

# Sanhua Intelligent Controls

## Labor and Human Rights

## Statement

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Zhejiang Sanhua Intelligent Controls Co., Ltd. (hereinafter referred to as "Sanhua Intelligent Controls" or "the Company") upholds the principles of fairness, justice, and inclusion. We are committed to creating a safe, healthy, respectful, and equal working environment for all stakeholders and pledge to respect and protect the human rights of all employees, suppliers, customers, and other relevant parties.

### 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, as well as all employees. The Company requires 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 Company conducts a comprehensive review of this Labor and Human Rights Statement at least annually. The ESG Working Group leads this review, with the Intelligent Manufacturing and Quality Management Center responsible for reviewing occupational health and safety, and the Human Resources Department responsible for reviewing working hours and compensation, employee equality and development, diversity, and anti-discrimination. The Company continuously monitors progress towards relevant targets through regular inspections, special rectifications, and corresponding reward and punishment mechanisms to ensure all employees enjoy their legal rights and company benefits.

For employees who violate labor and human rights 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 labor and human rights requirements.

## Management Structure and Functions

The Company has established a Work Safety Management Committee, which serves as the highest management body for work safety. It researches, coordinates, guides, and makes decisions on major work safety issues and organizes important work safety activities.

The Intelligent Manufacturing and Quality Management Center is responsible for coordinating work safety and occupational health management matters across business units, formulating and promoting the implementation of occupational health and safety systems, and regularly monitoring and measuring EHS indicators (such as work injury accident rate, hidden danger rectification rate, etc.) to continuously optimize EHS performance.

Each business unit has an EHS office that executes specific occupational health and work safety management tasks, establishes the "Work Safety Responsibility System", and is staffed with full-time and part-time safety management personnel. All employees sign the "Work Safety Responsibility Letter" annually.

The Human Resources Department is responsible for strictly controlling recruitment processes, verifying employee age and identity to prevent the use of child or forced labor; ensuring employee compensation, working hours, and leave comply with laws and regulations; formulating career development strategies and building training systems; and promoting the implementation of anti-discrimination and anti-harassment management.

The labor union organization undertakes the responsibility for labor consultation, organizes staff representative congresses and the signing of collective agreements, and ensures open channels for employee诉求 (appeals/concerns). Acting as employee representatives, the union assists in providing feedback and participates in consultations and implementation regarding working condition improvements.

## Sanhua's Action Commitments

### 1. Working Conditions

We implement reasonable working hour and leave management systems, strictly comply with labor, health, and safety laws and regulations, and scientifically arrange employee work and rest times based on business needs to ensure compliance with local legal requirements and relevant international conventions, guaranteeing employees' full rights to rest and leave.

We have established a scientific and comprehensive performance appraisal system that implements the principles of gender equality, equal pay for equal work, and distribution according to work. The performance evaluations of management at all levels are linked to the company's operational goals, and we provide a reasonable and competitive compensation structure.

We encourage employees to actively participate in communication aimed at improving working conditions, promoting harmonious labor relations.

## **2. Employee Communication**

We respect employees' freedom of association and right to collective bargaining, support employees joining trade unions and other legal representative organizations, regularly hold staff representative congresses, and organize employee participation in policy discussions and working condition improvements. Employee representatives sign collective contracts with the Company to safeguard employees' rights regarding labor remuneration, working hours, rest and leave, occupational safety and health, employee training, insurance and benefits, as well as special protections for female and minor employees.

We have established an employee satisfaction feedback and improvement mechanism, regularly conducting employee engagement and satisfaction surveys to collect opinions on working conditions, benefits, and career development, which serve as important input for continuous management optimization.

We provide channels for employees to raise concerns, report, and file complaints, ensuring the independence and confidentiality of the process and fully protecting the safety of whistleblowers. Communication channels include the "Department Head Mailbox", "Employee Complaint Form", and the Sanhua Employee Service Platform.

## **3. Compliant Employment**

We strictly comply with national laws and regulations and international labor standards, covering working hours, wages and benefits, work safety, prohibition of child labor and forced labor, adhering to the UN Global Compact, Equal Remuneration Convention, Minimum Age Convention, Worst Forms of Child Labour Convention, Discrimination (Employment and Occupation) Convention, Forced Labour Convention, Abolition of Forced Labour Convention, Occupational Safety and Health Convention, Freedom of Association and Protection of the Right to Organise Convention, Right to Organise and Collective Bargaining Convention, and the Promotional Framework for Occupational Safety and Health Convention.

We strictly prohibit the use of child labor, forced labor, or any form of employment involving human trafficking. We rigorously execute recruitment verification procedures to check employee age and identity, ensuring all labor relationships are voluntary and comply with legal, regulatory, and international convention requirements. We strictly require all suppliers, contractors, and partners to adhere to the same principles.

#### **4.Employee Training and Development**

We value talent development and have built a targeted training system covering different levels and sequences, encompassing job skills, professional knowledge, and management capabilities, helping employees enhance their skills and achieve career development.

We actively support employees in participating in degree programs and professional certifications, providing comprehensive academic advancement support for all employees; we offer subsidies and rewards for professional title promotion, encouraging employees to apply for certifications such as Intermediate Engineer. We have established dual development paths for management and professional roles, setting qualification standards for technical positions and career maps for various sequences, providing employees with clear directions for skill enhancement and career growth planning.

#### **5.Diversity and Anti-Discrimination**

We adhere to the principle of "openness and fairness", treating all applicants equally and hiring based on merit. We strictly prohibit any discrimination based on age, disability, ethnicity, gender, marital status, nationality, or other identity characteristics. We strictly prohibit the employment of child labor and forced labor, and regularly organize internal inspections to maximize the legality and compliance of employment practices. We have clear regulations regarding the labor remuneration of female employees during pregnancy, maternity leave, and breastfeeding periods, strictly prohibiting discrimination or unwarranted salary reductions. Simultaneously, we firmly oppose any form of harassment with a zero-tolerance policy, seriously addressing related illegal and non-compliant behaviors.

#### **6.Employee Health and Safety**

We are committed to providing a safe and healthy working environment for employees, establishing a comprehensive occupational health and safety management system, conducting regular safety training and risk assessments to prevent occupational injuries and illnesses.

We employ dedicated management personnel responsible for occupational health and work safety, formulating relevant assessment management systems to督促 (urge/supervise) the rectification of safety hazards and violations within the facilities. Each business unit and its subsidiaries develop and improve procedures for hidden danger investigation and emergency response, regularly conducting comprehensive assessments of the safety situation.

We regularly organize occupational health and safety training and emergency drills to enhance emergency response capabilities; arrange pre-placement, periodic, and post-placement health examinations for employees exposed to occupational disease factors, and standardize the communication of occupational hazard information and the use of personal protective equipment.

## Sanhua's Management Targets

- By 2030, the proportion of female employees reaches 38%.
- Annually, the proportion of employees whose compensation structure includes variable performance pay (covering management, production line staff, sales, and functions) reaches 100%.
- By 2030, the average training hours per employee increases by 30% compared to the 2022 level.
- By 2030, the proportion of employees receiving anti-discrimination and anti-harassment related training reaches over 95%.
- By 2030, the coverage rate of Women's Committees reaches 100%, ensuring every trade union organization with female employees establishes a Women's Committee.
- From 2025 to 2027, gradually increase investment by the trade union in protecting the rights and interests of female employees, supporting female leadership development, and facilitating female return to work. Investment in 2027 is expected to increase by 10% compared to 2025.
- Between 2024 and 2026, reduce the work injury accident rate by 5% compared to the previous year.

## Communication and Reporting Channels

We establish and maintain transparent, fair, and easily accessible grievance and reporting mechanisms, ensuring all Company employees, suppliers, customers, contractors and their employees, and other stakeholders can safely report concerns regarding working conditions (e.g., working hours, compensation, benefits), equal employment (e.g., child labor, forced labor, human trafficking), and other violations of laws, regulations, or company policies without fear of retaliation, ensuring major violations are detected and corrected promptly.

To ensure usability, we fully consider accessibility across multiple locations, languages, and varying technical conditions, paying special attention to the needs of those with language barriers, geographical limitations, or from minority groups, providing necessary support. Reporting channels include a global unified reporting email, a 24-hour anonymous reporting hotline, an online reporting platform available in local languages, and postal mail, ensuring smooth use in different scenarios.

We post guidance on the reporting process at all operational sites and promote awareness among employees, suppliers, customers, contractors, and other relevant parties through annual training, ensuring all stakeholders are aware of the grievance channels.

- Reporting Hotline: 0571-28869595

- Reporting Email: [hr@zjshc.com](mailto:hr@zjshc.com)

We take every grievance and report seriously. Personnel managing reports and conducting investigations strictly adhere to confidentiality protocols, enhance security awareness, and practically protect the personal safety and legal rights of whistleblowers; disclosing whistleblower personal information, report content, or investigation progress is strictly prohibited. No department or individual may obstruct, suppress, or retaliate against whistleblowers under any pretext. Violations will be seriously pursued in accordance with laws and regulations. We commit to providing feedback within a reasonable timeframe, ensuring reported issues are resolved promptly, and promoting continuous improvement in company management.