Sanhua Intelligent Controls Environmental Statement

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Zhejiang Sanhua Intelligent Controls Co., Ltd. (hereinafter referred to as "Sanhua Intelligent Controls", "the Company" or "we") closely follows international environmental policies and market trends, dedicating itself to intelligent manufacturing and resource conservation. We develop environmentally friendly products with independent intellectual property rights and fully integrate low-carbon principles into product design, production, and usage, providing sustainable solutions for global customers.

Scope of Application

This statement applies to Zhejiang Sanhua Intelligent Controls Co., Ltd. and its affiliates, covering operational activities including but not limited to production and business operations, products and services, distribution and logistics, and waste management. 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.

Implementation and Review

We have established the "Environmental Protection Assessment Rules" and regularly review the implementation of this statement to ensure effective fulfillment of our action commitments. The Strategy Management and ESG Committee is responsible for overseeing progress towards goals. The ESG Working Group and relevant headquarters functional departments are responsible for promoting the implementation of action commitments, assessing the environmental performance of subsidiaries under each business unit, and conducting regular implementation reviews.

Management Structure and Functions

The Strategy Management and ESG Committee serves as the highest decision-making body for environmental management. It is responsible for decision-making and supervision of environmental management affairs, driving the achievement of environmental management goals, tracking and assessing environmental performance indicators of relevant departments, supervising the implementation and improvement of related systems and policies, and integrating environmental management into all business units of the company.

- The Industrial Operations Department is responsible for leading the formulation of greenhouse gas emission targets, supervising business units in promoting energy conservation and consumption reduction, and tracking the achievement of greenhouse gas emission targets.
- The External Cooperation Platform is responsible for identifying risks and opportunities related to climate change, conducting research on policies and regulations related to climate, raw materials, chemicals and waste, hazardous substances, etc. It leads environmental impact assessments for products across various lifecycle stages within the business sectors, calculates product carbon footprints, and formulates response strategies.
- The Intelligent Manufacturing and Quality Management Center is responsible for supervising the management compliance of the EHS departments of subsidiaries under each business unit.The EHS departments and Power Equipment departments of subsidiaries under each business unit are responsible for implementing intelligent manufacturing, energy-saving and environmental protection measures, using clean energy, promoting clean production, and the proper use, storage, and disposal of chemicals and toxic/hazardous substances.

Sanhua's Action Commitments

1.Increase the Proportion of Clean Energy

We continuously reduce energy consumption levels by installing distributed photovoltaic (PV) power generation, energy storage facilities, and smart microgrid systems to provide electricity for production operations. We plan annual investment for the construction and maintenance of PV power generation facilities, continuously expanding their scale to cover more production bases.

We increase the proportion of renewable energy electricity use through direct purchases of green electricity and procurement of green electricity certificates.

In 2024, the proportion of electricity sourced from renewable energy for the Company was 16%.

2.Reduce Greenhouse Gas Emissions

We have set targets to achieve carbon neutrality by 2050 and full lifecycle product carbon neutrality by 2060, actively responding to increasingly stringent future environmental policies and promoting the transition of the industry and value chain towards green and low-carbon directions.

We continuously improve energy efficiency in production processes, reducing energy use and greenhouse gas emissions through measures such as retrofitting high-energy-consumption equipment, upgrading process technologies, and waste heat recovery.

We have implemented a smart energy management system to monitor real-time energy usage across business sectors, workshops, and high-energy-consumption equipment within our parks, identify areas of high consumption and energy waste, and regularly produce monthly energy analysis reports for self-assessment.

3.Improve Water Resource Utilization Efficiency

We attach great importance to water conservation and comprehensive utilization. We reduce pure water consumption in the manufacturing process by adjusting production processes; reuse product testing water after sedimentation treatment; and purify and reuse contaminated water resources to improve water resource utilization efficiency.

4. Compliant Pollutant Discharge and Reduction

We are committed to implementing effective prevention and mitigation measures to reduce environmental impact. We invest annually in the construction, upgrading, and maintenance of environmental protection facilities to enhance the capacity and efficiency of waste gas and wastewater treatment systems. We select environmentally friendly raw materials and production processes to reduce pollutant emissions.

We submit implementation reports on the National Pollutant Discharge Permit Management Platform, which are made public on the government platform after review by local environmental authorities. Wastewater and waste gas emissions are within the limits stipulated by the pollutant discharge permits.

We use water-based and hydrocarbon cleaning processes to replace toxic trichloroethylene cleaning. Using environmentally friendly cleaning agents like phosphate-free additives effectively reduces wastewater pollutant discharge. Using environmentally friendly raw and auxiliary materials such as lead-free solder paste reduces atmospheric pollutant emissions.

5.Compliant Waste Disposal and Reduction

We are committed to ensuring that waste generated in production, logistics, and other links is disposed of compliantly and recycled whenever possible.

We implement comprehensive, full-process monitoring of hazardous waste from generation, collection, storage, packaging, and transportation to treatment and disposal, aiming for "reduction, resource recovery, and无害化 (harmless treatment)" of hazardous waste disposal.

We collect waste generated during production and reintroduce it into the production process. For example, defective products and trimmings from the injection molding process are crushed and reused as raw materials.

6.Circular Economy

We use waste copper to replace refined copper. Waste copper is recycled, smelted, and reused in production, maintaining stable product performance while realizing a circular economy and green manufacturing, and reducing Scope 3 emissions from raw materials.

We use detachable, reusable plastic containers and returnable transit packaging instead of disposable packaging. Empty containers are collected from customers and distributed to various factories for reuse. We achieve reduction and savings in packaging materials through the application of foldable/collapsible returnable packaging, leasing of circular packaging, and reducing the air freight volume of packaging.

We encourage suppliers to adopt recyclable packaging methods. Packaging for raw materials is returned to suppliers for reuse where products and their components are designed for disassembly, remanufacturing, and recycling.

7.Control of Toxic and Hazardous Substances

We comply with requirements such as the Hazardous Substance Process Management Standard (QC080000), Automotive Prohibited Substance Requirements, the EU Restriction of Hazardous Substances Directive (RoHS), and the EU Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH). We regularly conduct audits based on the Responsible Business Alliance (RBA) Code of Conduct and the Responsible Supply Chain Initiative (RSCI), and strive to select raw materials with low hazardous substance content in the production process.

8.Reduce Environmental Impact from Product Use

We proactively incorporate eco-environmental concepts into product development, design, and production processes. Upholding the concept of sustainable development, we start from various stages of the product lifecycle, measuring and assessing the product's environmental impact.

We carry out product carbon footprint management, implement the "Eco-design Guidelines", and have established the "Product Carbon Footprint Accounting Rules" to calculate the carbon footprint throughout the product lifecycle, identifying decarbonization potential at each stage.

We are committed to reducing the environmental impact during the product use phase. For refrigeration and air conditioning components, we focus on R&D of environmentally friendly refrigerant technologies, using clean refrigerants such as CO_2 (R744) and R134a. For automotive components, we develop and iterate more energy-efficient products, such as replacing traditional thermal expansion valves with electronic expansion valves, to reduce energy consumption and carbon emissions during product use through more precise flow control.

Sanhua's Management Targets

- Renewable Energy Usage Target: Achieve an annual electricity sourcing proportion from renewable energy of over 15%.
- Energy Management Target: By 2030, reduce energy consumption per unit revenue to 0.039 tonnes of standard coal equivalent / 10,000 CNY revenue, a 10% reduction compared to the 2024 level of 0.043 tonnes of standard coal equivalent / 10,000 CNY revenue.
- Pollutant Management Target: By 2030, reduce volatile organic compound (VOC) emissions per unit revenue to 4.5 grams / 10,000 CNY revenue, a 10% reduction compared to the 2024 level of 5.0 grams / 10,000 CNY revenue.
- Waste Management Target: By 2030, reduce waste generation per unit revenue to 12.51 kilograms / 10,000 CNY revenue, a 10% reduction compared to the 2024 level of 13.9 kilograms / 10,000 CNY revenue.
- Water Management Target: By 2030, reduce water consumption per unit revenue to 1.4 cubic meters / 10,000 CNY revenue, a 10% reduction compared to the 2024 level of 1.6 cubic meters / 10,000 CNY revenue.
- Greenhouse Gas Emission Target: By 2030, reduce greenhouse gas emissions per unit revenue by over 30% compared to 2020; achieve carbon neutrality by 2050, and strive to achieve full lifecycle product carbon neutrality by 2060.
- Circular Economy Target: By 2030, achieve a recycling rate of 25% for finished product packaging materials.