

SUPPLY CHAIN POLICY - CONFLICT MINERALS

March 2019

"Conflict Minerals" are minerals mined in conditions where armed conflict and human rights abuses occur. The term is usually used to refer to four minerals – Tin, Tungsten, Tantalum, and Gold (also known as 3TG) – that are mined in the eastern region of the Democratic Republic of the Congo (DRC) and the adjoining regions where revenues may be directly or indirectly financing armed groups engaged in civil war, resulting in serious social and environmental abuses.

Sanhua Aweco is committed to sourcing responsibly and considers mining activities that fuel conflict unacceptable. Responsible sourcing of minerals is an important part of our supplier sustainability commitment. We implement measures in our supply chain to ensure that our products are not directly or indirectly funding atrocities in the DRC and neighboring countries. Even though we do not directly source any minerals at all, and mines are typically six or more tiers removed from our direct suppliers, we are working toward the following goals:

- Increase transparency in the supply chain using industry standard reporting tools.
- Stop trade in conflict minerals that benefits armed groups in the DRC or adjoining countries
- Enable legitimate minerals from the region to enter global supply chains, thereby supporting the Congolese economy and the local communities that depend on these exports.

Our efforts related to conflict minerals are aligned to the work of the Responsible Business Alliance (RBA) and the Responsible Minerals Initiative (RMI). The RBA's and RMI's work includes the Responsible Minerals Assurance Process (RMAP) and the Conflict Minerals Reporting Template ("CMRT") (see <http://www.responsiblemineralsinitiative.org/conflict-minerals-reporting-template>). The CMRT provides a common industry approach for the collection of sourcing information related to conflict minerals. The information contained in the CMRT constitutes a critical part of Sanhua Aweco's due diligence.

In addition:

- We request our suppliers to source materials only from the RMI validated smelters or from smelters whose due diligence practices have been validated by an independent third party audit program.
 - We require all of our suppliers to comply with the Dodd-Frank regulation <http://www.sec.gov/rules/final/2012/34-67716.pdf> and provide all necessary declarations.
 - Our suppliers must pass this requirement through the supply chain and determine the source of specified minerals.
 - Suppliers who are non-compliant to these requirements shall be downgraded by our purchasing managers considering future business.
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