

# Sanhua Intelligent Controls

## Business Ethics Statement

### Overall Description

Zhejiang Sanhua Intelligent Controls Co., Ltd. (referred to as "Sanhua Intelligent Controls" or "the Company") is committed to strict compliance with applicable laws and regulations. The Company supervises its employees to conduct business with the highest ethical standards and collaborates with customers, suppliers, and subcontractors with integrity and fairness to achieve sustainable, high-quality development.

The Company attaches great importance on integrity management, strengthening its ability for ethical supervision of key partners such as suppliers, and preventing conflicts of interest, unfair competition, and other misconduct by employees in high-risk positions. The Company pays attention to the confidentiality of personal information of customers, employees, and suppliers, and regulates the secure use and management of information networks.

### Applicability

This statement applies to Zhejiang Sanhua Intelligent Controls Co., Ltd., along with its wholly-owned subsidiaries and holding subsidiaries, covering all employees and the entire process of business operations. Concurrently, suppliers, partners, and other stakeholders are required to actively comply with this statement or equivalent policy requirements.

### Internal Audit and Supervision

The Company's Audit Department is responsible for formulating internal audit systems and improving the risk management system. It continuously promotes comprehensive risk management work, covering risk identification, assessment, response, and improvement processes, as well as crisis management.

The Company's Supervision Group is responsible for formulating business ethics management policies in accordance with the laws and regulations of the operating locations, conducting business ethics management, fulfilling supervision and oversight duties, establishing complaint and report channels, and investigating and handling received cases.

The Company's Legal Department is responsible for identifying, monitoring, and inspecting compliance with relevant legal provisions throughout the production and operation processes.

The Company has Information Security Department and Infrastructure Department responsible for the overall planning of the Company's network architecture and guiding network security management across various business segments. The ITBP (Information Technology Business Partner) of each business unit is responsible for implementing the specific requirements of management standards.

## Action Commitments of Sanhua

### 1. Employee Integrity Management

The Company maintains a zero-tolerance stance on corruption, insisting that every case be investigated and every instance of corruption be punished, and have formulated relevant documents such as the supervision work procedures, integrity compliance follow-up system, integrity self-discipline cooperation agreement, employee integrity self-discipline agreement, and management measures for employee acceptance of gifts, to protect the interests of individuals and the enterprise, and to create a fair, open, and just working environment.

- The Company commits that 100% of employees will sign the *Employee Integrity Self-Discipline Agreement* and that integrity training and promotion will be conducted regularly, with integrity reminder messages sent to employees before traditional festivals.
- The Company strictly prohibits employees from accepting kickbacks or commissions in any form from partners in business or external interactions.
- The Company requires employees to truthfully and fully hand over any monetary gifts received. If an employee passively receives a gift, and its value exceeds the amount prescribed by the Company, it should be returned in principle. If it is genuinely impossible to refuse or return, it should be registered with the supervision liaison officer within 30 days of receipt.
- The Company regularly reviews the basic information of employees in high-risk positions, conducts commercial behavior risk assessments, and develops classified supervision and management plans.
- **Integrity Training Goal:** The annual anti-corruption training coverage for procurement personnel reaches 100%.

### 2. Whistleblower Protection

The Company actively facilitates various reporting channels, leveraging the supervisory role of employees and external associated entities, and protecting the legitimate rights and interests of whistleblowers.

- The Company has formulated regulations for the management and handling of whistleblower to encourage employees to report violations of business ethics.
- Each business unit of the Company has established physical complaint boxes and posted public notices clearly outlining the content for reporting and grievances. Reporting methods include webpage, telephone, email, official accounts, WeChat, and physical complaint boxes.
- The Company pays attention to whistleblower protection, allowing anonymous or unnamed reporting, and strictly protecting whistleblower information at all stages, including acceptance, registration, custody, and investigation.
- The Company strictly prohibits retaliatory actions against whistleblowers. Any form of retaliation will be prosecuted in accordance with national laws and regulations.

### 3. Supplier Integrity Management

The Company provides a favorable business environment for suppliers, fostering long-term and stable cooperation between the Company and its suppliers, and strengthening the integrity oversight capabilities for key partners, including suppliers.

- The Company requires suppliers not to violate the *Supplier Code of Conduct*, prohibiting any form of obtaining improper benefits in economic dealings between both parties, and eliminating covert deals, commercial bribery, and improper transactions.
- The Company requires suppliers to comply with laws and regulations, act with honesty and integrity, engage in fair competition, protect intellectual property rights, standardize marketing behavior, and strictly prevent theft, infringement of others' property, and the dissemination of false information.
- The Company requires suppliers to sign and adhere to the *Integrity Self-Discipline Cooperation Agreement* and conducts dedicated integrity awareness campaigns for suppliers and subcontractors.
- **Supplier Integrity Management Goal:** The proportion of all suppliers signing the *Integrity Self-Discipline Cooperation Agreement* every year exceed 90%.

### 4. Prevention of Interest Conflicts

The Company strives to avoid conflicts of interest between employees and the Company, committed to identifying and strictly prohibiting such conflicts, while also preventing the influence of private interests in personnel appointments and removal.

- The Company requires employees to strictly manage and restrain their specific related parties, including spouse, children and their spouse, parents of both spouse, children of parents and their spouse, and individuals with other common interest relationships. If an employee's specific related party receives gifts from a partner, the employee should register or hand over the gifts in accordance with regulations.
- The Company strictly prohibits employees from engaging in, instructing others to engage in, or investing in economic activities that are in competitive business relationships with the Company or present conflicts of interest, as well as engaging in economic activities that conflict with their own job responsibilities.
- The Company strictly prohibits employees from having employment or investment relationships with the Company's customers, suppliers, or competitors.
- **Conflict of Interest Prevention Goal:** The internal audits of business conduct will be annually conducted to identify conflict of interest risks and improve response measures, with audit coverage extending to 100% of employees in high-risk positions.

## 5. Anti-Unfair Competition

The Company adheres to the *Anti-Unfair Competition Law of the People's Republic of China* and the *Anti-Monopoly Law of the People's Republic of China*, participating in commercial competition based on principles of fairness and honesty, and refusing to seek competitive advantages through unethical and illegal commercial practices.

- **Anti-Unfair Competition Goal:** The internal audits of business conduct will be annual conducted to identify unfair competition risk levels and improve response measures, with audit coverage extending to 100% of employees in high-risk positions.

## 6. Adherence to Business Ethics

The Company commits to complying with the *Anti-Money Laundering Law of the People's Republic of China*, strictly prohibiting any money laundering activities in commercial operations, and preventing the introduction of illegal money into legitimate business and financial systems.

The Company commits that all promotional descriptions of its products and services are accurate and factual, and employees are prohibited from making false, misleading, or deceptive statements to competitors or their products.

## 7. Safeguarding Information Security and Personal Privacy

The Company attaches great importance on security management, focusing on the confidentiality requirements for the personal information of customers, employees, and suppliers. It continuously improves its information security management system in accordance with ISO/IEC 27001, enhances information security awareness among all personnel, ensures the confidentiality, integrity, and availability of all information throughout all stages of actual business operations, prevents information security incidents, strengthens public trust in the enterprise, and enhances the Company's competitiveness.

The Company standardizes the secure use and management of information networks, formulating systematic management procedures and specifications such as the *Information Security Risk Management Procedure*, *Information Security Management System Manual*, *Office Terminal Security Management Standards*, and *Third-Party Network Access Security Management Standards*, to ensure the stable operation of information networks and the secure use of computer resources.

The Company requires all employees and approved suppliers to sign the *Confidentiality Agreement* to prevent IT information leaking by relevant parties.

- **Information Security Management Goal:** No more than 2 complaints from customers about information security incidents are received every year, and no more than 2 internal level 1 information security incidents. All technical personnel shall participate in at least 1 information security knowledge training annually.

## Implementation and Review

The Company's Audit Department will regularly review the content of this statement to ensure it meets the latest legal and regulatory requirements and to ensure the effectiveness of the business ethics management system.

The Company's Supervision Group and Legal Department regularly review the implementation of this statement. For employees who violate business ethics management regulations, accountability and disciplinary procedures will be initiated. In the event of actions that contravene the principles of this statement, penalties ranging from verbal reprimand and performance assessment adjustments to termination of the labor contract will be imposed, depending on the severity of the circumstances, ensuring that employees adhere to the commitments of this statement.