example:

An employee was temporarily away from the office on a business trip. To urgently handle contract documents awaiting signing, the employee downloaded the files to a public computer in the hotel and sent them to the client via a personal email account without obtaining approval through the internal OA system. The employee believed it was "just a temporary emergency measure and would not cause any issues."

## Sanhua's Management Targets

### Anti-Corruption Related Targets:

- Annually conduct internal audits of commercial behavior risks (including bribery, corruption, conflicts of interest, fraud, money laundering), covering 100% of operational sites and 100% of employees in risk-sensitive positions.
- Annually achieve a 100% signing rate for the "Employee Integrity and Self-Discipline Agreement".
- Annually, the proportion of employees receiving business ethics and integrity-related training reaches 100%.

- Annually, the proportion of procurement personnel receiving anti-corruption training reaches 100%.
- Annually achieve a supplier signing rate for the "Integrity and Self-Discipline Cooperation Agreement" exceeding 90%.

**Information Security Targets:**

- Annually, the number of customer complaints regarding information security and privacy protection leaks shall be  $\leq 2$ .
- Annually, the number of particularly major and major information security incidents shall be  $\leq 2$ .
- All technical personnel shall participate in information security awareness training  $\geq 1$  time.

## Communication and Reporting Channels

We encourage employees, suppliers, customers, subcontractors, and other stakeholders to report any suspected violations of business ethics such as bribery, corruption, conflicts of interest, fraud, or money laundering. We have established a complaint and reporting platform to uniformly accept and collect report clues, conduct investigations according to prescribed procedures, and notify the business unit leaders and functional line managers involved based on the progress of the case investigation.

- Supervision and Reporting Hotline: 17857327696
- Supervision and Reporting Email: sanhuajc@163.com
- Supervision and Reporting Address: Office of the Supervision Committee, 4th Floor, Sanhua Industrial Park Holding Building, No. 12 Xiasha Street, Qiantang District, Hangzhou (Postal Code: 310018)
- Scope of Reportable Subjects: Current and former employees, including management and technical personnel at all levels; external related parties with economic relationships with the company (suppliers, customers, etc.)

We take every grievance and report seriously. Feedback to real-name whistleblowers is provided by the department handling the specific report; the content of the feedback is limited to the investigation conclusions and handling results of the reported issues, and must not disclose witness information, testimony, or other problems and clues discovered during the investigation to the whistleblower.

Personnel managing reports and conducting investigations must strictly adhere to confidentiality protocols, enhance security awareness, and practically protect the personal safety and legal rights of whistleblowers. It is strictly prohibited to transfer the original report materials to the reported unit, the reported individual, or any other organizations and individuals unrelated to the report. If relevant materials need to be presented for investigation purposes, content that might expose the whistleblower's identity must be redacted; disclosing the whistleblower's personal information, report content, or investigation progress is strictly prohibited.

Public rewards or publicity reports shall not be made without the whistleblower's consent. No department or individual may obstruct, suppress, or retaliate against whistleblowers under any pretext; violations will be dealt with seriously upon verification. Units or individuals who contribute successfully to exposing, reporting, or providing valuable investigation clues that help clarify facts will be given certain spiritual and material rewards.