



新宙邦  
CAPCHEM

Stock code: 300037

2023

Environmental, Social  
and Governance (ESG) Report

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# About the Report

## Introduction

Welcome to the 2023 Environmental, Social and Governance (ESG) Report of Shenzhen Capchem Technology Co., Ltd. ("Capchem") (hereinafter referred to as the "Report"). Since 2020, the Company has been disclosing its performance in sustainability and social responsibility. In 2023, the Company upgrades the social responsibility report to ESG report. The Report is an inaugural ESG report of the Company, which discloses ESG-related management systems, working progress and performance in detail.

## Reporting Period

The Report covers the period from January 1, 2023 to December 31, 2023 (hereinafter referred to as the "Reporting Period"). To ensure the completeness of the Report, part of content may go beyond the Reporting Period.

## Reporting Boundaries

Unless otherwise specified, the Report covers Shenzhen Capchem Technology Co., Ltd., its subsidiaries of consolidated financial statements, and its holding companies.

## Basis of Preparation

The Report is compiled in accordance with the *Shenzhen Stock Exchange Social Responsibility Instructions to Listed Companies*, the Global Reporting Initiative Standards (GRI Standards), the *Sustainability Reporting Standards* (Version 2021), Sustainability Accounting Standards Board Standards (SASB Standards), the UN Sustainable Development Goals (SDGs), the Morgan Stanley Capital International Environmental, Social and Governance ("ESG") Rating (MSCI ESG Rating), and the *Basic Framework of Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises* (CASS-ESG 5.0).

## Reporting Principles

### Materiality

The Company identifies material issues with impacts on corporate business and internal and external environment of stakeholders' concern, to report ESG matters which may have material impacts on stakeholders. Please see "ESG Management" for the analysis process and results of the issues.

### Impartiality

The content disclosed in the Report is object in nature, ensuring the impartial reporting of the Company's ESG performance during the Reporting Period.

### Quantitative

The Report discloses the ESG quantitative KPIs during the Reporting Period and strives to explain the criteria, calculation methods and parameters used to disclose the data.

### Consistency

If there is any change in the statistics and disclosure methods in the Report, it shall be fully explained in the annotations.

## References

To facilitate the expression and reading, "Shenzhen Capchem Technology Co., Ltd." in the report is expressed as "Capchem" or "the Company". The above references may also include Shenzhen Capchem Technology Co., Ltd. subsidiaries of consolidated financial statements, and its holding companies. The following are some of the subsidiaries covered in the report, and their abbreviations are as follows:

Shenzhen Capchem refers to Shenzhen Capchem Technology Co., Ltd.  
Sanming Hexafluo refers to Sanming Hexafluo Chemicals Co., Ltd.  
Huizhou Capchem refers to Huizhou Capchem Chemicals Co., Ltd.  
Jiangsu Hicomer refers to Jiangsu Hicomer New Materials Co., Ltd.  
Nantong Capchem refers to Nantong Capchem Electronic Materials Co., Ltd.  
Suzhou Novolyte refers to Novolyte Battery Materials (Suzhou) Co., Ltd.  
Nantong Capchem Technology refers to Nantong Capchem Technology Co., Ltd.  
Nantong Top refers to Nantong Top Electronic Materials Co., Ltd.  
Shanghai Hexafluo refers to Hexafluo Chemicals (Shanghai) Co., Ltd.  
Fujian Heptafluo refers to Fujian Heptafluo New Materials Co., Ltd.  
Hunan Fluopont refers to Hunan Fluopont New Materials Co., Ltd.  
Jiangsu Seals refers to Jiangsu Seals Electronic Materials Co., Ltd.  
Jingmen Capchem refers to Jingmen Capchem New Materials Co., Ltd.  
Tianjin Capchem refers to Tianjin Capchem Electronic Materials Co., Ltd.  
Chongqing Capchem refers to Chongqing Capchem New Materials Co., Ltd.  
Yichang Capchem refers to Yichang Capchem Technology Co., Ltd.  
Capchem Hong Kong refers to Capchem (Hong Kong) Co., Ltd.  
Capchem USA refers to Capchem Technology USA Inc.  
Capchem Poland refers to Capchem Poland Sp.z o.o.  
Capchem Europe refers to Capchem Europe B.V.  
Capchem Singapore refers to Capchem Singapore PTE.LTD.

## Sources of Information

All information and data disclosed in the report are sourced from our statistical data or official documents.

## Confirmation and Approval

The Report is prepared by the ESG reporting team of Capchem, and is released after the confirmation of management and approval of the Board of Directors.

## Access and Response to the Report

The Report is available in both simplified Chinese and English for readers. If there is any discrepancy between the Chinese version and the English version, the Chinese version shall prevail.



## Message From Chairman



2023 was a year of steady progress for Capchem. With the rapid expanding of the global electronic chemical market, Capchem remains committed to its core businesses and the innovation of new products. Adhering to a diversified development strategy focused on electronic chemicals, we strive to become a global leader in electronic chemicals and functional materials, covering battery chemicals, organic fluorine chemicals, capacitor chemicals, and semiconductor chemicals.

Environmental, Social, and Governance (ESG) is an advanced concept for effective balance of the economic, environmental and social high-quality development. It has gradually become a crucial factor for companies in reducing operational risks and enhancing competitiveness. Capchem has, for the first time, upgraded its corporate social responsibility (CSR) report to an ESG report, which extensively refers to the United Nations Global Compact (UNGC), SDGs, guidelines from international and domestic organizations, as well as issues of high concerns to all stakeholders, to a certain extent, to reduce sustainability risks that may have impacts on corporate operations. By embracing outstanding practices in environmental, social, and corporate governance, we are gaining momentum for development to create a better future with electronic chemicals and functional materials.



**Chairman Johnson Qin**

### Building a multi-level governance structure and creating green value

Capchem is implementing a well-thought-out plan to incorporate the concept of sustainable development into all aspects of operations. Upholding the sustainable development policy, we have established a multi-level, coordinated ESG governance framework from top to bottom to align sustainability with business development. In 2023, the Strategy Committee proudly embraced its new identity as the Strategy and Sustainable Development Committee. The Company also systematically identifies and prioritizes 18 material ESG issues and enhances internal management, with a focus on corporate development strategy and major concerns of all stakeholders. We have developed the *Sustainable Development Policy of Capchem* and implement the SDGs and corresponding risk management work, so that we have proactively responded to the expectations of all stakeholders and significantly enhanced our ESG capabilities.

### Consolidating governance foundation and promoting sustainable operations

Building on robust and high-quality corporate governance, Capchem has consistently delivered returns to shareholders and investors. We are also actively improving the construction of "three governance bodies" of the General Meeting of Shareholders, the Board of Directors, and the Board of Supervisors. In our commitment to risk control, we have implemented the "Three Lines of Defense" and prevented compliance risks with a top-down approach to ensure the fulfillment of responsibilities and obligations to investors. At Capchem, the principle of compliance is deeply ingrained in our daily operations. In 2023, the Company successfully achieved a 100% signing rate of the *Integrity Agreement or Integrity Clause* for suppliers. The Company achieved a 100% participation rate in anti-corruption training for all employees and a 100% signing rate of the *Commitment Letter of Integrity*.

### Pursuing innovation ceaselessly and improving services with technology

Capchem adheres to the concept of pursuing technological innovation-driven development, and drives green product innovation and delivers high-quality customer services through approaches such as industry-university-research cooperation and cooperation within the industrial chain. We also integrate the advantages of the industrial chain to realize a green industry featuring green products, green processes, and green factories. By doing so, we have contributed remarkably to green innovation in society. Upholding a customer-focused and quality-first approach, we have implemented a comprehensive management system tailored to customer needs. We actively encourage and value customer opinions and feedback to consistently enhance satisfaction with our products. In 2023, the Company invested RMB476.565 million in R&D and improved quality management by pursuing both domestic and international quality system certifications, while also digitizing its quality management. As a result, our products achieved a first pass yield of 99.43% for finished products.

### Embracing green practices and unleashing ecological potential

In response to the national "carbon peaking and carbon neutrality" goals, Capchem is committed to building an internationally renowned brand that leads the industry with high-quality green products. Following standards such as ISO 14001, ISO 14064, ISO 45001, ISO 50001, we have established an Environment, Health, and Safety (EHS) management framework and an energy (carbon) management framework. The two frameworks feature a clear definition of authority and responsibility, ensuring institutional support for environmental management, climate change mitigation, and carbon management. The Company make relentless efforts to address climate risks and transition risk while tapping into its sustainability potential with the help of environmental impact testing and auditing, carbon emission inventories, and other initiatives. In 2023, 100% of chemical production sites in operation had obtained ISO 14001 environmental management system certification. The cost of waste treatment per ton and the annual total input both significantly decreased. The Company also completed carbon inventories and verified product carbon footprints at key operation locations.

### Safeguarding the safety red line and constructing a safety culture

Capchem takes the safety production responsibility system as the carrier, the occupational health and safety management system as the core, carries out in-depth construction of safety culture, continuously strengthens the construction of safety management organization, actively relies on scientific and technological power to build and operate the safety information platform, guards the red line of safety, and builds the intrinsic safety of the electronic chemicals and functional materials which covers the whole process, the whole chain, and the whole lifecycle, so as to promote the enterprise's high quality development. The high safety promotes the high-quality development of the enterprise. The company controls the risk of introducing hazardous substances from the source, systematically carries out hazard assessment, actively researches and develops new substitution products, and gradually phases out high-risk chemicals. In 2023, 75% of our hazardous chemical production bases passed the ISO 45001 certification.

### Building a resilient supply chain and creating a sustainable system

By virtue of a mature industry chain system, Capchem has created an "efficient, stable, flexible, and agile" end-to-end integrated supply chain, aiming to enhance supply chain resilience and strengthen the capability to create a sustainable and low-carbon supply chain. By continually upgrading supplier full lifecycle management processes, successfully setting up and implementing a digitized supply chain management system, and building a more risk-resistant, flexible, and agile supply chain, we guide the industry chain towards sustainable transformation. In 2023, 100% of our suppliers signed agreements and pledged to comply with the *Supplier Code of Conduct Management System* and 100% of suppliers involved in lithium production signed the *Human Rights Compliance and Conflict-Free Minerals Declaration*. The Company launched carbon management status study assessments on suppliers that account for 90% of total annual deliveries.

### Empowering talent growth and driving industry development

Capchem, with an open and inclusive attitude, encourages all employees to develop together with the Company. We offer diverse platforms and channels for talents to create value and share love amid development. In 2023, the Company empowered employees from diverse backgrounds with training programs, which totaled over 0.227 million hours. Young talents benefit from a comprehensive qualification system and promotion mechanism. To retain core and key talents, we offer performance-based bonuses and over 10.11 million shares of equity incentives. During various employee communication meetings, we precisely address employee expectations. Our aim is to align talent growth with corporate development and ensure the "select, develop, nurture and retain".

### Participating in public welfare and creating social value

Capchem maintains positive interactions with society and actively participates in social welfare activities. In 2023, the Company invested RMB3.4286 million to support youth education and disadvantaged groups. In recognition of our commitment to public welfare, we were awarded the title of "Outstanding Enterprise in Fulfilling Social Responsibility". To contribute to community development both at home and abroad, we organized various cultural and sports activities and contributed to popular science education in communities. These efforts have not only improved our corporate image among the government, communities, and the public but also demonstrated our commitment to fulfilling corporate citizenship responsibilities through tangible actions.


Looking ahead, Capchem will remain dedicated to solidifying and enhancing corporate competitiveness across seven major directions, including operation compliance, product responsibility, ecological protection, safety production, win-win cooperation, people-oriented approaches, and charitable initiatives. Upholding the ESG principles, we will explore more sustainable development paths and lead the industry towards high-quality development.




## About Capchem

Shenzhen Capchem Technology Co., Ltd. ("Capchem") is committed to becoming a leading global enterprise specialized in electronic chemicals and functional materials. Founded in 2002, Capchem is formerly known as Shenzhen Capchem Co., Ltd. established in 1996. In 2010, Capchem was listed on the Shenzhen Stock Exchange (stock code: 300037), with its headquarter in Shenzhen, China. Since establishment, Capchem is committed to creating a better future with electronic chemicals and functional materials. Its main products include battery chemicals, organic fluorine chemicals, capacitor chemicals and semiconductor chemicals, and they are used in the fields such as new energy vehicles, consumer electronics, urban rail transit, biomedicine, digital infrastructure, photovoltaic and industry manufacture.

The vision of Capchem is to be a global leader of electronic chemicals and functional materials. All the employees will adhere to the core value of "Innovation for Application, Progress with Integrity", as well as the business philosophy of "Professional, Excellent, Solid, Thorough", and persevere in pursuit of excellence.



 | **Mission**

Electronic Chemicals and Functional Materials for a Better Future



 | **Vision**

To Be a Global Leader of Electronic Chemicals and Functional Materials



 | **Business Philosophy STEP**

Professional, Excellent, Solid and Thorough  
The business philosophy of "Professional, Excellent, Solid and Thorough" is called "STEP" for short, meaning one step one footprint, step by step.

**Solid**

Execute effective integration of industrial chain around the main business

**Thorough**

Achieve economies of scale and cost-advantage while upgrading products


**Excellent**


Foster advantages in technology, quality, market and service

**Professional**

Focus on main business, cultivate craftsmanship for employees and professionalism for the management, and assume the industrial leadership for the company

S T E P



 | **Core Value**

Innovation for Application, Progress with Integrity

"Innovation for Application"

Truth-Seeking, Sustaining Innovation, Customer-Orientation and Value-Creation

"Progress with Integrity"

Safety & Compliance, Sharing, Globalization, Sustainability



The Company is headquartered in Pingshan District, Shenzhen, with production bases spreading across Guangdong, Hunan, Fujian, Hubei, Tianjin, Jiangsu, Poland and other regions. At present, we have 28 wholly-owned (holding) subsidiaries such as Huizhou Capchem, Nantong Capchem, Sanming Hexafluoro. We also have wholly-owned (holding) subsidiaries in Hong Kong, the United States, Poland, Singapore, as well as offices in Japan and South Korea.

# 28

At present, we have wholly-owned (holding) subsidiaries such as Huizhou Capchem, Nantong Capchem, Sanming Hexafluoro

**North America**  
Capchem Technology USA Inc.

**Europe**  
Capchem Poland Sp.z o.o.  
Capchem Europe B.V.

**East Asia**  
South Korea Office  
Japan Office

**Southeast Asia**  
Capchem Singapore PTE.LTD.

**China**  
Shenzhen Capchem Technology Co., Ltd. (HQ)  
Huizhou Capchem Chemicals Co., Ltd.  
Nantong Capchem Electronic Materials Co., Ltd.  
Nantong Capchem Technology Co., Ltd.  
Sanming Hexafluoro Chemicals Co., Ltd.  
Fujian Heptafluoro New Materials Co., Ltd.

Hexafluoro Chemicals(Shanghai) Co., Ltd.  
Jiangsu Hicomer New Materials Co., Ltd.  
Jiangsu Seals Electronic Materials Co., Ltd.  
Novolyte Battery Materials (Suzhou) Co., Ltd.  
Hunan Fluopont New Materials Co., Ltd.  
Jingmen Capchem New Materials Co.,Ltd.

Tianjin Capchem Electronic Materials Co.,Ltd.  
Nantong Top Electronic Materials Co.,Ltd.  
Chongqing Capchem New Materials Co., Ltd.  
Yichang Capchem Technology Co., Ltd.  
Capchem (Hong Kong) Co., Ltd.  
Capchem Supply Chain



**20+** Sites  
Worldwide

**4000+**  
Employees



## ESG Highlights in 2023

### Economic Performance



**7,483.95**million  
Operating Income

**1,010.67**million  
Net profit

**1.36**RMB per share  
Earnings per share

**17,624.31**million  
Weighted average return on equity

**11.57%**  
Weighted average return on net assets

### Environmental Performance



**RMB 39.4** million  
Environmental investment

**888,779.59** tCO<sub>2</sub>e  
Carbon dioxide emissions<sup>1</sup>

**120,938,036.57** kWh  
Electricity consumption

### Social Performance



**RMB 477** million  
R&D investment

**6.37%**  
R&D investment as a per-  
centage of total revenue

**4,133**  
Total workforce

**24%**  
Percentage of female employees

Over **0.227** million hours  
Employee training hours

### Corporate Governance



**3**  
Number of independent directors

**1**  
Number of female directors

**100%**  
Coverage of integrity and  
compliance training

**10**  
Number of board meetings

**100%**  
Board member  
participation rate

<sup>1</sup> Please refer to Appendix: Quantitative ESG Performance Tables for statistics.



# UN SDGs Performance and Responses

Capchem actively responds to SDGs and enhances capabilities for sustainability performance, committed to building a sustainable future.

Capchem relentlessly advances chemical management and safety production management. By adopting clean and environmentally friendly technologies, the Company enhances safety in the production process, reduces potential risks of hazardous chemicals to the life, health, and safety of employees and on-site personnel, and creates a compliant, safe, and stable working environment.

Capchem adheres to the comprehensive integration of green and environmental protection concepts into all our production and operations. By improving resource utilization efficiency, adopting cleaner energy, technologies, and processes, the Company enhances production sustainability. The Company actively addresses global climate change, strengthens the capacity to resist and adapt to climate change, vigorously promotes energy conservation and emissions reduction, facilitates resource recycling and reuse, reduces waste generation and water pollution, and enhances the efficiency of energy and resource utilization, thereby fulfilling environmental protection responsibilities effectively with tangible actions.



Capchem continuously strengthens technological research and development by increasing R&D expenditure, enhancing the construction of R&D teams, fostering collaborations in scientific research, and improving technological capabilities and industrial core competitiveness. The Company rigorously controls product quality and safety, emphasizes green and low-carbon design, continuously optimizes processes and energy efficiency. We endeavor to achieve sustainable management and efficient utilization of natural resources, and deliver innovative, reliable, and green products.



Capchem is committed to operating our business in an effective, responsible, and transparent way. We consistently promote the compliance and integrity culture, eliminating all forms of corruption and bribery. We enhance privacy and information security measures, internalizing the pursuit of high-quality corporate governance as a driving force for the Company's sustainable development.



Capchem actively promotes sustainable procurement, striving to achieve sustainable resource management and efficient utilization. The Company incorporates climate change measures into the supplier management process to continuously enhance the sustainability of the supply chain.



Capchem is committed to creating an equal, diverse, and inclusive workplace, eliminating child labor, forced labor, and all forms of discrimination, and promoting gender equality. The Company leverages the talent development philosophy of "Participate, Develop, Undertake and Share" to ensure that employees are equally accessible to the skills needed for decent work, facilitating the mutual growth and future creation of each employee and the Company. Through multi-dimensional human care and support arrangements, the Company helps employees achieve a balance between work and life, promoting both physical and mental well-being.



Capchem adheres to giving back to society with compassion and considers emphasizing social responsibility and being an excellent corporate citizen as an integral part of corporate culture. While creating economic value, the Company actively engages in various social welfare activities, consolidating achievements in poverty alleviation and assistance. Through participation in charity and community exchange activities, the Company promotes the education and dissemination of health knowledge, reduces inequality, collaborates with various stakeholders to build strong partnerships, and achieves the unity of corporate interests and social benefits.







**01**

## Multi-level Governance: Complete and Robust ESG Governance System

ESG, one of the important topics of global concern, has gradually been important consideration for corporate future development. Capchem has been always committed to its mission of "Electronic Chemicals and Functional Materials for a Better Future", fully integrating the sustainability development philosophy into business development. Capchem builds and improves ESG governance framework, conducts identification and analysis of material ESG issues, and strengthens communication with stakeholders. Capchem makes tangible efforts for ESG management improvement and action implementation, thus providing support to achieve sustainable operations and social sustainability.

### ESG Governance

- Build a top-down, three-tiered ESG governance framework and rename the Strategy Committee as the Strategy and Sustainable Development Committee
- Formulate the Commitment to Sustainable Development

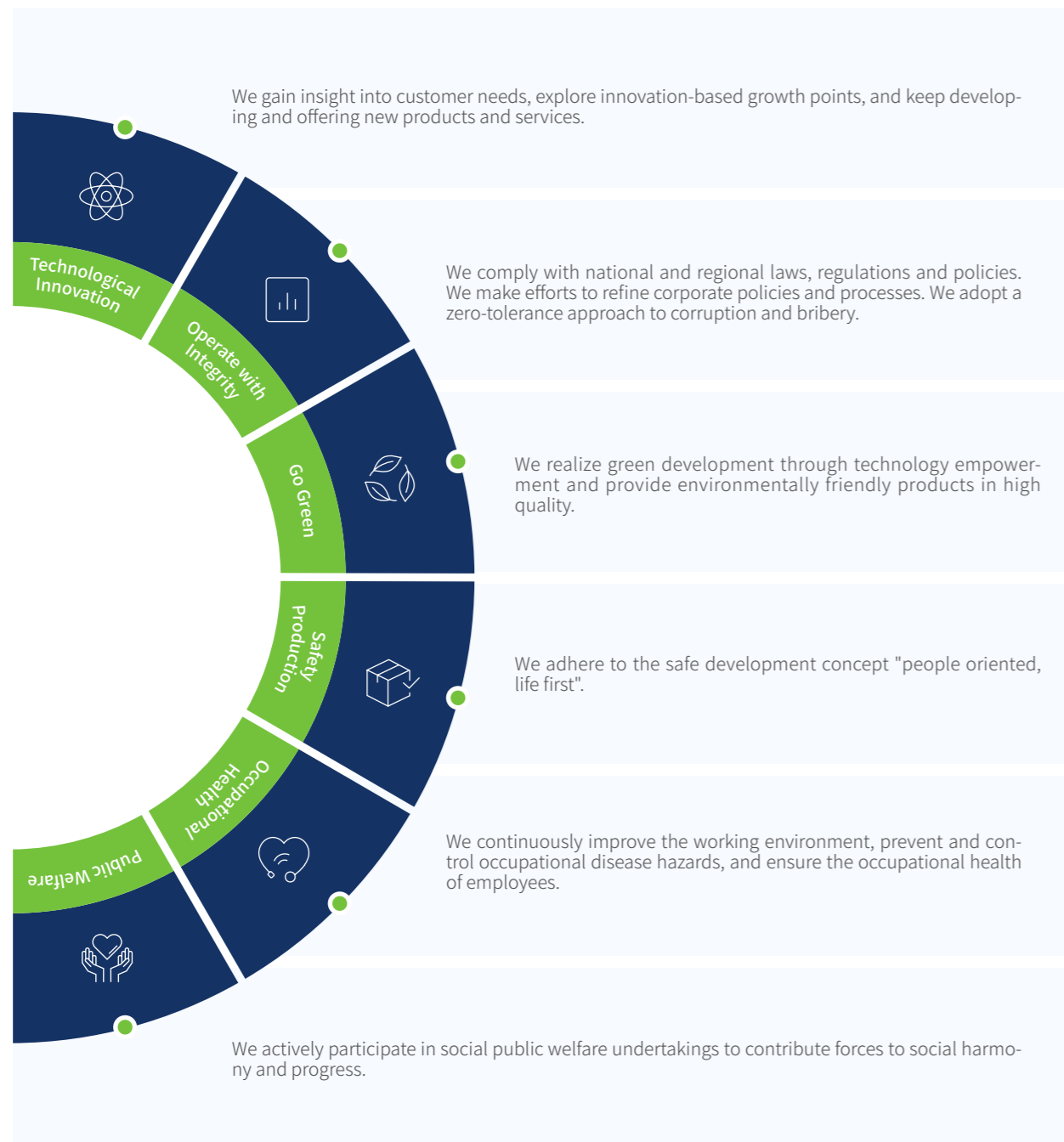
### ESG Management

- Identify **18** material ESG issues
- Develop Capchem Sustainable Development Policies
- Incorporate the performance of the company's ESG issues into the senior management's remuneration evaluation system



### Commitment to Sustainable Development

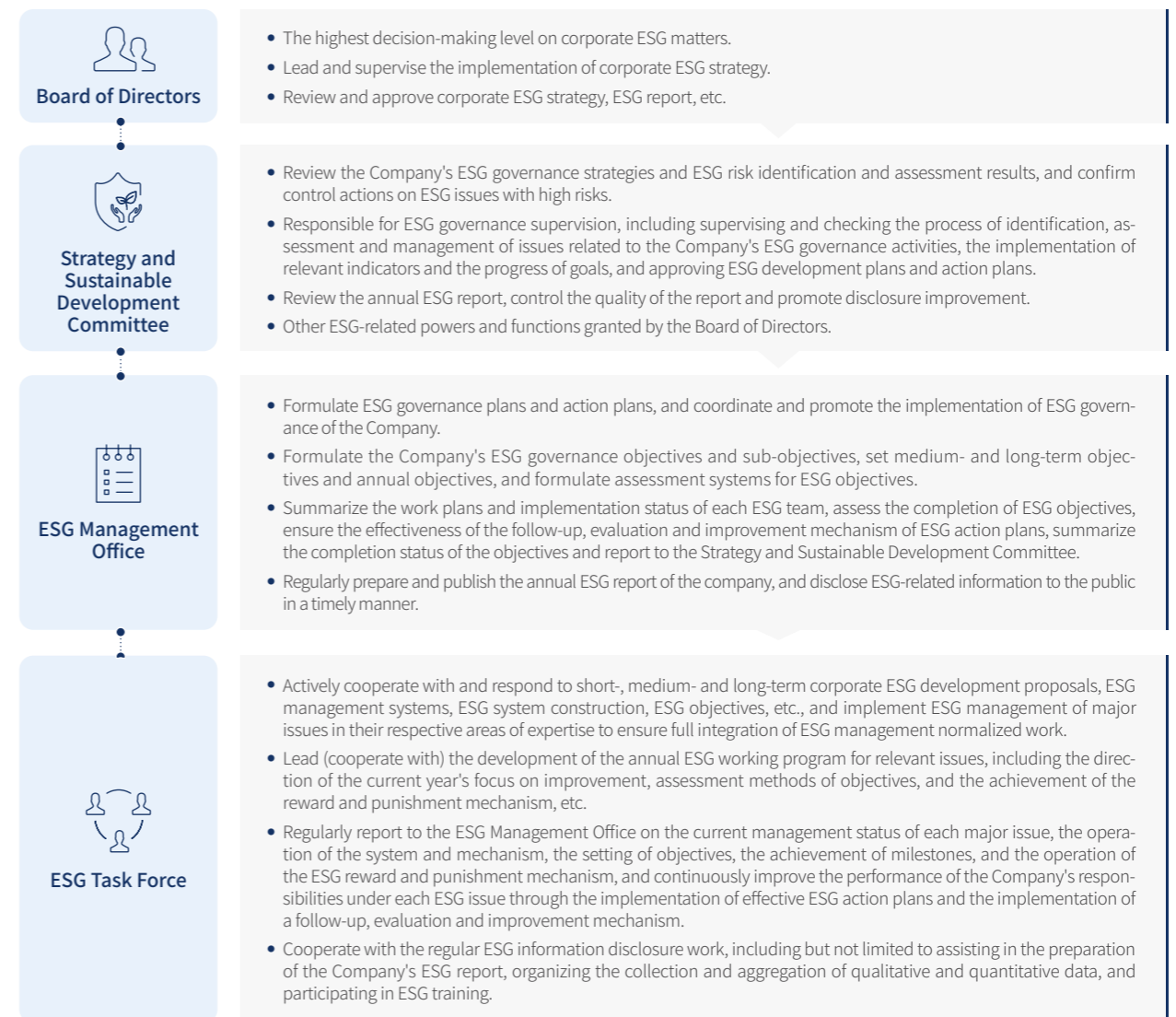
We abide by laws and regulations, strictly enforce business principles and codes of conduct, and proactively fulfill our social responsibilities. We focus on frontier technologies in new energy and new materials. We continuously invest, carry forward fine traditions and strive for creativity. We practice excellence, serve the society and advance development and progress.



## ESG Governance

In order to better implement ESG management strategies and integrate ESG into corporate business operation systems, the Company has built a top-down, three-tier ESG governance framework covering board level, management level and executive level and formulated *Capchem Sustainability Management System*, which clarifies the management responsibilities of various levels across the Company in relation to ESG matters.

The Board of Directors sits at the highest decision-making level for ESG matters. In order to align with corporate strategy and sustainable development, improve the corporate governance structure, standardize ESG governance work, and achieve corporate sustainable development goals, the Company has taken a series of measures. During the Reporting Period, the Company formally renamed the Strategy Committee as the Strategy and Sustainable Development Committee and authorized the Strategy and Sustainable Development Committee to manage ESG work. The Company has set up an ESG Management Office, which is tasked with supervising and managing the implementation of the Company's ESG agendas as it serves as the main management department for ESG-related work at Capchem. The Company has mobilized the departments at headquarters and bases to establish regular/irregular ESG Working Group, whose responsibilities are to implement specific ESG-related work in various fields. Capchem carries out complete ESG closed-loop management through the synergistic cooperation at different levels to ensure that each department integrates ESG concepts into daily work and improves the Company's ESG management level in an all-round way.





## ESG Management

By identifying material ESG issues and listening to the opinions and suggestions of stakeholders, Capchem fully integrates internal and external concerns into ESG management, providing scientific guidance and direction for the Company to improve ESG practices.



## Material ESG Issues

To identify the priority of ESG management work, the Company has identified and sorted out material ESG issues related operations, and through peer benchmarking analysis, external policy research, domestic and international capital market requirements sorting, and stakeholder questionnaire surveys, etc., it has screened and formed potentially important issues that will have an impact on the Company's business situation and the internal and external environments. Based on this, Capchem further analyzed and screened 18 material ESG issues, including 6 environmental issues, 8 social issues and 4 corporate governance issues, and drew a materiality issue matrix, taking into account the current status of sustainable development of the Company and the industry in which it operates, as well as the priority issues of concern to various stakeholders.

Capchem has also clarified the management responsibilities and indicators for these 18 ESG issues at all levels and departments. The company has set relevant assessment indicators for the board of directors and management, including but not limited to environmental compliance, occupational health and safety, chemical safety, etc., and has incorporated the performance of the company's ESG issues into the senior management's remuneration evaluation system, urging the fulfilment of the company's commitment to sustainable development.

18

Capchem further analyzed and screened material ESG issues

6

including environmental issues

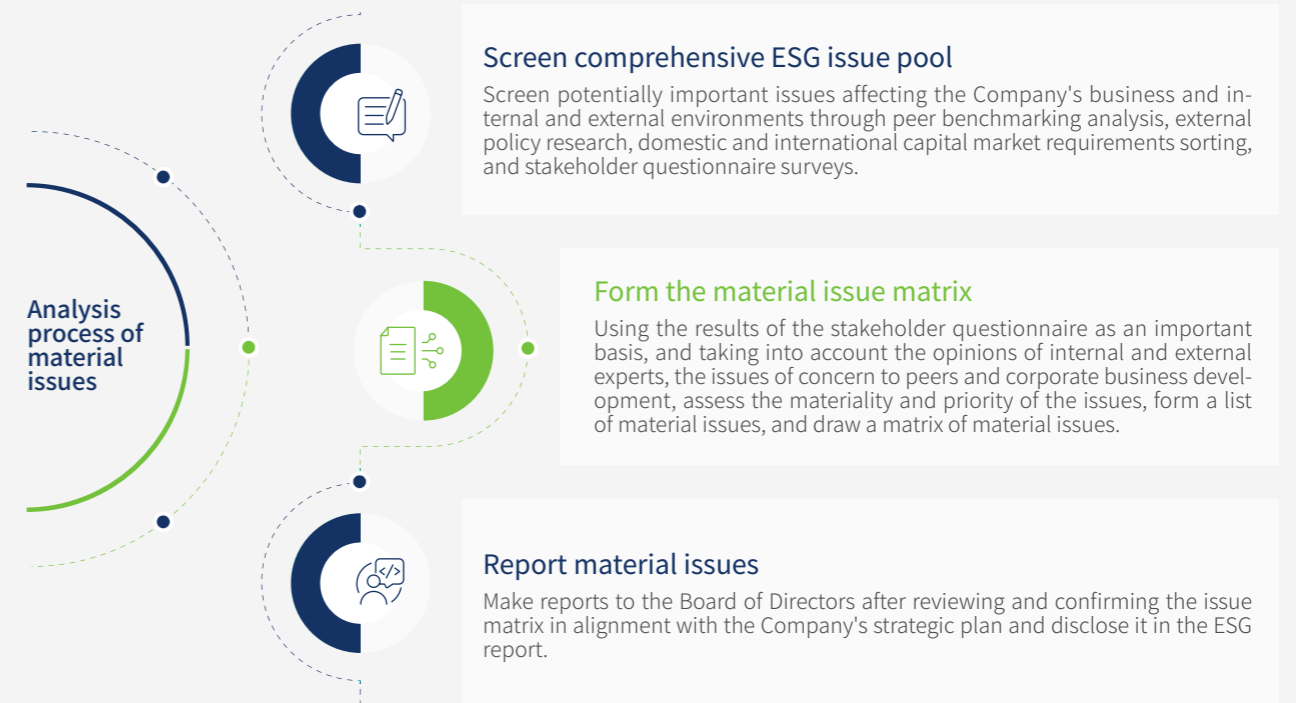
8

social issues

4

corporate governance issues

Analysis process of material issues





Material issue matrix of Capchem



## Management of Material ESG Issues

After identifying and prioritizing material ESG issues, the Company formulated *Capchem Sustainable Development Policies*. The Policies specifies how Capchem will carry out ESG management work centering on the 18 material issues, in a bit to comprehensively improve the Company's ESG management. At the same time, Capchem also encourages suppliers and partners to comply with and refer to *Capchem Sustainable Development Policies* to jointly promote the sustainable development of the industry.

## Stakeholder Communication

Capchem is committed to building sound partnerships and reciprocal relationships with internal and external stakeholders, and strives to realize a win-win with joint efforts. The major stakeholders of Capchem include investors, regulators, customers, suppliers and partners, employees, communities and the public, media. During the Reporting Period, Capchem actively maintained communication with stakeholders, understood the demands and concerns of each stakeholder and made positive responses through practical actions.

Stakeholders	Issues of key concerns	Communication approaches
 Investors	Corporate governance Business ethics and operation compliance	Investor research activities Results presentations Company announcements Interaction platforms The general meeting of shareholders Roadshows Hotline Email
 Regulators	Corporate governance Business ethics and operation compliance Environmental compliance Address climate change	Greenhouse gas and energy management Emissions and waste Management Water utilization Chemical safety Irregular communication Information disclosure Company official website
 Customers	Green products Product quality and compliance Customer service and satisfaction R&D, innovation and intellectual property Privacy and information Security	Hotline Email Wechat official account Company official website Customer Visits Satisfaction Survey Sales and Customer Service
 Suppliers and partners	Supply chain management R&D, innovation and intellectual property Business ethics and operation compliance	Supplier management training Business visits Company official website Wechat official account Hotline Reporting and complaint
 Employees	Employee rights, interests and benefits Occupational health and safety Business ethics and operation compliance	Employee career development Staff meeting Employee activities Employee satisfaction surveys Employee symposiums Senior management meetings Reporting and complaint
 Communities and the public	Emissions and waste management Community engagement	Emission compliance Public welfare activities Community exchange programs
 Media	Address climate change Green products Community engagement R&D, innovation and intellectual property	Public welfare activities News report Public open day



# 02

## Sustainable Operations: A Compliant and Robust Governance Framework

### Governance

- Held **4** general meetings of shareholders, **10** board meetings and **10** supervisory board meetings to guarantee the standardized corporate operation and scientific and effective decision-making on major matters
- Received the highest **"A"** grade (excellent) for information disclosure from the Shenzhen Stock Exchange for two consecutive years
- Organized and held **4** results presentations and released "Achieving progress while maintaining stability with dedication and hard work -- A Glimpse of the 2022 Annual Report of Capchem" through Capchem's Wechat official account to introduce the main information of the annual report to the investors, and to increase the readability and practicability of the annual report, with a **100%** of investor interaction response rate
- **No** significant negative media coverage of the company

### Risk Management

- Thoroughly implemented the internal "three lines of defense" risk management

### Anti-corruption and Operation Compliance

- **Zero** corruption-related cases
- **100%** of the Company's employees enrolled in anti-corruption courses, and **100%** have signed the *Commitment Letter of Integrity*
- Require **100%** of the Company's suppliers signed the *Integrity Agreement* or integrity articles

### Information Security and Privacy Protection

- Established the Privacy Management Office
- Obtained ISO 27001 Certification

Sound corporate governance is the cornerstone for an enterprise to achieve long-term success. By establishing a sound governance structure and making continuous improvements, Capchem promotes the construction of a culture of compliance and integrity, and enhances the protection of privacy and information security. Capchem has internalized the pursuit of high-quality corporate governance into the driving force of its sustainable business.

Capchem takes eight Principles of "Persistence" as guidelines, consolidates the moral cornerstone, continues to strengthen the Company's governance framework and value distribution system, and drives the construction of the enterprise brand with excellent corporate governance to create a new situation of high-quality development.





### Eight persistences in the strategy of Capchem Company



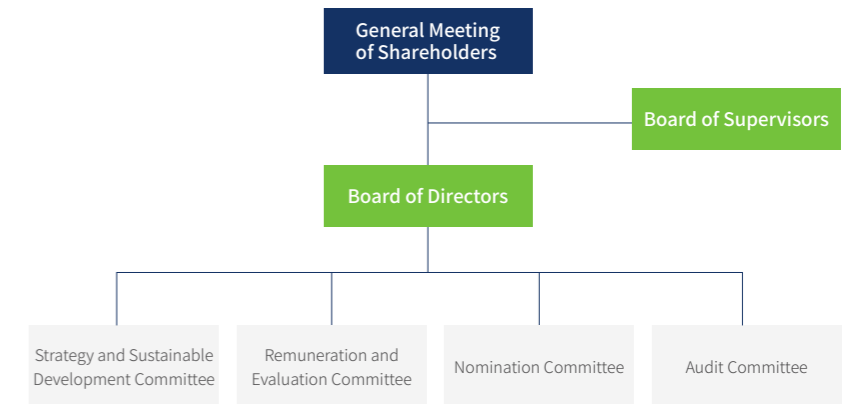
## Corporate Governance

Based on Capchem's core values of "Innovation for Application, Progress with Integrity", the Company has put in place a sound corporate governance system and framework, continues to improve the standardization, timeliness, integrity, accuracy and transparency of the Company's disclosure of information, maintains smooth communication with investors, and effectively safeguards the interests of all shareholders and the general public, so that the Company can achieve stability and sustainability.

### Solidifying the Foundation of Corporate Governance

Capchem abides by the requirements of the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China* and other laws and regulations, and complies with its internal *Articles of Association* to build up a corporate governance framework comprising the General Meeting of Shareholders, the Board of Directors, the Board of Supervisors, its specific committees and the management, so as to safeguard the rights and interests of shareholders and investors, and to lay solid organizational foundation for the Company's scientific and efficient operation. During the Reporting Period, the Company held a total of 4 general meetings of shareholders, 10 board meetings and 10 supervisory board meetings.

Corporate governance structure of Capchem Company



#### Overview of the responsibilities of "Three Governance Bodies"<sup>2</sup>

- General Meeting of Shareholders**
  - The highest authority of the Company.
  - The main responsibilities include deciding on the Company's business policies and investment plans, reviewing and approving reports from the Board of Directors/Supervisor, reviewing and approving the annual financial budget/final account plans, reviewing and approving profit distribution and loss recovery plans, and exercising decision-making authority on material issues such as the election and replacement of directors/supervisors, equity incentives, and hiring/dismissing accounting firms.
- Board of Directors**
  - The main responsibilities include convening shareholder meetings, deciding on the Company's business plans and investment proposals, formulating the annual financial budget and final accounts, developing profit distribution and loss recovery plans, handling matters such as external investments, asset acquisitions, external guarantees, and related transactions within the authorized scope of shareholder meetings, appointing or dismissing the president and board secretary as well as appointing or dismissing senior executives based on the president's nominations, etc.
- Board of Supervisors**
  - Main responsibilities include reviewing and making written recommendations on the Company's periodic reports, inspecting the Company's finances, and supervising the performance of directors and senior management, etc.

<sup>2</sup>Please find more details in the *Articles of Association of Capchem* at <https://static.cninfo.com.cn/finalpage/2023-11-30/1218480159.PDF>.



The Board of Directors of the Company has set up the Strategy and Sustainable Development Committee, the Remuneration and Evaluation Committee and the Nomination Committee, which provide scientific and professional advice to decision-making of the Board of Directors from various perspectives and ensure the science-based, compliant and transparent decision-making and management within the Company.

Capchem has always been committed to building a diversified, inclusive, professional and compliant board of directors and senior management talent team. The Company selects directors and senior management talents based on various dimensions such as competence, professional experience, educational background and vocational skills, etc. Meanwhile, the Company continuously pays attention to the diversity of the board

structure, which brings diversified perspectives to the Company's decision-making. During the Reporting Period, the Company's Board of Directors consisted of 9 directors, including 3 independent directors and 1 female director, all of whom have rich experience in accounting, law, chemical industry and other industries.

### The composition of sixth Board of Directors

Name	Title	Gender	Tenure(year)	Professional background	Professional competencies		
					Industry experience	Accounting	Risk management
Johnson Qin	Chairman	Male	15	Manufacturing	Yes		
Zhou Dawen	Director, President	Male	15	Manufacturing	Yes		
Zheng Zhongtian	Vice Chairman	Male	15	Manufacturing	Yes		
Zhong Meihong	Director	Female	15	Manufacturing	Yes		
Zhou Aiping	Director, Executive Vice President	Male	9	Manufacturing	Yes		
Xie Weidong	Director, Vice President	Male	4	Manufacturing, Finance and Accounting	Yes		
Wang Yong	Independent director	Male	1	Investment		Yes	Yes
Meng Hong	Independent director	Male	3	Education and Chemicals	Yes		
Zhang Xiaoling	Independent director	Male	9	Finance and Law			Yes

### Establishing a Sound Governance System to Safeguard the Legal Rights and Interests of the Company and Shareholders

The Company highly values the construction of a modern enterprise system, and establishes and improves management and operation systems in accordance with the scope of the concept of social responsibility. These efforts have standardized the corporate governance, provided institutional safeguards for the protection of the rights and interests of the stakeholders, as well as the basis for corporate sustainability.

During the Reporting Period, the Company, in accordance with the latest requirements of relevant laws and regulations, formulated and revised seven corporate governance systems, including the *Articles of Association*, the *Allowance Management System for Directors and Supervisors*, the *Trading Management System for Financial Derivatives*, the *Futures Hedging Business Management Systems*, the *Appointment Systems for Accounting Firms*, the *Work Systems for Independent Directors*, and the *Work Rules for Strategy Committee of the Board of Directors*. These efforts further clarify the responsibilities and obligations of relevant parties, thus safeguarding the legal rights and interests of both the Company and its shareholders.

### Conducting Compliance Training for the Directors, Supervisors, and Senior Executives to Continuously Strengthen Compliance Awareness and Performance Capabilities

In 2023, the Company organized various training sessions for the directors, supervisors, and senior executives, including the Training for Independent Directors (Follow-up Training), Follow-up Training for Board Secretaries, Initial Training for Directors, Supervisors, and Senior Executives, as well as Training for Directors, Supervisors, and Senior Executives. These training sessions aimed to continuously enhance compliance awareness and performance capabilities of directors, supervisors, and senior executives, as well as safeguard the legal rights and interests of both the Company and its shareholders.

#### The 134th and 137th training sessions for independent directors of listed companies by Shenzhen Stock Exchange



In September and December 2023, the independent directors of the Company actively participated in the 134th and 137th Training Sessions (Follow-up) Training for Independent Directors of Listed Company by Shenzhen Stock Exchange, respectively. The training sessions aimed to help them better understand the *Opinions on the Reform of the Independent Director System of Listed Companies* issued by the General Office of the State Council and the *Measures for the Administration of Independent Directors of Listed Companies*, as well as the reform directions and requirements outlined in the self-discipline regulation guidelines of the exchange. The independent directors will be able to adapt to the changes in the reform and enhance their compliance awareness and performance capabilities.

### Standardizing Decision-making Mechanisms, Improving the Operation of the Board of Directors, and Enhancing Governance Systems of Subsidiaries

The Company strives to help its subsidiaries standardize the decision-making mechanisms of their Boards of Directors and ensure their proper operation and scientific decision-making. Besides adhering to the responsibilities outlined in the *Rules of Procedure of the Board of Directors of Subsidiaries*, each subsidiary is also required to enhance system management through the secretaries of their Boards of Directors. Furthermore, Capchem, through the process reshaping project, implemented annual operational planning and training activities for the General Meeting of Shareholders, the Board of Directors, and the Board of Supervisors for its subsidiaries. This initiative aims to strengthen internal coordination and management as well as enhance the standardized operation and decision-making of its subsidiaries.

### Independent Directors Conduct On-site Inspections at Sanming Hexafluoro and Fujian Heptafluoro

During the Reporting Period, Capchem's independent directors conducted on-site inspections of major investment, production, and construction projects at Sanming Hexafluoro and Fujian Heptafluoro, as part of the efforts to fully leverage the supervisory and advisory role of independent directors in corporate governance and ensure their effective fulfillment of responsibilities.



## Information Disclosure and Investor Relations Management

Capchem strictly complies with relevant laws and regulations, including the *Shenzhen Stock Exchange GEM Listing Rules, the Guidelines No. 2 of the Shenzhen Stock Exchange for the Self-regulation of Listed Companies—Standard Operation of Companies Listed on the Main Board*, to perform information disclosure obligations. The Company has developed the Information Disclosure Management Policies, continuously enriches the content and form of information disclosure for enhancing the transparency of information, and guarantee that information disclosure is lawful, compliant, true, accurate, and complete in a timely manner.

During the Reporting Period, the Company disclosed a total of 196 announcements, including resolutions of meetings, periodic reports, profit distributions, and other major matters. With excellent disclosure performance, the Company has received the highest "A" grade (excellent) for information disclosure from the Shenzhen Stock Exchange for two consecutive years.

In addition to public information disclosure, the Company has put in place an array of communication channels for investors. The Company has developed the *Management Systems for Investor Relations*, builds and improves communication channels such as investor research activities, results presentations, company announcements, interaction platforms, the general meeting of shareholders, roadshows, hotline and email to listen to and respond to a wide range of issues of concern to investors. While enhancing the economic benefits, we strengthen and standardize the information communication with our investors and potential investors, develop a long-term, stable and harmonious positive interactive relationship and guarantees to keep investors informed.

During the Reporting Period, the Company adheres to principles of "compliant disclosure of information, full disclosure of information, equal opportunity for investors, honesty and integrity, efficiency and low consumption, and proactivity." We held 4 results presentations. The Company responded to 44 questions from the Shenzhen Stock Exchange's "Easy Interaction" platform, achieving a 100% response rate to investor interactions.

During the Reporting Period, by virtue of sound corporate governance, Capchem won multiple awards from During the Reporting Period, China Securities Journal and other authoritative organizations, including "TOP 20 in Board Governance for Listed Companies in the Greater Bay Area", "TOP 20 in Corporate Governance for Listed Companies in the Greater Bay Area", and "Golden Bull Award of most Valuable Investment". The Company was included in the indexes of MSCI and FTSE Russell indices.

# 196

During the Reporting Period, the Company disclosed a total of announcements

# 44

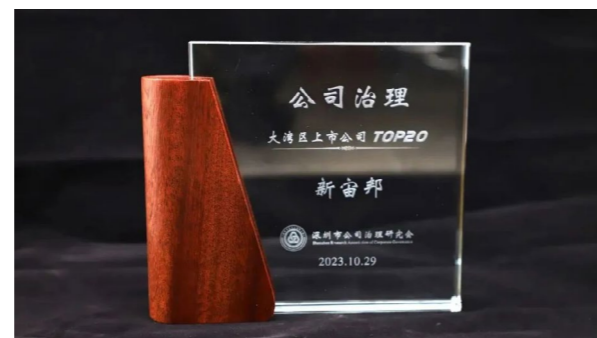
The Company responded to questions from the Shenzhen Stock Exchange's "Easy Interaction" platform

# 100%

Achieving a response rate to investor interactions



TOP 20 series of award for listed companies in the greater bay area



## Anti-corruption and Operational Compliance

Anti-corruption and compliance are the foundation of corporate business operations. Capchem always handles all business relationships and transactions in the spirit of integrity and strictness, and sticks to business ethics and compliance operations in an orderly manner, committed to creating a clean, transparent and compliant business environment for all stakeholders.

Capchem insists on compliant management while upholding fundamental principles and adopts a zero-tolerance approach for corruption, bribery, fraud and other misconducts. The Company strictly abides by the *Civil Code of the People's Republic of China, the Criminal Law of the Peoples Republic of China, the Anti-Unfair Competi-*

*tion Law of the People's Republic of China*, and the laws and regulations applicable to the places where it operates. On this basis, the Company has formulated internal management regulations such as the *Anti-Corruption Regulations and the Audit and Supervision Reward and Punishment Management Measures*. The Company establishes and continues to improve the internal compliance corporate governance framework, thus providing guidelines for the smooth implementation of anti-corruption, bribery and other business ethics-related work. During the reporting period, there were no lawsuits against unfair competition practices, antitrust and antimonopoly practices, or against corrupt practices.

In terms of corporate governance, the Audit Committee and the Compliance Committee under the Board of Directors are in charge of the Company's anti-corruption and compliance work. The Company has established the Audit Committee, which is responsible for the overall guidance and supervision of anti-corruption work, and the Compliance Committee, which is in charge of the leadership, decision-making, guidance and coordination of compliance management work. The Audit and Supervision Department and the Compliance Office act as the executive bodies to promote regular compliance audits and daily management of corporate compliance to ensure compliance in all business operations of the Company, including all engineering projects and subsidiaries.

Capchem's compliance management framework

### Audit Committee

- Management body responsible for managing business ethics and corruption matters
- Guide and oversee anti-corruption and compliance work

### Compliance Committee

- Comprehensively in charge of the leadership, decision-making, guidance and coordination of compliance management work
- Review the Company's compliance management policies, objectives and master plans
- Researching, deciding, deploying, guiding and coordinating the company's compliance management work

### Audit and Supervision Department

- Responsible for the development and implementation of systems related to business ethics and anti-corruption work, and reporting to the Audit Committee on the risk of non-compliance and improvement plans
- To establish a sound anti-fraud mechanism, and pay reasonable attention to and check possible fraud in the audit process
- Responsible for publicity, education and training on anti-corruption and integrity policies
- Organize compliance anti-corruption audits covering all operations across the Company on a three-year cycle

### Compliance Office

- Under the leadership of the Compliance Committee, carry out compliance management and implement the company's compliance management policies and requirements
- Organise the formulation and improvement of the company's compliance management systems and regulations, and supervise and check the implementation of compliance management plans and tasks
- Responsible for publicity, education and training on compliance management
- Organise compliance management supervision and inspection, report risks of non-compliance and improvement plans to the Compliance Committee, and notify and investigate risks of non-compliance and incidents





The Company has established a comprehensive reporting and complaint mechanism to encourage employees, suppliers and other stakeholders to make reports or complaints of the Company's violations of laws and disciplines in the course of operations by means of WeChat official account, telephone, internal OA system, email, letter, and among others, anonymously or in real name. This endeavors to maintain a clean and honest business environment. In accordance with the *Protection and Incentives Measures for Whistleblowers*, the Company provides cash incentives for whistleblowers who make reports with their real names according to the effectiveness of the information provided and the nature of the case. The Company also strictly keep the whistleblowers' personal information and all the information provided by the whistleblower, and strictly prohibit any retaliation against the whistleblowers.

The Company also requires 100% of its suppliers to sign the *Integrity Agreement* or *Integrity Articles* to jointly build a clean supply chain.

100%

The Company also requires its suppliers to sign the *Integrity Agreement* or *Integrity Articles*

Channels for complaints and reporting

Wechat Official Account: Integrity Capchem  
Tel: +86 0755-89923410  
Email: audit@capchem.com

Address: The Audit and Supervision Department,  
20/F, Capchem Plaza, Changye Road,  
Pingshan District, Shenzhen, China  
Zip code: 518118

The Company firmly promotes anti-corruption and compliance awareness publicity. The Company has listed anti-corruption and compliance training as a mandatory course for all employees. With the help of channels such as OA, wechat public account, company bulletin boards and company multimedia platforms, the Company conducts regular integrity publicity for employees. Meanwhile, the Company requires all employees to sign the Commitment Letter of Integrity. During the Reporting Period, 100% of the Company's employees enrolled in anti-corruption courses, and 100% have signed the *Commitment Letter of Integrity*.

During the reporting period

The Company's employees have signed the *Commitment Letter of Integrity*

100%



Business ethic culture publicity activities at Capchem

- Organize "Information Security Management" compliance training for new hires
- Mobilize cadres to take the Integrity Oath and conduct integrity presentations at annual planning meetings



- Organize the signing of the *Integrity Agreement* or *Integrity Articles* for contractors
- Regularly publish positive and negative cases in relation to corruption through the OA Integrity official account
- Annual anti-corruption and compliance training



# Risk Management

Capchem regards risk management as a priority in corporate management. We deeply implement the internal "three lines of defense" risk management framework. The Legal Affairs and Compliance Department serves as the Risk Management Department. The Audit Committee, Audit and Supervision Department, external independent directors, and external audit firms constitute the Risk Supervision Department. We proactively adapt to external regulatory requirements and changes in segment markets. We also continuously carry out risk identification, assessment, response, and supervision. Besides, we jointly and systematically advance risk management and refine internal risk control processes by virtue of institutional updates and process optimization. By doing so, we consistently pursue compliant operations while growing together with our business partners.

Capchem's "Three Lines of Defense" risk management system



# Information Security and Privacy Protection

Information security and privacy protection are extremely important for the company's operations. Capchem strictly adheres to the laws and regulations of the country and region where the Company is located, such as the *Cyber-security Law of the People's Republic of China*, the *Data Security Law of the People's Republic of China*, the *Personal Information Protection Law of the People's Republic of China*. As the Company gradually expands its business overseas, it will face more diverse requirements and challenges. Therefore, the Company will continue to promote information security and privacy protection during its operations, and strive to build an information security and privacy protection management system that covers regulatory requirements of both domestic and overseas business operations by

improving the organization, system and management initiatives.

The Company has set up a special Confidentiality Management Office to cooperate with all departments and subsidiaries to protect the information security of the Company and customers. The Company has established a comprehensive information security and privacy protection management system based on applicable laws and regulations as well as best industry practices. The Company has formulated a series of internal policies such as the *Information System Security Management Rules* and the *Business Secret Management Rules*, and effectively incorporated information security and privacy protection requirements and measures into the Company's entire business processes and information systems, so as to

standardize and strengthen information and data protection, reduce risks such as data destruction and data leakage, and enhance the Company's overall information security management and risk response capabilities.

In order to protect the Company's information assets, Capchem has adopted the best and most applicable information security and data protection technologies, including purchase and install authorized and intellectual property-protected software and information systems, access control, asset encryption, virus protection systems, log security auditing, data backup, and leakage prevention to build a reliable security infrastructure, reduce information security risks, and strengthen sustainability in safeguarding its business operations.

Measures for information security management	Descriptions
Access control	Deploy Internet behavior management systems to control access to network of the Company.
Asset encryption	Use file encryption systems to automatically encrypt confidential computer documents within the Company to prevent unauthorized access and acquisition.
Virus protection	Utilize Tianqing antivirus software system to protect computers at the Company's offices from virus.
Attack and defense drill	Conduct annual IT attack and defense drills for high-risk IT assets exposed to the public network.
Data backup	Adopt technical measures such as online and offline backups to secure the core electronic data of the Company.
Data leakage prevention	Intelligently detect and warn data transmission behaviors with leakage risks based on defined control policies.
Employee training	Carry out information security training for all employees every year.
Disaster recovery	Establish a disaster recovery plan and backup management system to prevent data loss in the event of a disaster.
Intellectual property protection	Purchase genuine business-related software for employee use.

Protecting corporate information security and individual privacy is the responsibility and obligation of Capchem. The Company adopts a series of measures to protect the information security and privacy of not only itself and its customers, but also its suppliers. The Company requires suppliers to sign a privacy policy protection statement to enable them to understand the protection policy and precautions of Capchem for information security and the data privacy for suppliers. During the Reporting Period, Capchem did not experience any incidents

of information leakage or complaints related to infringement of customer privacy and loss of customer data.

Backed by the above measures, the Company has achieved certain results in information security and privacy protection. Capchem and its subsidiaries, Huizhou Capchem, Nantong Capchem have been qualified by ISO 27001 information security system certification and passed the annual review by the third-party audit authority.



Certificate of ISO 27001



# 03

## Innovation-driven: Industry-leading Products and Services

Capchem continuously strengthens technological R&D, enhances core competitiveness of the industry, and rigorously controls product quality and safety. We prioritize green and low-carbon design while consistently improving process and energy efficiency. Our ultimate goal is to deliver innovative, reliable, and eco-friendly products and solutions. In timely response to customer needs, we also keep improving our customer service capabilities and customer service systems to create more value for customers.

### R&D Highlights

- R&D investment of RMB **476.565** million
- **120** training sessions on R&D and intellectual property rights
- **1,108** patents submitted and **220** trademarks registered

### Green Products

- Huizhou Capchem adopts a green production process for carbonate solvents and contributes to the reduction of carbon dioxide emissions

### Quality Assurance

- **99.43%** of first pass yield for finished products
- **Zero** major product quality incidents
- **591** enrollments in quality management training, employees, with the average number of training hour per employee reaching **8.4** hours

### Customer Services

- Overall customer satisfaction score of over **90** for years
- Built a 360-degree customer-focused management system





## R&D Leadership

Innovation is the core driver for corporate development. Capchem continuously explores innovation to adapt to market changes, meet customer demands, and maintain a competitive advantage. By remaining at the forefront of domestic and international technological developments, we focus on product innovation, process optimization, and product performance enhancement to reduce costs. We also consistently stimulate the innovative vitality of R&D staff and improve our R&D management system. Further efforts are made to promote cooperation and exchange with universities, research institutes, and enterprises in the industry chain, as well as to protect intellectual property rights. Our goal is to promote the high-quality development of the Company.

### R&D Layout

Capchem is committed to becoming world-leading company specializing in electronic chemicals and functional materials and has prioritized R&D and innovation since its foundation. Leveraging significant technological tasks and major engineering projects, the Company strengthens the integrated allocation of innovation elements such as projects, talents, bases, and funds. We have promoted technological upgrading and large-scaled application, and enhanced our innovation capabilities. This, in turn, promotes the high-quality development

of the Company, the industry chain, and the whole industry. By leading industry innovation with technological innovation and R&D management processes, the Company drives high-quality development across the entire industry chain.

The Company has established a R&D management structure under the leadership of the Executive Committee. This structure consists of various R&D management entities such as research institutes, business divisions, subsidiaries, production bases, and other subor-

dinate departments. These entities are responsible for product R&D, technical support, testing and validation, as well as information management. This approach provides robust organizational support for the implementation of research activities.

In pursuit of technological innovation-driven development, we continue to foster profound technological innovation to drive technological advancements and cultivate talent.



Capchem Research Institute

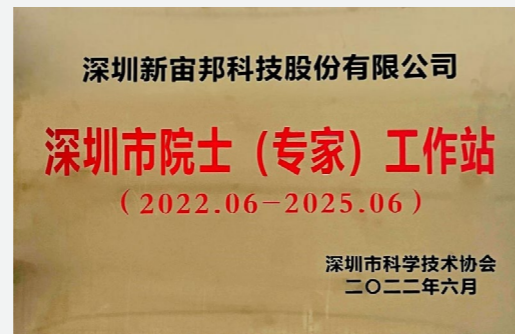
With the aim to stimulate the innovative motivation and potential of R&D personnel and maintain a stable R&D team, Capchem has established an incentive mechanism which combines remuneration and benefits. By offering incentives such as equity incentives, year-end bonuses, project bonuses, and patent bonuses, this mechanism aims to motivate R&D personnel and improve the quality and efficiency of technological R&D. This, in turn, enables us to maintain a competitive edge in the intense market competition.



Certification by CNAS



Shenzhen Enterprise Post-doctoral Workstation



Shenzhen Academician Workstation



### R&D incentives

<b>Remuneration incentives</b>	<b>Non-remuneration incentives</b>
<ul style="list-style-type: none"> <li>● Equity incentive</li> <li>● Year-end bonus</li> <li>● Monthly performance-based bonus</li> </ul>	<ul style="list-style-type: none"> <li>● Incentive for R&amp;D patent application</li> <li>● Project bonuses (such as the Excellent Project Bonus and the Project Approval Bonus)</li> <li>● Patent bonuses</li> <li>● Monthly and quarterly evaluation bonuses</li> </ul>

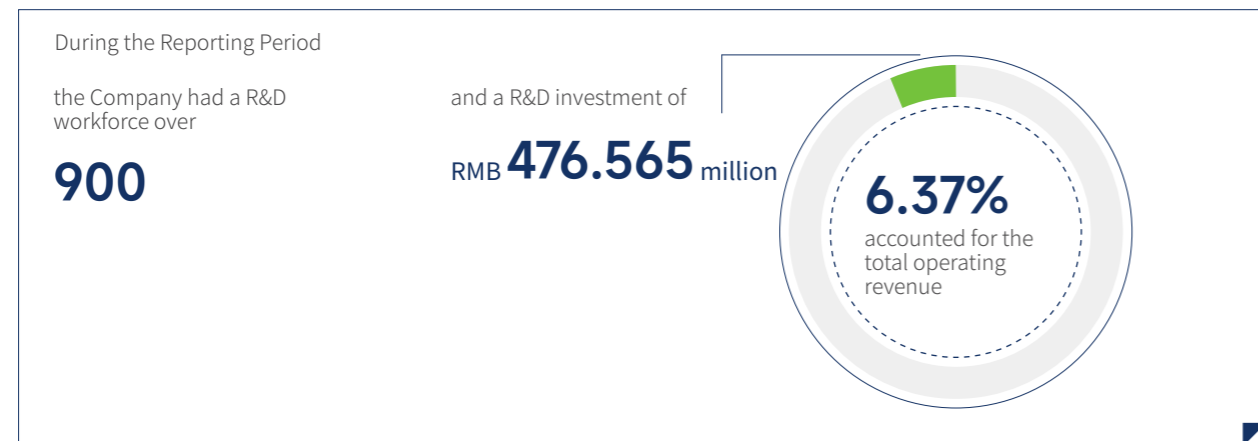
To further strengthen the expertise of R&D personnel and enhance their scientific innovation capabilities and R&D management skills, the Company continuously offers relevant training. During the Reporting Period, Capchem organized 120 training sessions on R&D and intellectual property rights across various departments of the Research Institute, which totaled 151 hours.

### R&D management training case

In order to refine the R&D process, achieve full lifecycle R&D management, and guide R&D innovation, the Capchem Research Institute organized a variety of thematic R&D activities in 2023, covering R&D management processes, the compliance and evidence chain of process execution, project reviews, and experience sharing. At these activities, the Technical Management Department and R&D personnel reviewed and analyzed the execution of the R&D process, improved R&D management processes, and provided solid support for R&D innovation.



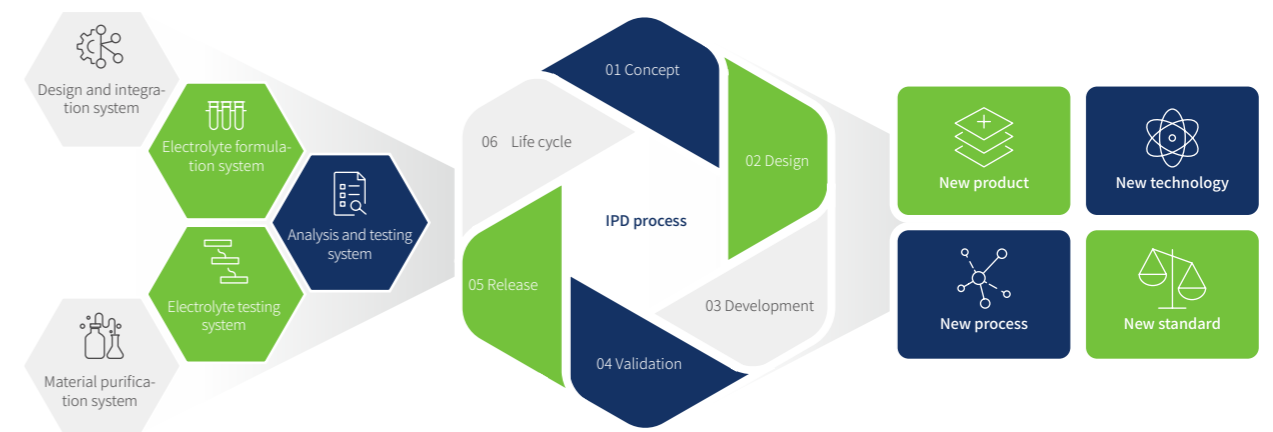
R&D management training at Capchem



### R&D Innovation Mechanism

The innovation mechanism empowers Capchem to pursue innovative development and fully leverage new advantages. The Company continuously improves the science and technology innovation system to lay a solid foundation for achieving strategic plans. In terms of industry exchanges, the Company actively cooperates with universities, industry associations, and peers to facilitate resource sharing and win-win cooperation among multiple sides.

Capchem's R&D innovation mechanism



While pursuing steady and efficient development, Capchem is committed to serving as a bridge between universities and enterprises. Through strategic partnerships with renowned domestic and international universities and research institutes, we aim to foster collaboration in talent development and technological research. Our goal is to seamlessly integrate industry, university, and research, drive technological advancements, nurture talent, and facilitate the commercialization of research outcomes.

Furthermore, the Company actively joins industry associations and builds a platform-based ecosystem that optimizes resource allocation together with industry experts. In partnership with industry alliances and clusters, we also promote the low-carbon, resource-efficient, circular, and intelligent upgrade of the industry. These efforts have strengthened our position in the field of new materials.

Membership in industry associations	
China Industrial Association of Power Sources	Institute of Energy Storage Engineering of the Chemical Industry and Engineering Society of China
China Electronic Components Association	China Association of Fluorine and Silicone Industry
China Super Capacitor Industry Alliance	Guangdong Battery Industry Association
New Materials Branch, China Battery Industry Association	Shenzhen Modern Material Association



## Capchem wins the Chinese Management Model Innovation Award with the business philosophy of STEP

On October 21, 2023, the 13th Chinese Management World Forum and the Chinese Management Model Outstanding Award Ceremony, hosted by the Organizing Committee of the Chinese Management World Forum and the Chinese Management Model 50+ Forum (C50+), were held in Shenzhen. Capchem, with its endeavors to innovation and exploration in management, was honored with the Chinese Management Model Innovation Award.

the "Chinese entrepreneurial spirit", "digital and intelligent reshaping power", "long-termism strategy integrated into top-level design", "aggregation, symbiosis, and altruism", and "conscience-driven business creation and management innovation". It reflects the resilience and strength inherent in Capchem's corporate culture and management philosophy. This is why Capchem has received the Chinese Management Model Innovation Award.

Capchem adheres to the business philosophy of "Solid, Thorough, Excellent, and Professional (STEP)" and the core value of "Innovation for Application, Progress with Integrity" in pursuit of excellence. Capchem also insists on "establishing the brand through quality, enhancing the brand through technology, and maintaining the brand through integrity". This approach has helped Capchem reinforce its good brand image in the electronic chemicals and functional materials industry.

Capchem embodies qualities such as

As the only award winner in Shenzhen,



Sanming Hexafluoro wins the title of "Model Enterprise in China's Fluorosilicone Industry"

The 16th Chinese Management Model Innovation Award (2023)

2023 Gaogong Golden Globe Award

Sanming Hexafluoro receives the "Outstanding Achievement Award of China's Fluorosilicone Industry"

## IPR Protection

Capchem always prioritizes integrating its intellectual property right (IPR) strategy with the overall corporate management strategy. The Company adheres to the knowledge management policy of "forward-looking planning, scientific management, Strict Protection, and efficient operation". Upholding the fundamental principles of "respecting intellectual property and encouraging technological innovation", we actively advance the IPR protection and management to facilitate the innovative development of the Company.

The Company continues to refine its IPR-related management systems and processes and promote the effective operation of the IPR management systems. In 2023, we carried out the IPR Management and Innovation Achievement Process Reshaping Project to comprehensively review and standardize IPR-related business processes. In a concerted effort to bolster IPR protection, the Company has developed the Intellectual Property Management System (IPMS). Besides enabling the full lifecycle management of IPR business, this effort aims to real-

ize the systematized, platform-based, and digitized IPR management, thereby improving efficiency and quality in IPR management.

Capchem focuses on four major research directions, with an emphasis on addressing bottlenecks in electronic chemicals and functional materials. We have successfully bridged the gap between research outcomes and commercialization of engineering technologies, thus facilitating the implementation of several projects related to innovative achievements.

## Cases of commercialization of innovative achievements

Carbonate Solvent for Lithium-ion Battery Electrolytes	New Film-forming Additive for Lithium-ion Battery Electrolytes	New Additive for Lithium-ion Battery Electrolytes
<b>Patented technologies</b> Capchem's ECOSIP™ Technology.	<b>Patented technologies</b> The product holds core and formula patents for intellectual property rights.	<b>Patented technologies</b> The product holds core and formula patents for intellectual property rights, with over ten patents filed, including the <i>Non-aqueous Electrolyte for Lithium-ion Batteries</i> and <i>Lithium-Ion Batteries</i> and <i>A Type of Non-aqueous Electrolyte for Lithium-Ion Batteries</i> and <i>Lithium-Ion Batteries</i> .
<b>R&amp;D advantages</b> The carbonate solvent produced using this technology boasts high purity, low energy consumption, and mild conditions for reaction.	<b>R&amp;D advantages</b> This new film-forming additive significantly improves the high-temperature storage and cycle performance of batteries. The technology is mature, technologically advanced, and reliable, thus ensuring excellent product quality.	<b>R&amp;D advantages</b> The technology process is mature with minimal waste water, waste gas and solid waste, significantly improving the low-temperature and cycle performance of batteries.

At Capchem, we continuously strengthen employees' awareness of IPR protection and build a corporate culture of "respecting knowledge, advocating innovation, pursuing integrity and compliance, as well as encouraging fair competition". During the Reporting Period, the Intellectual Products and Information Research Department conducted multiple training sessions. The training covered basic IPR-related knowledge, the cultivation of IPR awareness, practical skills, and case studies.



### Intellectual Property Day held by the Capchem Research Institute



The company's Research Institute organized the Intellectual Property Day on the 23rd World Intellectual Property Day to implement the Company's IPR management policy and empower technological innovation. During the event, managers of the Intellectual Property Department provided a special lecture and Q&A session on intellectual property, thus strengthening employees' awareness of IPR protection and promoting the construction of an intellectual property culture.



"Intellectual Property Day" thematic activity at Capchem

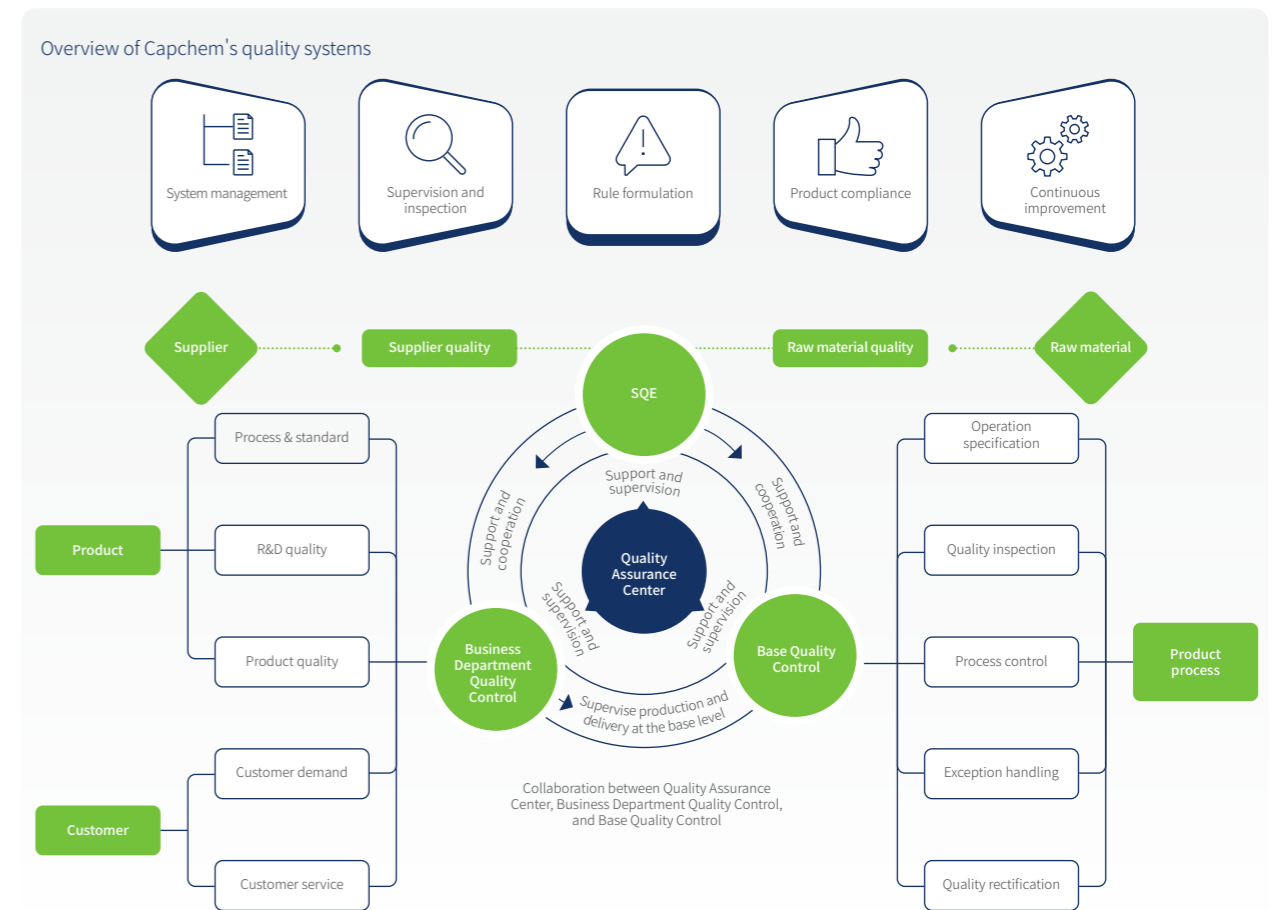
Capchem make relentless efforts to strengthen the awareness of IPR protection and foster a working environment that respects innovation. As of December 31, 2023, the company has submitted 1,108 patent applications, including 777 domestic patent applications, 160 overseas invention patent applications and 171 PCT international patent applications. There were 334 domestic patent granted, 78 overseas invention patent granted. In addition, the company has obtained 220 domestic and overseas registered trademarks cumulatively.

## Quality Assurance

Capchem regards leading product quality as the driving force for long-term success. We rigorously control the quality and safety of all products. Our quality policy is "accurately understanding customer needs, strictly implementing quality standards, continuously improving quality services, ensuring the success of the first delivery in every time, and pursuing perfect customer satisfaction". We also strive to provide better product and service quality and establish a quality management ecosystem with the characteristics of Capchem.

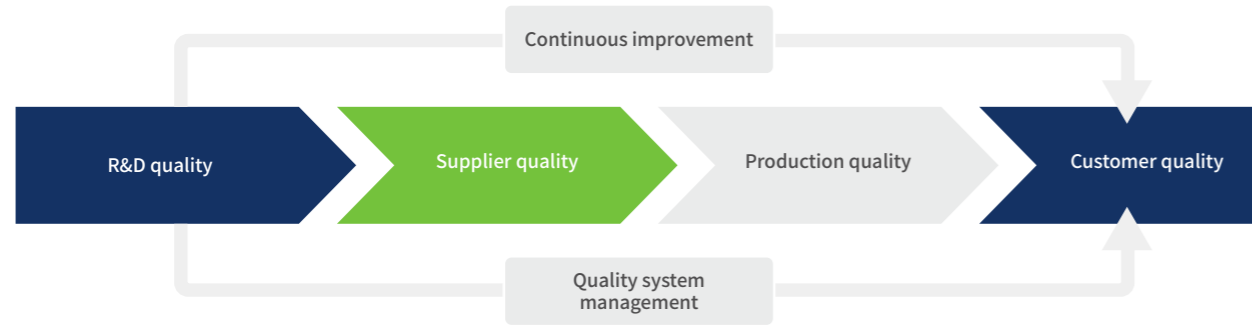
### Quality System

Capchem has established a quality management structure support by the Quality Assurance Center and Business Department Quality Control, SQE and Base Quality Control. This comprehensive structure is designed to facilitate the efficient operation of Capchem's quality systems. The Quality Assurance Center is responsible for formulating quality management strategies and plans in line with the Company's operational strategic goals. The Business Department Quality Control proposes requirements for quality strategy planning based on the actual needs of their respective products. SQE is tasked with overseeing the quality of suppliers and raw materials, while the Base Quality Control implements production control and ensures compliance testing at the base level.





Flow chart of the full product lifecycle quality management of Capchem



Capchem attaches great importance to product quality management and has established a comprehensive quality management system throughout the product lifecycle, covering R&D, supply chain, and mass production. The systems encompass various procedures such as the *Non-Conforming Product Control Procedure*, the *Internal Audit Procedure*,

the *Customer Complaint Management Procedure*, and the *Regulations on Quality Incident Escalation and Accountability Management*. The Company conducts monthly or annual assessments of quality by using indicators such as the qualification rate of raw materials, first pass yield of finished products, and customer complaints. For failed projects, the Com-

pany requires departments in charge to conduct cause analysis and making corrections. This approach ensures the full product lifecycle management from dimensions such as R&D quality management, supplier quality management, production quality management, and customer quality.

Introduction to the full product lifecycle quality management of Capchem

### R&D quality management

Based on the actual R&D scenarios, R&D quality management adopts the Advanced Product Quality Planning (APQP) development process. It utilizes quality control tools such as design matrix, Design Failure Mode and Effect Analysis (DFMEA), Process Failure Mode and Effect Analysis (PFMEA), and special feature management. Five major quality gates are also implemented to ensure the quality of the R&D process.

### Supplier quality management

Through means such as supplier development, admission audits, small-scale trial use, Production Part Approval Process (PPAP), abnormality handling, performance evaluation, change control, special improvement, corrective actions, and phase-out, this approach ensures the quality of raw materials and realize the full lifecycle quality management of suppliers.

All raw material suppliers are required to sign the *Agreement for Quality and Environmental Protection*, the *Environmental Compliance Declaration*, and the *Investigation Form of Environmental Control Substance* to ensure that finished products meet the requirements of the EU RoHS, REACH, and customer standards.

### Process quality management

Utilizing statistical Process Control (SPC) tools and integrating information systems such as Manufacturing Execution System (MES), Distributed Control System (DCS), Programmable Logic Controller (PLC), and Laboratory Information Management System (LIMS), this approach comprehensively controls the factors of personnel, machines, materials, methods, environment, and measurements throughout the production process, ensuring the consistency of the products.

### Customer quality management

A competent customer service team composed of quality, technical, and sales professionals is set up. This team is dedicated to providing customized solutions for customers and continuously improving customer satisfaction.

### Continuous improvement management

Adhering to the principles of lean management, this approach involves Quality Control Circle (QCC), Total Productive Maintenance (TPM), and team building. The goal is to eliminate waste, enhance the quality awareness and innovation capabilities of all employees, and improve the overall quality.

### Quality management system

Through means such as annual performance evaluations of quality objectives, internal audits, external audits and management reviews, this approach seeks to continuously optimize and improve the quality management system. It also ensures its conformity, adequacy, and effectiveness, thereby maintaining the stability and efficiency of the system operation.

Capchem guarantees product quality through internal and external audits. The Company conducts regular internal audits of the quality management system based on ISO9001 and IATF16949. These audits are designed to assess the conformity, adequacy, and effectiveness of the quality management system, thus providing insights into the current quality management for continuous improvement. Furthermore, we engage the third parties to conduct external audits. During the Reporting Period, the Company obtained various certifications, such as the Quality Management System ISO 9001, the Automotive Quality Management System IATF 16949, the Hazardous Substance Process Management System QC 080000, and the China National Accreditation Service for Conformity Assessment (CNAS).

### Quality certificates of Capchem

Quality Management System ISO 9001	Automotive Quality Management System IATF 16949	Hazardous Substance Process Management System QC 080000
<b>Coverage</b>	<b>Coverage</b>	<b>Coverage</b>
<ul style="list-style-type: none"> <li>Shenzhen Capchem</li> <li>Huizhou Capchem</li> <li>Nantong Capchem</li> <li>Suzhou Novolyte</li> <li>Jingmen Capchem</li> <li>Sanming Hexaflu</li> <li>Nantong Top</li> <li>Hunan Fluopont</li> <li>Jiangsu Hicomer</li> <li>Capchem Poland</li> </ul>	<ul style="list-style-type: none"> <li>Shenzhen Capchem</li> <li>Huizhou Capchem</li> <li>Nantong Capchem</li> <li>Suzhou Novolyte</li> <li>Jingmen Capchem</li> <li>Sanming Hexaflu</li> <li>Capchem Poland</li> </ul>	<ul style="list-style-type: none"> <li>Shenzhen Capchem</li> <li>Huizhou Capchem</li> </ul>
		





### Capchem Poland Sp.z o.o. obtains IATF16949 LOC, ISO9001 Certification

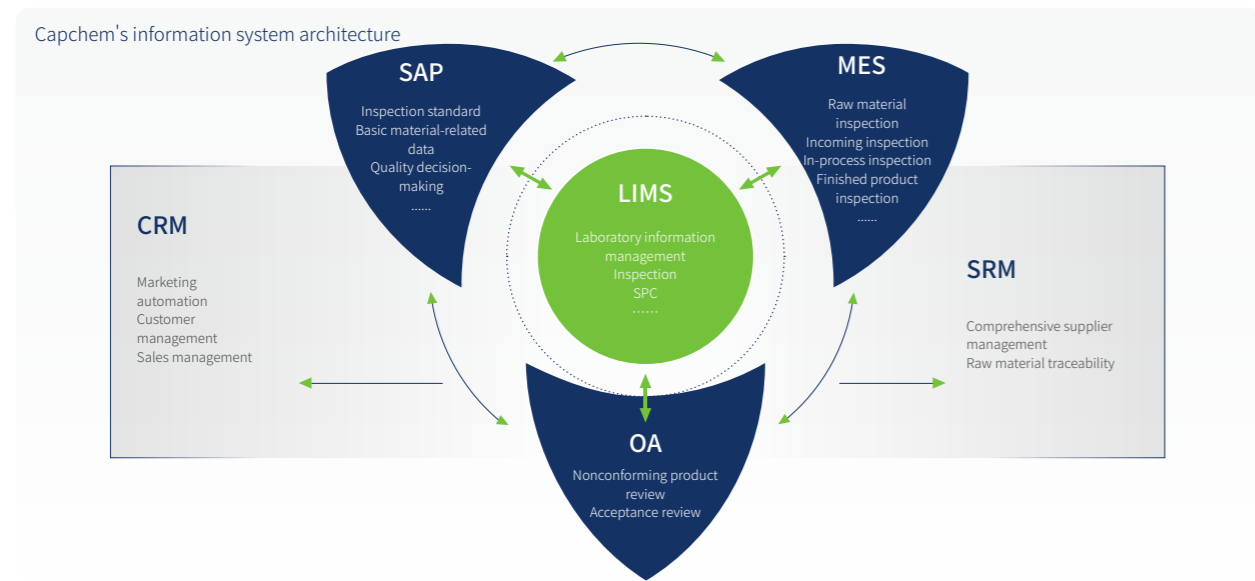


Capchem Poland has successfully passed the certification audits for IATF16949 LOC and ISO9001. The thorough examination and evaluation were conducted by an audit team consisting of both Chinese and Polish auditors.



Group photo of Capchem Poland passing IATF16949 LOC and ISO9001 Certification

The Company is dedicated to digitizing product quality management by establishing an information system architecture that comprehensively monitors quality data at every stage from suppliers to customers. To ensure product quality, various information systems such as CRM, SRM, LIMS, MES, OA, and SAP have been used and promoted to build a complete digital quality management system. The company controls the quality of raw materials, monitors the production process, analyzes data from product inspection and sales, thus guaranteeing product quality in all aspects. With the synergy of these systems, the company is able to identify problems and make timely improvements at all stages, thus reducing the defective rate and improving customer satisfaction. With the support of the collaboration of these systems, Capchem can identify and promptly address issues at each stage, thereby reducing defect rates and enhancing customer satisfaction.



#### During the Reporting Period

The first pass yield of finished products reached

**99.43%**

There were major quality incidents

**zero**

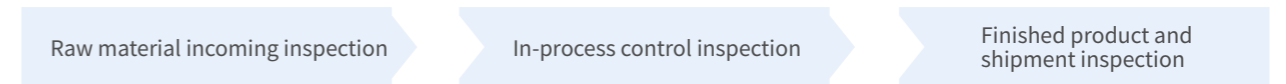


### Product inspection and nonconformity management



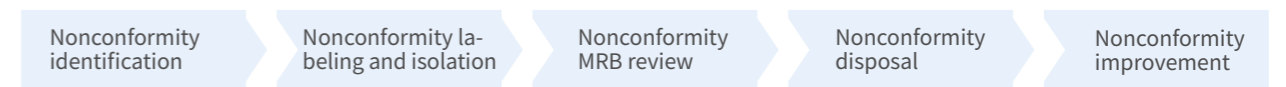
The Company has formulated the *Incoming Inspection Procedure*, the *Production Process Inspection Procedure*, and the *Finished Product Inspection Procedure*. These procedures involve inspecting materials at various stages of production to ensure that they meet quality standards and customer requirements.

Flow chart of product inspection



In the event of nonconformity, the Company will control nonconforming items in accordance with the *Nonconformity Control Procedure*. Each year, we will analyze quality issues identified inside and outside the Company. A dedicated quality improvement team is set up to address these issues by adopting the Quality Control Circle (Quality Control Circle).

Nonconformity control procedure



### Quality Culture

Capchem believes that the long-term operation of the quality system is underpinned by quality culture. In order to continuously improve quality management, we actively conduct training on quality management. We also develop internal and external training courses to improve employees' theoretical knowledge and practical methods regarding product quality management.

During the Reporting Period, Capchem organized 10 quality management training sessions, covering topics such as system certification, project management, product design, and quality improvement tools. The training recorded 591 enrollments, with an average training duration of 8.4 hours per employee.

### Quality Month activities



The Company planned and organized the Quality Month activities. Shenzhen Capchem, along with ten other companies including Huizhou Capchem and Nantong Capchem, jointly carried out the Quality Month activities with the theme of "Enhancing Quality Awareness and Promoting High-Quality Development". The event involved knowledge training, knowledge contests, special inspections, improvement workshops, and quality essays.



The launch conference of Capchem's Quality Month activities



## Lean management

Under the leadership of the Company, all bases engaged in a series of lean management activities, including the Eagle Eye Action, Woodpecker Action, improvement workshops, as well as regular competitions and evaluations. Some bases such as Sanming Hexafluo, Huizhou Capchem, and Jingmen Capchem analyzed the problems identified in the business management process and summarized knowledge such as the checklists and case libraries for error prevention, as parts of efforts in response to the requirements of the Company.



Posters for Woodpecker Action and Eagle Eye Action of Capchem

## Internal auditor training for ISO 9001 and IATF 16949

The Company organized joint learning sessions for departments including the Procurement and Logistics Center, Product Technology Center, Engineering Technology Center, Quality Assurance Center, Base Quality Control, and Research Institute. These training sessions aim to familiarize employees with the Quality Management System ISO 9001, the Automotive Quality Management System IATF 16949, and audit techniques.



Group photo of internal auditor training for ISO 9001 and IATF 16949

The Company rigorously controls product quality to ensure product stability and reliability, so the company's product quality has been recognized by many parties. As of the end of the Reporting Period, we received the nomination for the Shenzhen Mayor's Quality Award, the Huizhou Quality Award, and outstanding supplier awards from customers.

## Commitment to Green Product

Capchem keenly understands that in a sustainable society, it's an inevitable choice to promote the transformation and upgrading of the traditional chemical industry towards green and sustainability. This transformation requires advanced technology and innovation, but more importantly, it involves integrating green concepts into the Company's operation philosophy.

Based on the mission of "Electronic Chemicals and Functional Materials for a Better Future", Capchem has promoted the "Four Green" development strategy. This strategy involves exploring green products through advanced technology and innovation; adopting green processes by delving into production processes to reduce and eliminate pollution at the source; promoting the construction of green factories with rigorous standards and requirements; as well as creating a green future with green chemistry and contributing to the green transformation of the industry chain.





## Green Products

Adhering to the principle of sustainability, Capchem incorporates the green concept of "efficient use of resources, energy conservation, environmental protection, and healthy and safe production" throughout the full product lifecycles. We have step up R&D efforts to increase the "green content" of our products and also actively respond to national environmental protection policies for production and products. Capchem diligently implements various environmental management systems, contributing to environmental protection with outstanding green products.

Our product portfolio includes battery chemicals, organic fluorine chemicals, capacitor chemicals and semiconductor chemicals. These products are applied in areas such as new energy vehicles, consumer electronics, urban rail transportation, biomedicine, digital infrastructure, photovoltaic energy storage, and industrial manufacturing.

### Battery chemicals

- Capchem's battery chemicals can be grouped under three main categories, namely electrolytes for lithium-ion batteries (including lithium-ion battery electrolytes, additives, new lithium salts, carbonate solvents), super-capacitor chemicals, primary lithium battery chemicals.
- These products are used in industries such as new energy vehicle batteries, digital product batteries, and distributed energy storage.
- Capchem is dedicated to addressing key issues related to long cycle life and good performance at both high and low temperatures. To date, the Company has achieved a number of outstanding results in the independent development of new additives and formulations. Ethylene Oxide to Carbonate Solvents Integrated Process (ECOSIP™), empowered by the Carbon capture, use, and storage (CCUS) technology, is able to convert the carbon dioxide generated by petrochemical enterprises into the core material of the new energy industry—carbonate solvents. It is expected to consume 100,000 tons of carbon dioxide annually.

### Organic fluorine chemicals

- The organic fluorine chemicals produced and operated by Capchem are mainly downstream fluorinated fine chemicals of hexafluoropropylene and downstream fluoropolymer products of tetrafluoroethylene. Our main products include fluorinated pharmaceutical and pesticide intermediates, fluororubber vulcanizing agents, fluoropolymer modified comonomers, fluorinated surfactants, fluorinated gases for power insulation.
- These products are used in pharmaceutical industry, pesticides, textiles, electronics, machinery, automobiles, and other terminal consumption sectors.
- Capchem aims to provide customers with a wide range of safe, eco-friendly, and high-performance organic fluorine chemicals.

### Capacitor chemicals

- Capacitor chemicals include aluminium electrolytic capacitor chemicals, aluminium foil chemicals, tantalum capacitor chemicals and functional materials. The main series of products include electrolytes and chemicals for aluminium electrolytic capacitors, chemicals for aluminium wound solid state capacitors, chemicals for aluminium foil, chemicals for aluminium laminated capacitors and chemicals for tantalum capacitors.
- These products are used in capacitor aluminium foil processing, aluminum electrolytic capacitors, and solid-state capacitors.
- With major breakthroughs in high pressure resistance and long service life, Capchem strives to properly solve the main issues related to high voltage, long service life and high temperature resistance of capacitors in products such as, new energy vehicles, and smart homes.

### Semiconductor chemicals

- Semiconductor chemicals can be mainly classified into high-purity chemicals, functional chemicals.
- The downstream fields of semiconductor chemicals are mainly concentrated in display panels, solar photovoltaic, integrated circuits and so on.
- With more than twenty years of experience accumulation and technical advantages in deep cultivation of fine electronic chemicals, the company relies on innovative process technology, high-quality products and sound quality management system to win the trust of customers, and stable batch supply of mainstream customers in the industry.

### Fluorinated coolant

The fluorinated coolant is a highly stable and fully fluorinated liquid with a zero ozone-depletion potential (ODP) and a low global warming potential (GWP). This product is suitable for directly immersed cooling solutions. Besides ensuring the safe and effective operation of electronic equipment, it can reduce energy consumption and minimize dependence on natural resources.

### Perfluoroisobutyronitrile

Perfluoroisobutyronitrile is a new-generation, eco-friendly power insulating gas with low global warming potential (GWP) value. A complete replacement of the sulfur hexafluoride (SF6) could reduce more than 100 million tons of equivalent carbon emission each year.

### Fluorinated cleaning agent

The fluorinated cleaning agent features moderate solubility and excellent material compatibility. With a zero ozone-depletion potential (ODP) and low global warming potential (GWP), it has been used in various fields, including medicine, electronics, optical lenses, new energy.

In October 2023, Shenzhen Hexafluo was invited to attend the 2023 ALDC Summit.

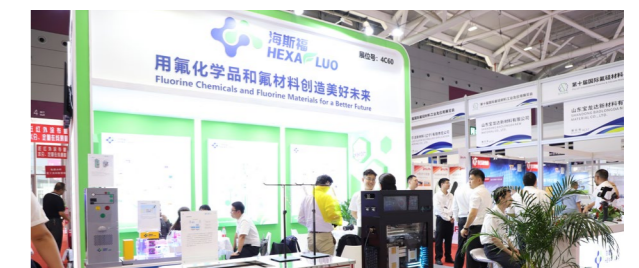
At the Summit, Shenzhen Hexafluo also exhibited the fully-immersed phase change cooling model. As a typical application equipment of fluorinated coolants, the fully-immersed phase change liquid cooler adopts the HEXAFLUO Boreaf™, the immersed phase change liquid cooling technology. This technology is capable of facilitating safe and reliable operation of the equipment as well as reducing energy consumption and carbon emissions.



Shenzhen Hexafluo invited to attend the 2023 ALDC Summit

In October 2023, Sanming Hexafluo attended the 10th China International Fluorosilicon Material Industry and Application Exhibition (CIFSIE 2023).

At this exhibition, Sanming Hexafluo showcased its full range of products and solutions as well as its product advantages across the entire organic fluorine industry chain. By highlighting typical application scenarios of green products, it also exhibited Capchem's technical strength in the field of fluorine-containing chemical applications.



Sanming Hexafluo attends the CIFSIE 2023

### Capchem attends the China Materials Conference

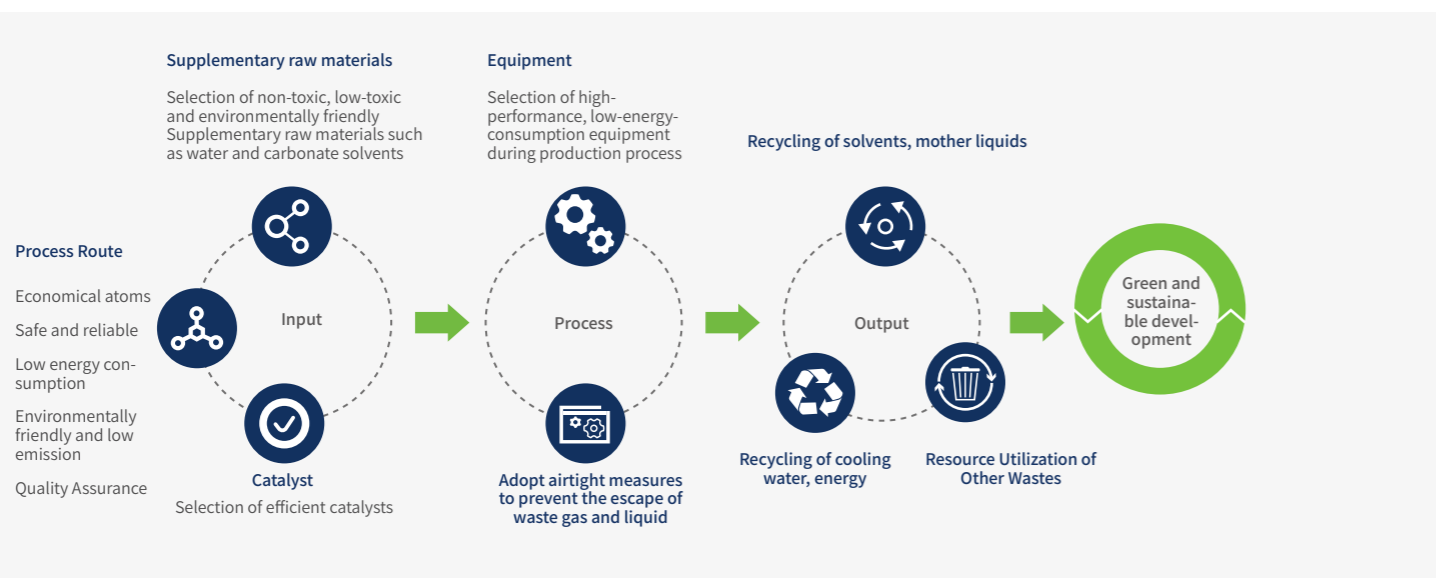
In July 2023, Capchem was invited to attend the China Materials Conference 2022-2023 (CMC) and the International New Material Research Instrument and Equipment Exhibition. Capchem showcased innovative technologies of its major four business segments, namely battery chemicals, organic fluorine chemicals, capacitor chemicals etc. during the event. This also fully demonstrated the Company's strength in green products.





## Green Processes

Capchem incorporates the concept of "innovation-driven, green development" into the development of new products as well as the optimized design of production lines. This approach enhances the eco-friendly production process and reflects the Company's commitment to green processes.



## Green Factories

Capchem is actively working towards low-carbon production and the construction of green factories. We have continuously intensified efforts towards the R&D and application of environmental protection technologies and equipment. Besides, we integrate the concepts of "more eco-friendly principles, cleaner processes, and more energy-efficient equipment" into various stages such as

product design, R&D, and production. This approach aims to reduce carbon emission and energy consumption in the production process as well as contribute to the realization of China's goals for carbon neutrality and carbon peaking.

In 2023, Sanming Hexafluoro and Huizhou Capchem were awarded the Green Factory for their outstanding performance

in the field of green sustainable development and green factory construction.

In the future, Capchem will further engage in the construction and certification of green factories, aiming to promote sustainable development, enhance environmental protection, and foster the balanced development of the economy, society, and environment.

## Green Industry

In its commitment to creating a better future with electronic chemicals and functional materials, Capchem continuously promotes the innovation of green technologies and the development of eco-friendly industries. These industries include new energy, new materials, petrochemicals, light industry, textiles, and information technology. The Company consistently leads industry-wide green and low-carbon transformation through continuous product and technology innovation.

Industry for application	Related technology, equipment, and product	Product advantage
Green energy	R&D and production of inverter control system	Capchem's battery chemicals, capacitor chemicals, and organic fluorinated chemicals are applied in solar inverters.
Petrochemicals (new materials)	Fluorosilicone rubber	Vulcanized fluororubber products feature superior properties such as compression deformation resistance, chemical corrosion resistance, and thermal stability.
	Fluorinated lubricant	Perfluoropolyether lubricants and vacuum pump oil feature heat resistance, oxidation resistance, radiation resistance, corrosion resistance and non-combustibility. These products are used in the sectors of chemicals, electronics, electrical appliances and machinery industry.
	Replacement for ozone-depleting substances (ODS) with a zero ozone-depletion potential (ODP) and low global warming potential (GWP)	The fluorinated coolant produced by Capchem boasts excellent thermal conductivity, electrical insulation, chemical stability, and non-combustibility. The product also has excellent dielectric constant, ideal chemical inertia, thermal conductivity, zero ozone depletion potential (ODP), low global warming potential (GWP), and power usage efficiency (PUE) below 1.1.
	R&D and application of new technology for efficient utilization of carbon dioxide	Huizhou Capchem has realized the systematic innovation of ionic liquid catalyst-reactor-process through technological breakthroughs, and built an ionic liquid-catalyzed carbon dioxide synthesis carbonate industrial plant, which can realize green and effective utilization of the greenhouse gas carbon dioxide.
Light industry	Semi-solid-state and all-solid-state lithium-ion batteries	Capchem actively taps into semi-solid-state lithium-ion batteries, all-solid-state lithium-ion batteries, and other new types of batteries, such as sodium-ion battery chemicals and solid-state battery chemicals. Shenzhen Capchem Technology Co., Ltd., a joint venture of the Company, is engaged in the R&D and marketing of solid-state battery materials and adhesives. Besides ensuring stable production of solid electrolytes, other categories of solid electrolytes have entered the sampling and collaborative testing phase.
	Fluoroethylene carbonate (FEC)	The lithium-ion battery electrolyte produced by Capchem is mainly composed of carbonate solvents, various additives, and solute lithium salts. The additives include vinylene carbonate (VC) and fluoroethylene carbonate (FEC). FEC plays a role in improving the electrochemical performance of the electrolyte and has a significant impact on promoting the stability, flame retardancy, overcharge protection, and rate characteristics.  Currently, Jiangsu Hicomer is responsible for the R&D, production, and sales of additives for lithium-ion battery electrolytes. Its FEC and VC additives are stably supplied to domestic and international battery customers.
Textile	Polytetrafluoroethylene (PTFE)	Capchem's fluoropolymers are primarily produced using tetrafluoroethylene and various perfluoromethyl vinyl ethers as raw materials. Polytetrafluoroethylene (PTFE), melt-processable polytetrafluoroethylene (PFA), perfluorosulfonic acid (PFSA), and other fluoropolymers are manufactured through polymerization.
Information industry	Polymer solid capacitor	Capchem's dispersion agents for solid capacitors are water-based, eco-friendly polymers. Through continuous technological iterations, this product features superior properties such as low impedance, high voltage resistance, surge resistance, and temperature resistance. It can help to improve capacity performance and reduce energy consumption, and is applied in areas such as new energy vehicles, industrial power supplies, laptops, and TVs.
	Supercapacitors	The chemicals for super-capacitors are mainly used in super-capacitors. Super-capacitors have characteristics such as high discharge power, a wide range of applicable temperatures, and long cycle life. Hence, they are used in fields such as smart meters, wind power generation, hybrid electric vehicles.



# Customer Services

Capchem always adheres to the customer-focused concept when serving customers across all links. The Company constantly improves and standardizes the service process, reforms and innovates the service mode, builds an information-based customer service management system, continuously creating value for customers, and assisting the high-quality development of enterprises and industries. The Company won the "Internationally Reputable Brand" Award by the United Nations Industrial Development Organization.

## Customer Service Systems

Capchem has established a worldwide marketing network and service system around the focus of customers, providing customers with stereoscopic services for the whole life cycle of products. We provide customers with high-quality products and services with innovative products, nearby supply, internationalized quality, professional temperature-controlled logistics system for hazardous chemicals, and on-site service, etc., which greatly enhance customer satisfaction.

The Company has built a set of customer service Management System and Process, including *Management of Customer Grading and Classification*, *Management of Customer Visits*, *Management of Customer Technical Solutions*, *Management of Customer Special Needs*, *Customer Satisfaction Survey and Follow-up*, *Handling of Customer Complaints*, *Staff Training*, *Internal Evaluation and Continuous Improvement Mechanism* and so on. We have constructed a 360-degree customer-centered management system,

built a series of information technology platforms such as CRM, SRM, LIMS, DCS, MES, PLC, SAP, etc., and realized the data integration and information sharing between CRM and ERP, OA, and realized a unified management platform for the whole process of files, business opportunities, sales, etc., and continuously optimized the system according to the actual business needs, so as to improve business efficiency and improve service quality.

Digital management platforms



Capchem actively responds to the concept of responsible marketing, starting from product design and development, to process control and product delivery in full compliance with laws and regulations, and adopting environmentally friendly materials. The company formulates internal product labeling management standards and methods, and classifies products in accordance with GHS, customer requirements and other classification methods, provides customers with detailed information on product ingredients, product composition, safe

use and disposal methods, and provides customers with professional training services on the safe use of chemicals. We also empower our customers to achieve high-quality growth and sustainable development through exchanges and sharing of technology R&D and market development research, and cooperation on key projects.

In order to improve the quality of customer service, according to the type of personnel serving customers, Capchem has set up a competence certification system for marketing sequence, tech-

nical service sequence and customer service sequence, clarified the qualification standards and competence models for various positions, and through the "Capchem Management College", built an online course system, combined with offline expert training, job rotation, teacher-take-apprentice approach, differentiated competence enhancement initiatives for different people, as well as regular experience-sharing and review, combined with the evaluation and ranking mechanism, to continually improve the overall level of customer service.



Marketing Transformation Strategy Program

## Customer Demand Analysis and Responses

The company establishes a scientific and reasonable customer grading model, classifies and manages customers, provides customized and differentiated services for the specific needs of different customers in order to satisfy their needs to the maximum extent. In the stage of customer demand identification,

the company insists on customer-centeredness, takes technological innovation as the guide, provides customers with high-value products and solutions, and helps customers to make technological iteration and progress. In the product delivery stage, the company guides the order commitment and execution

process of the supply chain by setting efficient and standardized standards, and setting reasonable delivery times according to the different needs of different customers. Thus, it provides customers with efficient and high-quality technical services and improves customer satisfaction.



## After-sales Services and Customer Communication

Capchem established a well-improved after-sales service system and customer complaint-handling mechanism. After receiving a complaint, the Company will immediately start the *Customer Complaint Handling Procedure*, actively respond to the complaint, answer customer questions within 0.5 days, and take measures within 24 hours.

After continuous exploration and improvement, Capchem has formed a customer-focused and operable customer satisfaction evaluation system. The Company evaluates and manages customer satisfaction and engagement with reference to the process of the *Management of Customer Satisfaction and Engagement*, analyzes the survey results of customer satisfaction and engagement, understands the current and future needs and expectations of customers, examines its current management deficiencies and adjusts timely to continuously improve customer satisfaction and engagement.

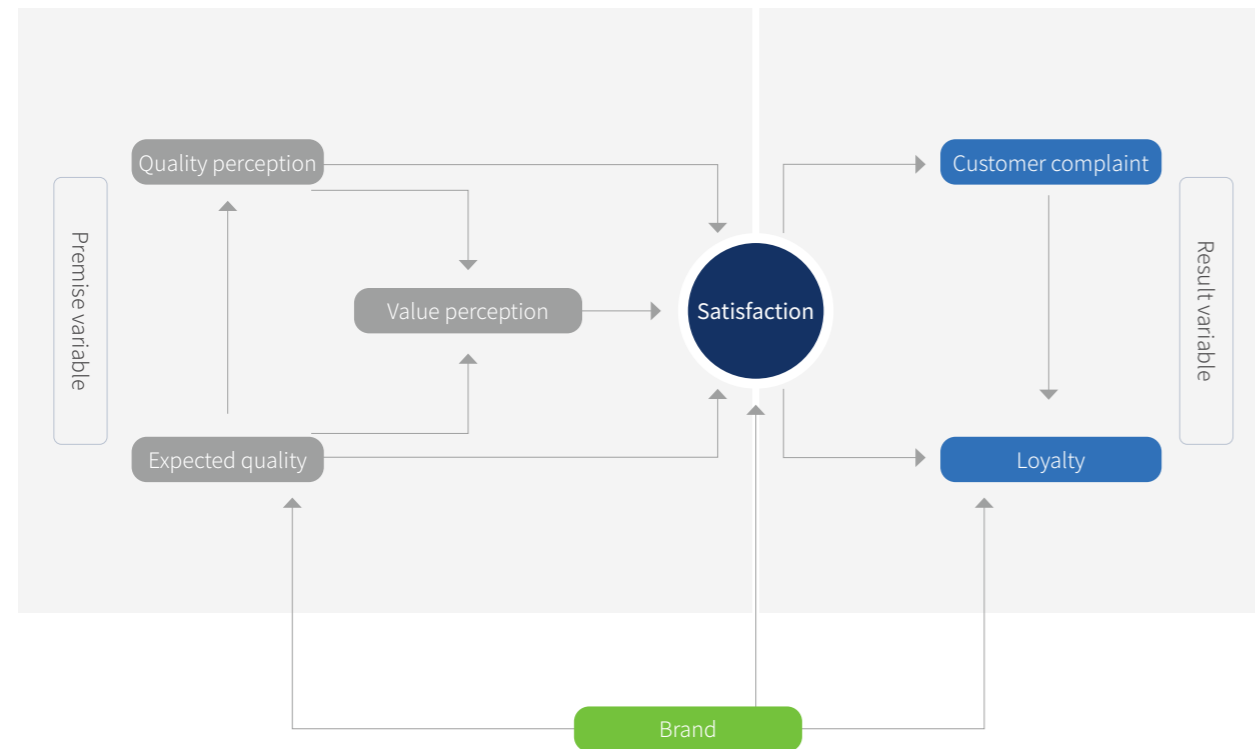
**0.5** days

Answer customer questions within

**24** hours

Take measures within

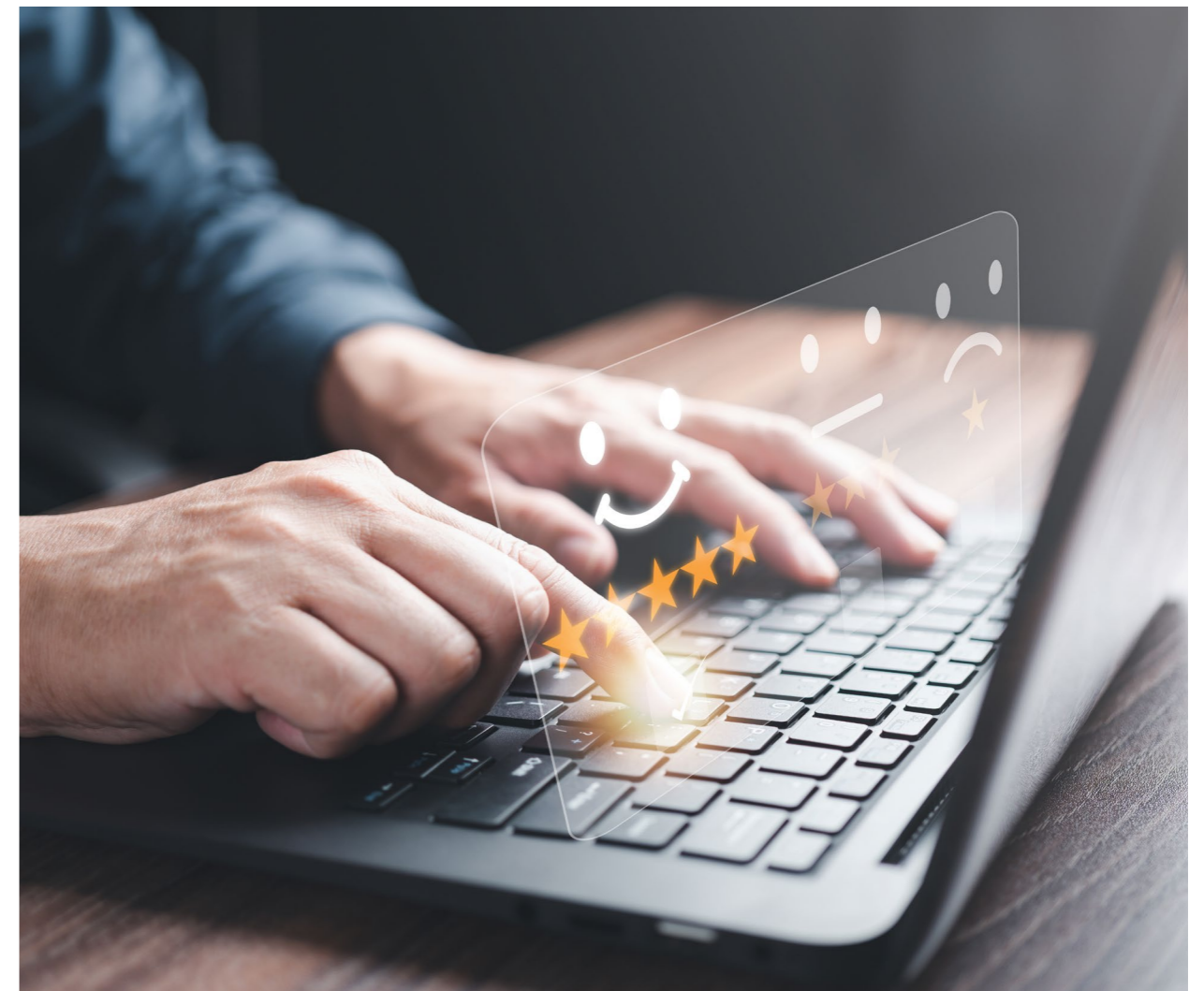
Customer satisfaction survey model



After summarizing the customer satisfaction questionnaire and the statistical results of performance data, the Company made the *Statistical Analysis Report on Customer Satisfaction Survey* which showed the key contents affecting satisfaction, the Company's competitive advantages and room for further improvement, thus providing a basis for the Company's product innovation and service promotion. In addition, the Marketing Center will also describe the satisfaction survey method in the report, put forward improvement requirements and consummate for the problems existing in the survey analysis results. According to the customer sampling rules, the customer satisfaction survey covers VIPs and other customers, with about 200 participants. The Company's overall customer satisfaction score has remained above 90 for many years. And the company has been honored with excellent supplier awards from domestic and international customers.

The Company's overall customer satisfaction score has remained above

**90+** for many years





# 04

## Ecological Protection: Green Environmental Practices in Production and Operations

Capchem is committed to comprehensively integrating the green environmental philosophy into every aspect of its production and operations. The Company actively addresses global climate change, vigorously promotes energy conservation and emissions reduction, continually optimizes the management of "waste gas, waste water, waste solid" and resources, practices green and low-carbon operations, and effectively fulfills its environmental protection responsibilities.

### Environmental Management System

- RMB **39,4443** million of environmental investment
- RMB **4,15** million of total Investment in energy-saving technological transformation

### Water Resources Management

- Achieved the reuse of reclaimed water, amounting to **83,098.47** tons
- The reuse rate of reclaimed water reached **28%**

### Emissions and Waste Management

- Pollutant emissions (NO<sub>x</sub>, PM, SO<sub>x</sub>, VOC<sub>s</sub>) from key discharge units below **23.5%** of the relevant standard limits.
- The total recycling and reuse rate of general waste reached **7.1%**





# Environmental Management

Capchem is committed to continuously enhancing the environmental management system. Based on the characteristics of raw materials, processes, products, "waste gas, waste water, waste solid", and the principles of reduction, resource utilization, and recycling in the production process, the Company rationalizes the control of resource and energy consumption, optimizes waste management, and strives for green development through technological empowerment. The Company insists on selecting more environmentally friendly raw materials, adopting cleaner processes, and using more energy-efficient equipment to build an inter-nationally reputable brand with leading influence in the era and industry, providing high-quality green products.

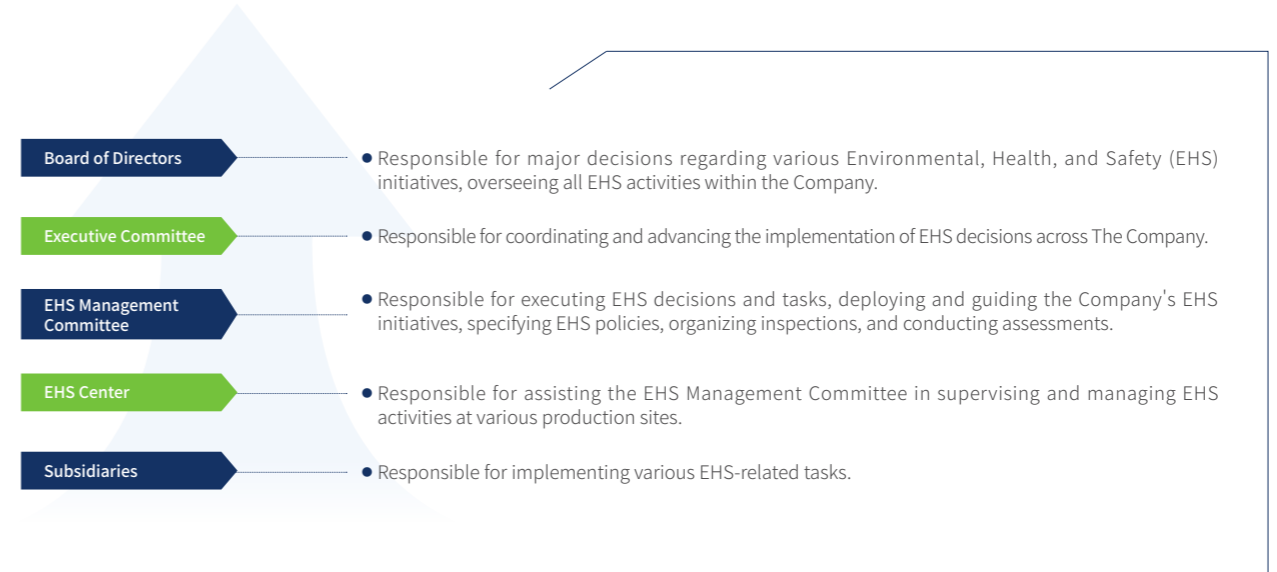
The Company has established a comprehensive environmental management system in accordance with the ISO 14001 system. As of the end of the Reporting Period, all bases in operation had obtained 100% certification for ISO 14001 system, except for the newly built sites, which are required to obtain relevant permits for trial production according to laws and policies before certification. The Company has implemented complete environmental management system audits on bases with stable operations in compliance with the ISO 14001 system.

Adhering to the philosophy of "safety first, environmentally friendly, and resource conservation", the Company has constructed a well-defined and responsible EHS management structure. This structure oversees decision-making, supervision, and management of EHS-related issues, including addressing climate change, greenhouse gas and energy management, emissions and waste management, water resource utilization, and more.

The Board of Directors serves as the highest decision-making body for corporate operations and EHS management. It is responsible for major EHS decisions and supervises various EHS work. The Board of Directors establishes an Executive Committee to coordinate the implementation of EHS decisions. The EHS Management Committee, under the leadership of the Board of Directors and the Executive Committee, is responsible for executing EHS decisions and tasks, deploying and guiding the Company's EHS work, formulating EHS policies, and organizing inspections and assessments. The EHS Center assists the EHS Management Committee in supervising and managing the EHS work of each production base, ensuring the implementation of various EHS-related tasks at each production base.



EHS management structure



Certificates of ISO 14001 certification certificates for bases of Capchem

The Company actively enhances the environmental management through measures such as green technological innovation. With outstanding environmental governance performance and sustained and robust growth, the Company has received numerous honors, including "Top 10 in Green Governance for Shenzhen Listed Companies", and "TOP 20 in Green Governance for Listed Companies in the Greater Bay Area".





## Environmental Goals

Based on business development and operational conditions, Capchem has established environmental goals to continually enhance environmental management. The Company strives to prioritize ecology and promote green development throughout the entire production and operational processes, aiming to increase the proactiveness of its environmental management.

In 2023, the Company has set relevant goals for energy management, wastewater discharge management, and hazardous waste management, with 2022 as the baseline year. The details of goal setting and achievement are as follows:

### Goal setting (compared with 2022)

### 2023 goal achievement

#### Energy consumption

**3%**

reduction in energy consumption per unit of product

**Achieved**

#### Wastewater generation

**5%**

reduction in wastewater generation per unit of product

**Achieved**

#### Hazardous waste generation

**5%**

reduction in hazardous waste generation per unit of product

**Achieved**

## Environmental Monitoring and Auditing

Capchem strictly complies with laws and regulations such as *the Environmental Impact Assessment Law of the People's Republic of China* to complete the environmental impact assessment for construction projects. Regular workplace environmental risk assessments are conducted for all production bases to ensure that the Company's environmental efforts comply with standards. All environmental facilities are operated normally, and pollutant emissions meet regulatory standards.

During the Reporting Period, all produc-

tion bases of the Company conducted environmental impact monitoring on their own or through third-party testing institutions with qualifications in accordance with legal requirements, to monitor the company's wastewater, waste gas, noise, etc., and ensure the authenticity and effectiveness of monitoring data.

On an annual basis, the Company conducts environmental compliance reviews and inspections at all locations of operations. This includes checks for legal and regulatory compliance, integrity inspections of the environmental

management system and internal environmental management procedure, as well as monitoring and auditing of environmental emissions. During the Reporting Period, the Company carried out annual and semi-annual environmental impact monitoring through methods such as work inspections and EHS quarterly inspections. In conjunction with system certification and customer requirements, we also cooperate with external organizations to conduct annual or periodic monitoring of environmental impact factors such as emissions.

## Environmental Emergency Responses and Publicity

Capchem places high importance on the prevention and response to sudden environmental incidents, striving to achieve the goal of zero environmental emergencies across the entire company. The Company continuously enhanced the awareness of environmental management and environmental protection among employees, and carried out specialised environmental protection training on a regular basis. During the reporting period, the Company carried out training on environmental compliance management, identification and evaluation of environmental factors, standardised management of waste gas, standardised management of solid waste and other specialized training.

The Company has signed an *Emergency Rescue Mutual Assistance Agreement for Environmental Pollution Sudden Incidents* with relevant enterprises and national hazardous chemical emergency rescue bases to further strengthen the emergency preparedness and response capabilities for environmental emergencies.

For specific situations such as chemical leaks, hazardous waste leaks, and environmental emergencies derived from production safety accidents, the Company has formulated an *Emergency Response Plan for Sudden Environmental Incidents*. Regular joint drills and training sessions are conducted with government

agencies, dedicated enterprise fire and emergency rescue teams, and other external and internal stakeholders.

To enhance employees' emergency response capabilities and reduce potential hazards from sudden environmental incidents, the Company conducted various emergency drills during the Reporting Period. These included drills for domestic sewage treatment plant sewage leaks, hazardous waste leaks in production and storage areas, and emergency drills for malfunctioning air pollution control facilities.





# Pollutant and Resource Management

Capchem consistently adheres to green operations, strictly complying with the pollution emission standards stipulated by the operating locations. The Company ensures high-standard disposal and management of various emissions and waste generated during the production and operational processes. The Company continuously enhances its green environmental management, refining the management of emissions and waste, soil and groundwater, raw materials, and other environmental and resource aspects. Efforts are made to propel green development to become the everlasting foundation of The Company's growth.

## Emissions and Waste Management

Capchem strictly adheres to laws and regulations such as the *People's Republic of China Solid Waste Pollution Prevention and Control Law*, the *People's Republic of China Water Pollution Prevention and Control Law*, the *People's Republic of China Soil Pollution Prevention and Control Law*, the *National Catalog of Hazardous Waste*, the *Measures for the Administration of the Transfer of Hazardous Waste*, the *Measures for the Management of Automatic Monitoring of Pollution Sources*, and other relevant legal, regulatory, standard, policy, and technical documents. The Company actively fulfills its environmental protection responsibilities, ensuring the compliant discharge of various types of waste.

In order to ensure compliance management of pollutant emissions and waste, the Company has formulated a series of internal management systems such as the *Pollution Control Procedure*, the *Solid Waste Classification Method*, the *Hazardous Waste Management Procedure*, and the *Environmental Target Indicator Management*. These systems aim to standardize the proper disposal of various pollutant emissions. We also adopt relevant measures to reduce emissions of various pollutants, thereby minimizing the environmental impact of pollutant emissions.

The Company focuses on the reduction and resourceful treatment of the "waste gas, waste water, waste solid". First,

through process optimization and the classification and collection of liquid waste by concentration, we manage to recycle high-concentration waste liquid. Further measures such as sludge drying and concentration are implemented to reduce hazardous waste. Second, processes such as triple-effect evaporation and wastewater deep treatment are adopted to enable complete industrial wastewater reuse and achieve net zero discharge. Third, multi-stage condensation is applied to recycle high-concentration organic waste gases. The solvents recycled are reused, thus reducing emissions of air pollutants from waste gases.

Pollutant types	Main emission types	Treatment methods	Optimization measures
Wastewater	Industrial wastewater, domestic sewage	Treated through wastewater treatment processes for reuse or standard discharge	Optimization of wastewater treatment and reclaimed water utilization processes
Air emissions	Nitrogen oxides (NO <sub>x</sub> ), particulate matter (PM), sulfur oxides (SO <sub>x</sub> ), volatile organic compounds (VOC <sub>s</sub> ), odor, sulfuric acid mist, hydrochloric acid mist, non-methane total hydrocarbons, etc.	Absorption method, condensation method, heat storage combustion method	Activated carbon adsorption, installation of regenerative thermal oxidizer (RTO), alkaline spray
Hazardous waste	Waste organic solvents, used filters, waste packaging materials, waste activated carbon, waste molecular sieves, production waste liquid, wastewater treatment sludge, waste organic resins, residue from precision distillation, waste mineral oil, incineration residues, etc.	Entrusted to third-party qualified organizations for harmless treatment; Some hazardous waste is incinerated	Use sludge drying agents to reduce sludge moisture content; Optimize product and raw material packaging
General waste	Common solid waste (such as household garbage, kitchen waste) and reusable solid waste (such as waste wood, waste steel)	Entrusted to third-party qualified organizations for recycling; Entrusted to sanitation stations for treatment	Recycle waste cardboard, product packaging barrels, etc., to reduce waste generation

## Soil and Groundwater Protection

Capchem places high importance on soil and groundwater protection efforts, strictly adhering to relevant policies and standards such as the *People's Republic of China Soil Pollution Prevention and Control Law*, the *People's Republic of China Water Pollution Prevention and Control Law*, the *Guidelines for Hazard Investigation of Soil Pollution in Key Supervised Units (Trial)*, the *Technical Guidelines for Environmental Impact Assessment of Soil (Trial)*, and the *Technical Guidelines for Environmental Impact Assessment of Groundwater*. To ensure the timely identification and resolution of potential issues related to soil and groundwater protection, reducing the risk of soil and groundwater pollution, the Company has carried out systematic assessment of soil and groundwater, scientifically delineated the monitoring points and conducted regular monitor-

ing during the phases of project environmental assessment, construction, and operation. During the Reporting Period, the Company did not experience any significant environmental events impacting soil and groundwater. During the Reporting Period, the Company did not experience any significant environmental events impacting soil and groundwater.

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## Raw Material Management

Adhering to the philosophy of "green and environmentally friendly, low-carbon operation", the Company insists on selecting green, safe, and environmentally friendly raw materials and supporting services to minimize the environmental impact of production and operations at the source.

The Company has established systems such as the *Environmental, Health, and Safety (EHS) Management Agreement*, *Supplier Environmental Compliance Declaration*, and *Supplier Environmental Management Material Survey Form*. These systems require raw material suppliers to minimize the use of substances and materials harmful to the environment, encourage the use of recyclable and reusable packaging materials, and reduce environmental impact. Additionally, the Company regularly organizes suppliers to conduct EHS assessments, hazardous substance process management system reviews, carbon emission reviews, and actively assists suppliers in implementing energy-saving and carbon-reducing actions (such as shortening transportation distances for supplied materials), ensuring that suppliers practice the philosophy of "green and environmentally friendly, low-carbon operation" in their processes and deliveries. Furthermore, the Company strives for reduced, recycled, and harmless raw material management through green product design and optimized manufacturing processes.

## Water Resource Utilization

Capchem places high importance on the management of water resource in its production and operational processes. The Company strictly adheres to the requirements of laws and regulations such as the *Water Law of the People's Republic of China* and the *Water Pollution Prevention and Control Law of the People's Republic of China*, continually improving water resource management. Through multiple measures such as process optimization, technological

upgrades, and waste water recycling, the Company aims to reduce water resource consumption and enhance water resource utilization efficiency.

All water resources consumed by Capchem are sourced from municipal water supplies, and the Company's activities do not involve direct or indirect significant impacts on water resource through water extraction, consumption, or discharge. The primary water usage for the

Company is in the production processes. For wastewater with good quality, the Company employs methods such as sand filtration, carbon filtration, and ultrafiltration for thorough treatment, ensuring it meets the standards for reused water. This reclaimed water is then reused in industrial processes, green irrigation, road watering, etc., contributing to increased efficiency in the utilization of industrial wastewater.



### Key water conservation projects for Capchem in 2023

Production base	Water conservation project	Water conservation benefits
Hicomer Base	Construction of a new triple-effect evaporation and wastewater deep treatment process, enabling complete wastewater reuse and achieving net zero emissions	Saving 600 to 700 tons of tap water consumption per month
Sanming Hexafluoro	Adoption of condensed water reuse technology	Saving approximately 350 tons of tap water consumption per month

During the Reporting Period, the total water consumption of Capchem was 1,264,986.05 tons, with 294,047.94 tons of waste water discharge, achieving a water reuse of 83,098.47 tons. The water reuse rate (ratio of reuse of reclaimed water to total wastewater volume) stood at 28%.

## Packaging Material Management

The Company classifies packaging materials into regular packaging and hazardous chemical packaging based on product characteristics. It has formulated and continuously optimized documents such as *Design Standards* and *Incoming Inspection Specification for Packaging Materials* to ensure that the management of packaging materials complies with relevant domestic and international laws and regulations.

The Company actively promotes green packaging material management, adhering consistently to the principles of recyclability, degradability, and light-weight use of packaging materials. This ensures the environmental friendliness

of packaging materials and contributes to achieving energy savings and emission reduction goals. The Company has optimized packaging material management through various measures, including designing maximum light-weight solutions for disposable packaging materials, cleaning and reusing reusable packaging materials, enhancing the utilization rate and lifespan of packaging materials. The recycling rate of packaging materials is included in the assessment indicators of relevant departments.

The current packaging materials used by the Company include ISO tanks, stainless steel drums, plastic drums, renewable

paper products, wooden products, etc. The Company has achieved long-term and multiple reuses of packaging materials for over 90% of its materials and products.

Meanwhile, the Company actively cooperates with customers to continuously optimize packaging materials, providing green packaging material solutions in terms of reuse, energy conservation, carbon reduction, cost reduction, and efficiency improvement. We also work together with customers to advance green, low-carbon, and eco-friendly packaging material management.



Packaging and transportation materials for Capchem's products

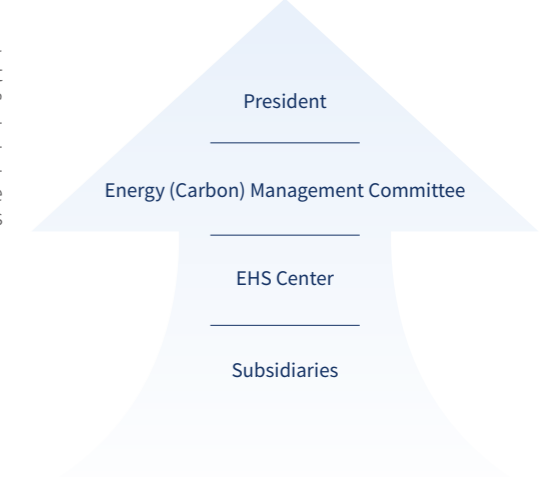
# Addressing Climate Change

Capchem proactively takes on its environmental responsibilities, actively engages in energy and carbon emission management, and promotes green and low-carbon office practices. The Company also fully leverages its industrial chain synergy to reduce carbon emissions, capitalizes on the advantages of production base layout, and provides customers with green and clean products, contributing to the low-carbon transformation of the industry chain and society.

## Energy and Greenhouse Gas Management

Capchem strictly adheres to the laws and regulations of the *People's Republic of China on energy conservation*. It has formulated management systems such as the *Capchem Energy (Carbon) Management Procedure* and the *Greenhouse Gas Emission Management Procedure*. The Company implements a "top-down, headquarters leading the base" energy (carbon) management model and establishes an Energy (Carbon) Management Committee at the board level. This structure further enhances the management of energy and greenhouse gas emissions in the processes of production, procurement, and office operations.

Capchem Energy (Carbon) Management Committee



The Company has established a management system and conducted energy management activities in accordance with the ISO 50001 Energy Management System. As of the end of the Reporting Period, Shenzhen Capchem, Huizhou Capchem, Sanming Hexafluoro and Suzhou Novolyte had obtained ISO 50001 Energy Management System certification.



Certificates of ISO 50001 energy management system certification for production bases of Capchem



Capchem has implemented a series of measures, including enhancing the energy management platform, implementing energy-saving technological improvements, and increasing the proportion of green energy usage, to reduce energy consumption and greenhouse gas emissions.

Capchem's major emission reduction measures

Establishment of Energy Management Platform

- Huizhou Capchem has established an energy management platform that enables real-time and detailed monitoring of energy usage. This platform provides data support for energy-saving efforts.

Advancing Energy-Saving Technological Transformation

- The installation of energy-saving devices at the boiler's tail enables the secondary utilization of waste heat, enhancing boiler thermal efficiency and reducing energy consumption.
- Optimizing the layout of steam system pipelines facilitates cascaded utilization of steam.

Increasing the Use of Renewable Energy

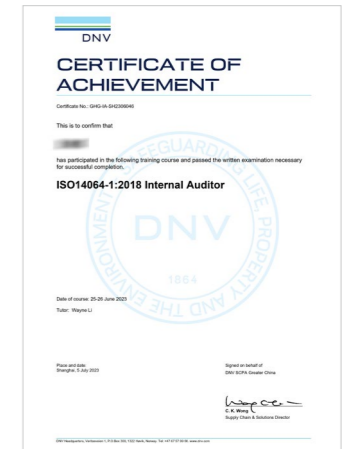
- Installation of solar streetlights to fully utilize renewable energy.
- Gradual increase in the proportion of green electricity usage in the lithium battery business segment. This is achieved through purchasing green electricity and green electricity certificate to enhance the overall green energy usage ratio.

### Carbon Emission Accounting and Carbon Reduction in the Industrial Chain

The Company is steadily advancing the work of carbon emission inventory and verification. In accordance with the guidance and requirements of ISO 14064, the Company has conducted carbon emission inventory and verification for eleven offices or production bases, including Shenzhen Capchem, Huizhou Capchem, Sanming Hexaflu, Nantong Capchem, Jiangsu Hicomer, and Hunan Fluopont. The Company has also conducted ISO 14067 Product Carbon Footprints inventory and verification for lithium battery electrolyte produced in the Huizhou base, enhanc-

ing the transparency of product carbon emissions information.

To strengthen the awareness and professional skills of management and employees in carbon management, and enhance the importance of carbon management in various functional departments and production bases, The Company has organized multiple carbon empowerment training sessions. As of the end of 2023, a total of 30 employees had obtained qualifications as carbon audit internal auditors.



Carbon Verification Internal Auditor Qualification Certificate

Capchem has prominent advantages in carbon reduction, including its integrated product layout and production base distribution. Capchem delves into the carbon reduction potential in production processes, actively explores opportunities for carbon reduction collaboration and innovation, and enhances the level of carbon emission management.

In terms of product and base distribution, Capchem covers the production of electrolytes, upstream solvents for electrolytes, additives, lithium salts, and more, forming a global base layout to support collaborative carbon reduction along the industrial chain. In production processes, the Company vigorously promotes innovative green processes to achieve carbon reduction and lower the product carbon footprint. Additionally, through initiatives such as green factory construction, carbon sequestration forest construction, and green office practices, the Company comprehensively realizes green and low-carbon production operations.

#### Huizhou Capchem's green carbonate solvent production process

In 2022, Huizhou Capchem initiated a solvent expansion project, focusing on the production of Ethylene Carbonate (EC), Dimethyl Carbonate (DMC), Diethyl Carbonate (DEC), and Ethyl Methyl Carbonate (EMC). The project adopts the green carbonate solvent production process known as Ethylene Oxide to Carbonate Solvents Integrated Process (ECOSIP™), which is an environmentally friendly integrated technology for the production of carbonate solvents from ethylene oxide. Using carbon dioxide as a raw material, this process substitutes more toxic materials such as phosgene,

chloromethane, and chloroacetic acid methyl ester, making it applicable to industries like lithium batteries, environmental coatings, and organic synthesis.

Through this green process, the project transforms carbon dioxide into green and high-tech fine chemical materials, removing approximately 19,582 tons of carbon dioxide in 2023. This initiative significantly contributes to carbon dioxide reduction, aligning with the Company's commitment to green environmental practices.

approximately

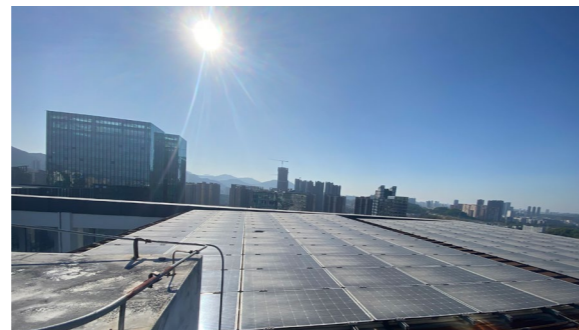
**19,582 tons**

removing carbon dioxide in 2023

#### Shenzhen Capchem - Distributed Photovoltaic Power Generation Project



Capchem initiated the Distributed Photovoltaic Power Generation Project at Shenzhen Capchem. The project officially signed the contract for construction in July 2018. With a total investment of RMB800,000, the project covers an area of 430 square meters with solar panels. The designed total installed capacity is 63 kW, and it includes 210 efficient 300W monocrystalline silicon double-glass photovoltaic modules. After completion, the project is expected to generate approximately 63,000 kWh of electricity annually. The power generation is utilized for self-consumption, and any surplus electricity is fed back to the grid. The generated electricity is connected to the public grid through the low-voltage side, meeting the self-use requirements, and the excess electricity is sold to the power supply department.



Installation of solar panels for the photovoltaic power generation project at Capchem Plaza

This project meets the requirements of corrosion resistance and wind resistance for over 25 years. It is expected to achieve an average annual energy consumption savings of 7.74 tons of standard coal and reduce carbon dioxide emissions by approximately 33.21 tons.

#### Sanming Hexaflu – Implementing Solar PV Street Lights

Sanming Hexaflu actively responds to the national "carbon peaking and carbon neutrality" target and helps the company to achieve green transformation and sustainable development. The company uses photovoltaic lamps to replace traditional lamps, effectively optimizing the energy consumption structure, using renewable energy instead of non-renewable energy, reducing non-renewable energy inputs, and developing in the direction of energy decarbonization and cleanliness.



Solar PV Street Lights at Sanming Hexaflu



### Green Practice –Sanming Hexafluo

Sanming Hexafluo places high importance on green factory management and has established a Green Factory Leadership Group and a Green Factory Management Office to promote the management and implementation of green factories. Sanming Hexafluo is dedicated to providing extensive ideas for the construction of green factories in the context of carbon peaking and carbon neutrality, implementing green concepts in every production process and operational aspect, and taking multiple measures to achieve green production.



### Green Practice – Huizhou Capchem

Based on the four principles of "harmonious coexistence", "ecological efficiency", "lifecycle", and "high technology, high efficiency", Huizhou Capchem takes green and sustainable development as the guiding direction. The Company has increased investment in green transformation, actively created green factories, and achieved significant results in sustainable development, energy conservation, emission reduction, low-carbon development, circular economy, and green product design.



Sanming Hexafluo collaborates with external entities to build a carbon-neutral demonstration forest, contributing to the realization of the "carbon peaking and carbon neutrality" goals.

### Sanming Hexafluo collaborates with relevant units to build a carbon sequestration forest



Capchem actively implements the "carbon peaking and carbon neutrality" strategy and practices the concept of green development. In 2021, Sanming Hexafluo cooperated with relevant organization to build a carbon sequestration forest to offset carbon dioxide emissions. The project was completed in 2022, with approximately 28,400 Chinese fir, Schima superba Gardner and Champ thunbergii with strong carbon sequestration capabilities planted, totalling 158 mu. It is expected to absorb more than 3,000 tons of carbon dioxide annually.



Capchem carbon neutrality demonstration forest

### Capchem's green office initiatives

- Maximizing the use of natural lighting and implementing policies like "lights off when not needed" to eliminate unnecessary lighting during daylight hours
- Implementing smart controls such as sound, light, and motion sensors to manage the switching of lights
- Implementing temperature control for air conditioning, setting indoor temperatures no lower than 26 degrees Celsius in summer and no higher than 20 degrees Celsius in winter
- Using water-saving faucets and encouraging employees to promptly turn off faucets after use to prevent unnecessary water wastage
- Promoting the use of unmanned forklifts and electric forklifts
- Providing electric buses for employees
- Encouraging green commuting and organizing low-carbon walking activities
- Adopting paperless office practices and promoting the Green Office platform for document management



Capchem World Environment Day campaign



Capchem Introduces Expense Control Platform of Huiliany Network to reduce carbon dioxide emissions in offices



### Chemical Management

- Adhering to strict management processes and standards, comprehensive management of chemicals, highly hazardous substances, and environmentally harmful substances
- Planned elimination and reduction of harmful chemicals, such as Fluorochlorinated hydrocarbons Trifluorotrichloroethane (f113)
- The Company actively researches and develops new additives to replace propane sultone (PS) and puts them into mass production
- Sanming Hexafluoro researches and develops fluorinated surfactants, serving as green alternatives to PFOS and PFOA

### Occupational Health and Safety

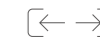
- The Company has cumulatively invested RMB **46.21** million in ensuring employees' occupational health and safety
- Huizhou Capchem, Nantong Capchem, Sanming Hexafluoro, Suzhou Novolyte, Jingmeng Capchem and Hunan Fluopont have obtained ISO 45001 system certification
- No general or higher-level safety production accidents have occurred, no suspected occupational diseases and no confirmed cases of occupational diseases
- The Company has conducted **459** safety drills, **547** safety training sessions, involving **3,133** participants ,totaling **98,847** hours and with an average of **31.55** training hours per employee

# 05

## Safety First: Diverse and Comprehensive Safeguards

Capchem has always regarded safety as the lifeline, red line, and bottom line of the Company's development. It rigorously implements requirements for the management of substances and chemicals, and carries out occupational health and safety management with strictness. The Company controls the introduction of hazardous substances and risks from the source, effectively ensuring the physical health and safety of employees and all individuals working on-site at Capchem. It strives to deliver chemical products that are healthy, safe, and harmless to society, comprehensively safeguarding the health and safety of employees and the community.





# Chemical Management

The Company strictly follows domestic and international laws, regulations, and industry standards related to chemical management, ensuring effective implementation of the management processes for Substances of Very High Concern (SVHC), environmental hazardous substances, and chemical control at all stages such as research and development, registration, and production.

Capchem is committed to controlling the introduction of hazardous substances at the source and rigorously implementing chemical safety management. The Company has established a series of strict internal regulations, including the *Environmental Management Substance Control Procedure*, the *Environmental Substance Management Guidelines*, the *Supplier Environmental Compliance Declaration*, and the *Supplier Environmental Substance Survey Form*. These measures ensure that all relevant regulations are 100% applied to the entire lifecycle management process of all chemicals, chemical substances, and products involved in the production process.

## Domestic Laws, Regulations, and Standards

- *The Safety Production Law of the People's Republic of China*
- *The Environmental Protection Law of the People's Republic of China*
- *Regulations on the Safety Management of Hazardous Chemicals*
- ...

## International Laws, Regulations, and Standards

- EU REACH (*Registration, Evaluation, Authorization, and Restriction of Chemicals*)
- GHS (*Globally Harmonized System of Classification and Labeling of Chemicals*)
- RoHS (*Restriction of Hazardous Substances*)
- Halogen-Free
- U.S. TSCA-PBT (*Toxic Substances Control Act - Persistent, Bioaccumulative, and Toxic substances*)
- ...

In the product development process, the Company places a high emphasis on the analysis of process risks and identification of hazards. It conducts hazard assessments in various critical stages, including the introduction of products and raw materials. During the introduction of new materials and the selection of raw material supply chain, the Company promptly extends relevant management requirements to the content of supplier management. It conducts compliance inspections through organizational investigations. Additionally, for existing suppliers involved in this aspect of management requirements, the Company monitors the effectiveness of their hazardous substance management. It requires them to regularly submit supplied materials for third-party testing and share the test results. In the trial production and formal mass production processes, the Company actively conducts evaluations and preparations at each stage, rigorously managing all aspects involving the use or production of chemicals. This is done to reduce the negative impact on the environment and society resulting from improper chemical application.

As of the end of the Reporting Period, the Company had diligently carried out all chemical management activities during production and operations. It ensures compliance with internal policies of Capchem, regulations in the countries where customers are located, and industry standard requirements. The Company collaborates regularly with internal and external professional teams, reviewing, inspecting, and disclosing the regulatory registration status of all chemicals in a compliant manner.



Reaction Heat Safety Risk Assessment Report

Capchem's preparation for chemical safety assessment at various stages

Procurement Evaluation Preparation	Research and Development Design Evaluation Preparation	Evaluation preparation before trial production.	Preparation for Pre-production Evaluation
<ul style="list-style-type: none"> <li>• Require regular third-party testing of supplied materials by raw material suppliers and share the test results</li> <li>• Conduct occasional surveys of all suppliers, continuously monitor the introduction of hazardous substances, and conduct investigations and controls on prohibited and restricted substances</li> <li>• Ensure that all products from suppliers comply with the EU RoHS restrictions on ten key hazardous substances, as well as the requirements of relevant regulations and industry standards in the customer's country</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental Impact Assessment</li> <li>• Safety Pre-assessment</li> <li>• Occupational Hazard Pre-assessment</li> <li>• Facility Design for Control Safety in Construction Project</li> <li>• Facility Design for Control Occupational Hazard in Construction Project</li> <li>• Other Regulatory Approval Documents</li> </ul>	<ul style="list-style-type: none"> <li>• Review of the Trial Production Plan</li> <li>• Verification of the Implementation of Various Measures</li> </ul>	<ul style="list-style-type: none"> <li>• Completion of Environmental Protection Acceptance for Construction Projects</li> <li>• Safety Acceptance Evaluation</li> <li>• Evaluation of Occupational Disease Hazard Control Effectiveness</li> </ul>

On this basis, Capchem has planned to abolish and reduce harmful chemicals systematically. Through the development of environmentally friendly products, the Company aims to provide high-quality, environmentally friendly, and healthy products to customers and society. Using research and development as a starting point, The Company gradually eliminates high-risk chemicals, replacing them with more environmentally friendly alternatives in accordance with relevant laws and regulations. As of the end of the Reporting Period, the Company had eliminated chemicals identified as high-priority substances of very high concern and related chemicals, actively engaging in alternative development work. The Company responds and adheres to the EU REACH regulations, particularly in relation to proposals for restrictions on PFAS (per/polyfluoroalkyl substances). The Company proactively responds, conducts a comprehensive product review across the group, identifies relevant exemption categories, and their applicable periods based on the characteristics of different products. Additionally, The Company continuously monitors the management dynamics of other PFAS chemicals in response to the PFAS proposal. Under this framework, Hexafluo has developed and launched several environmentally friendly alternatives to PFAS chemicals such as PFOS and PFOA, which are regulated by *the Stockholm Convention on Persistent Organic Pollutants (POPs)*.

## Capchem's actions on the elimination of substances of very high concern:

- The Company has eliminated Fluorochlorinated hydrocarbons Trifluorotrichloroethane (f113), which has been banned for use as a solvent.
- According to the product review system of customers and relevant regulatory agencies, propane sultone (PS) is considered a substance of very high concern under the European REACH regulation and has carcinogenic properties. The Company has developed a new additives as a replacement for PS, and it has been fully put into production by the end of the Reporting Period.
- Hexafluo has developed fluorine-containing surfactants, serving as green alternatives to PFOS and PFOA.

The Company is well aware that chemical safety management requires a thorough understanding of the hazardous characteristics of chemicals and their mixtures. It should fully and comprehensively identify their classifications, refer to their hazard classifications, carry out compliance management, and ensure that throughout the entire process of applying chemicals, potential environmental, health impacts, and safety data are known. The Company timely organizes the compilation of Safety Data Sheet For Chemical Products (SDS) for various chemicals, detailing their harmful characteristics, usage specifications, operation guidelines and notices, and emergency disposal methods. The Company regularly organizes internal training to strengthen the awareness and capabilities of operational staff, ensuring that they correctly understand the chemicals they use, wear protective equipment properly, and understand and master emergency response procedures.



For the use of toxic chemicals, the Company provides employees with complete protective equipment and detailed operating procedures. Emergency plans have been formulated for potential risks such as chemical leaks, fires, and explosions, and professional emergency supplies have been configured.

### Capchem's toxic chemicals management initiative

Management measures	Detailed description
 <p><b>Protective equipment</b></p>	<p>Each laboratory is equipped with an emergency medicine box, PE gloves, nitrile gloves, activated carbon masks, and half-face masks. For hydrofluoric acid, the laboratory is equipped with full-body protective suits and safety mask</p> 
 <p><b>Operating procedures</b></p>	<p>MSDS flashcards are prepared for each reagent</p>  <p>Each department has regulations for the management and use of chemicals, especially hazard chemicals</p>  <p>Each type of experiment has operating Standard Operating Procedures (SOP) to avoid chemical operation errors</p> 

To ensure the safety of various aspects such as chemical storage, use, transportation, and production, the Company regularly organizes chemical safety-related training. The training courses are mainly divided into basic knowledge and practical operation categories, covering areas such as chemical regulations, basic chemical knowledge, and chemical first aid.

### Training on chemical safety

Training courses	Training content
Updates of new chemical environmental management regulations	Training on new regulations such as the registration method for the environmental management of new chemicals
SDS -related knowledge training	Various parts of SDS, key points in writing, crucial information, etc.
Chemical enterprise leak prevention management	Use of various leak prevention tools such as wooden plugs, internally sealed leak bags, externally sealed leak bags, metal leak plugs, adhesive leak sealing tools, etc.
Basic knowledge of hazardous chemicals and accident response strategies	Hazardous chemical fires, explosions, environmental pollution, harm to human body, classification, packaging, transportation, emergency rescue, etc.
First aid for chemical burns	Emergency handling and precautions for chemical burns, such as hydrofluoric acid burns
Specialized training for accidents involving hazardous chemicals	Practical training on the use of self-contained breathing apparatus and protective clothing



Basic knowledge training on chemical engineering processes



Training on chemical substance management system





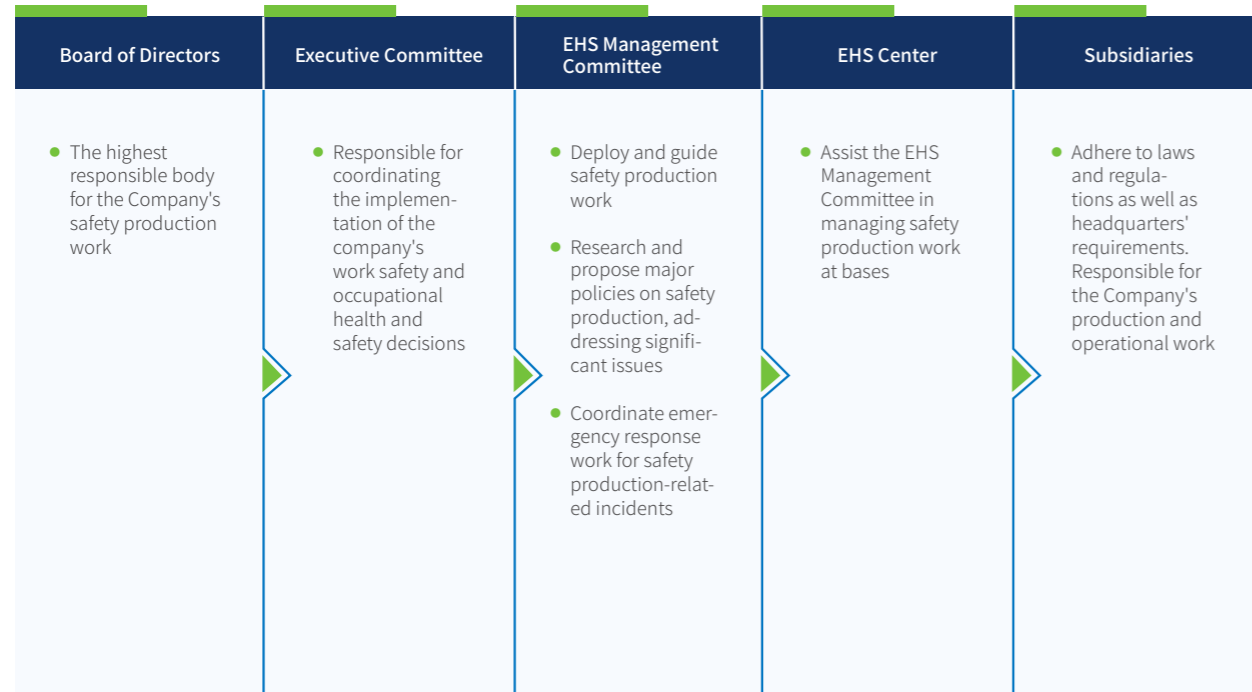
# Occupational Health and Safety

Safety in production is one of the fundamental prerequisite for all operational activities of Capchem. The Company adheres to a comprehensive safety management mechanism and effective occupational safety management, embodying the safety development philosophy of "people first, life first". It strictly observes the red line of safety production, safeguarding the physical and mental health of employees from multiple perspectives.

## Occupational Health and Safety System

Capchem consistently regards safety in production as the lifeline and bottom line of corporate development. It strictly complies with laws and regulations such as the People's Republic of China Production Safety Law. The Company has established and continuously optimized a five-level management structure, including the board of directors, Executive Committee, EHS Management Committee, EHS Center, and various subsidiaries. The goal is to achieve the intrinsic safety of the entire process, full chain, and entire lifecycle of electronic chemicals and functional materials manufacturing.

Safety management structure of Capchem



Capchem has established and continuously optimized an internal occupational health and safety management system in accordance with the ISO 45001 system. The Company has implemented various occupational health and safety management procedures, including the EHS Operation Control Procedure, the Legal and Regulatory Compliance Assessment Management Procedure, the Occupational Disease Protective Equipment Management System, the Occupational Disease Hazard Monitoring and Assessment Management System, and the Hazard Identification, Risk Assessment, and Control Procedure. Through clear and effective internal management systems, safety production responsibilities are implemented at each level.

## Key safety management systems of Capchem (Partial)

<i>EHS Accident (Incident) Classification Standards</i>	It establishes unified accident/incident assessment standards for quantifying safety performance.
<i>Risk Classification Control, Unsafe-condition Investigation (Trial)</i>	It provides institutional support for risk classification control, hazard investigation, and governance work.
<i>Emergency Response Plan for Sudden Events of Shenzhen Capchem Technology Co., Ltd.</i>	It provides technical and management guidance for effectively responding to various sudden events, ensuring the safety of company employees' lives and property, and minimizing casualties and property losses caused by sudden events.
<i>Contractor EHS Management Procedure</i>	It manages the safety of on-site contractors.
<i>Hazardous Chemical Management Procedure</i>	It manages the entire process of procurement, storage, transportation, use, sale, and disposal of controlled chemicals, including explosive, toxic, and monitored chemicals.

During the Reporting Period, six of the Company's chemical production units, namely Huizhou Capchem, Nantong Capchem, Sanming Hexafluoro, Suzhou Novolyte, Jingmen Capchem, and Hunan Fluopont, have all obtained ISO 45001 certification. Additionally, each production base, considering local regulatory requirements and its industry attributes, actively applied for the China Work Safety Standardization Certification. Currently, Huizhou Capchem, Nantong Capchem, Suzhou Novolyte, and Jiangsu Hicomer have passed the Work Safety Standardization Certification Level 2 Enterprise Certificate. Sanming Hexafluoro, Jingmen Capchem, and Nantong Top have passed the Work Safety Standardization Certification Level 3 Enterprise Certificate.





## Occupational Health & Safety Management

Capchem continues to strengthen its safety foundation. Each year, taking into account the actual operating conditions and the achievements of previous safety production work, the Company formulates health and safety goals for the current year. The Company comprehensively applies safety risk control, special improvement, information construction, supervision, performance monitoring, and other methods to steadily implement safety goals from multiple perspectives.

As of the end of the Reporting Period, the Company had invested over RMB46.21 million in ensuring employees' occupational health and safety. All occupational health and safety goals have been successfully achieved, and no major safety accidents resulting in casualties occurred.

### Occupational health and safety goals of Capchem

As of December 31, 2023, for the existing production and operation projects:

**No**  
general or higher-level work safety accidents occurred

**No**  
suspected or confirmed cases of occupational diseases occurred

### Safety Risk Control

Capchem consistently adheres to a risk-based environmental and safety management philosophy, emphasizing a risk assessment process of "Prevention first, proactive discovery, active precaution". The Company regularly conducts normalized safety risk assessments. In EHS operational management, firstly, it focuses on Process Safety Management (PSM) as the core, using a risk-based control system and identifying and addressing hidden dangers. Through tools and methods such as Hazard and Operability Study (HAZOP) and Job Safety Analysis (JSA), the Company systematically identifies risks related to materials, processes, equipment, and waste, implementing targeted control measures and closed-loop improvements to ensure manageable risks; secondly, the implementation of responsibility systems is crucial, with monthly EHS performance assessments at the subsidiary level and quarterly EHS performance assessments at the corporate level. This ensures the accountability of departments, individuals, and key personnel in each base, contributing to the establishment of a risk pre-control system; finally, Capchem emphasizes lean production management by conducting special improvement initiatives, organizing training and education, hosting themed competitions, and emergency drills to enhance risk awareness and control skills at all levels.

In 2023, the Company introduced the Business Continuity Management (BCM) system<sup>3</sup>, on the basis of the existing ISO 45001 system. It systematically reviewed EHS-related risks affecting the Company's continuous operational capability. The Company compiled, updated, and published the *Shenzhen Capchem Technology Co., Ltd. Emergency Response Plan for Sudden Incidents*, systematically addressing various emergency measures, accident reports, and emergency procedures.

The Company aligns with the *Guidelines for the Implementation of Process Safety Management in Chemical Enterprises*, continuously conducts specialized training, enhances internal risk identification and control capabilities, and regularly assesses the effectiveness of its work. This effort resulted in the development of the *Key Equipment Risk Control List* and the *Key Process Operation Risk Control List*.

During the Reporting Period, the company implemented effective management measures for identified risks associated with key equipment and key process operations.

### Safety Performance Monitoring

Capchem has established a comprehensive safety performance monitoring mechanism. Each subsidiary appoints dedicated personnel to record and report safety performance, and the EHS center regularly analyzes these records and reports, providing improvement suggestions. The Board of Directors and the EHS Management Committee also organize regular meetings to discuss the Company's safety performance, make strategic decisions, and provide guiding advice.

In terms of reviewing safety performance, the Company carries out cross-supervision and inspection of production safety of projects under construction and those already in operation in an organized and planned manner based on a sound internal safety audit mechanism, with the top and bottom working together to create a safe and compliant operating environment. The company regularly carries out production safety performance review work, and has established a work incentive and punishment mechanism.

### Safety Information Technology Construction

In 2023, Capchem invested nearly RMB 5 million in accordance with the notice issued by the *Pilot Construction Plan for "Industrial Internet + Hazardous Chemical Safety Production"*. The Company piloted the construction of the "Industrial Internet + Hazardous Chemical Safety Production" information platform in Huizhou Capchem, covering risk monitoring and early warning, major hazard source management, intelligent inspection, risk classification control and hidden danger investigation and governance, training and education, personnel positioning, special operations, energy management, and more. Various bases, including Sanming Hexafluo, Hunan Fluopont, Jiangsu Hicomer, Nantong Capchem, Jingmen Capchem, have completed the construction of safety information systems, including risk monitoring and early warning, risk classification control, and hidden danger investigation and governance, as required by the government.

#### Construction of safety information management model



Capchem actively implemented the construction of safety information platforms in all production bases. In 2023, Huizhou Capchem and Nantong Capchem established a unified safety information database and information platform. This platform collects and consolidates data related to production base basic information, dual-prevention data, major hazard source data, video surveillance, access control, and personnel positioning, providing data support for real-time monitoring of construction site safety conditions for the headquarters and each production base.

In the future, Capchem will continue to explore and promote the application of safety information platforms, gradually enhancing the level of safety production management.



Screenshot of the safety production informatization platform

<sup>3</sup> BCM: Business Continuity Management (BCM) is a comprehensive management process that enables businesses to recognize potential crises and their related impacts, and develop response, business, and continuity recovery plans.



## Contractor Safety Management

Capchem extends its pursuit of health and safety to cooperation with contractors. While implementing its own safety production work, The Company continues to follow up on contractor system formulation, technical disclosure, training for workers in special trades, and other safety management tasks. The focus is on preventing potential safety risks and safeguarding the safety of contractor employees. As of the end of the Reporting Period, no work-related fatalities and injuries occurred among Capchem's contractors during the service process.



Safety culture promotion for contractors



## Safety Culture Construction

Capchem takes "caring for and actively safeguarding the health and safety of employees" as the main theme, continuously implements safety production responsibilities, enriches the content of corporate safety culture, improves the mechanism for reporting safety hazards, and deeply instills the production philosophy of "safety first" into everyone's minds.



## Construction of Safety Production Responsibility System

Capchem uses the safety production responsibility system as a carrier to effectively reduce production safety accidents caused by unsafe behaviors, and focuses on addressing the problem of inadequate transmission of safety production responsibilities within the enterprise. Safety responsibilities are implemented at each level to safeguard the life safety and occupational health of employees from top to sub-stratum.

In accordance with safety production laws, regulations, and relevant standards, the Company clarifies the production safety responsibilities of personnel at all levels and positions based on the nature, characteristics, and specific job content of each position. Through education, training, and management assessments, the Company reinforces employee awareness, ensuring that safety production work is "responsibility at every level, everyone is responsible, and each undertake their own responsibilities".

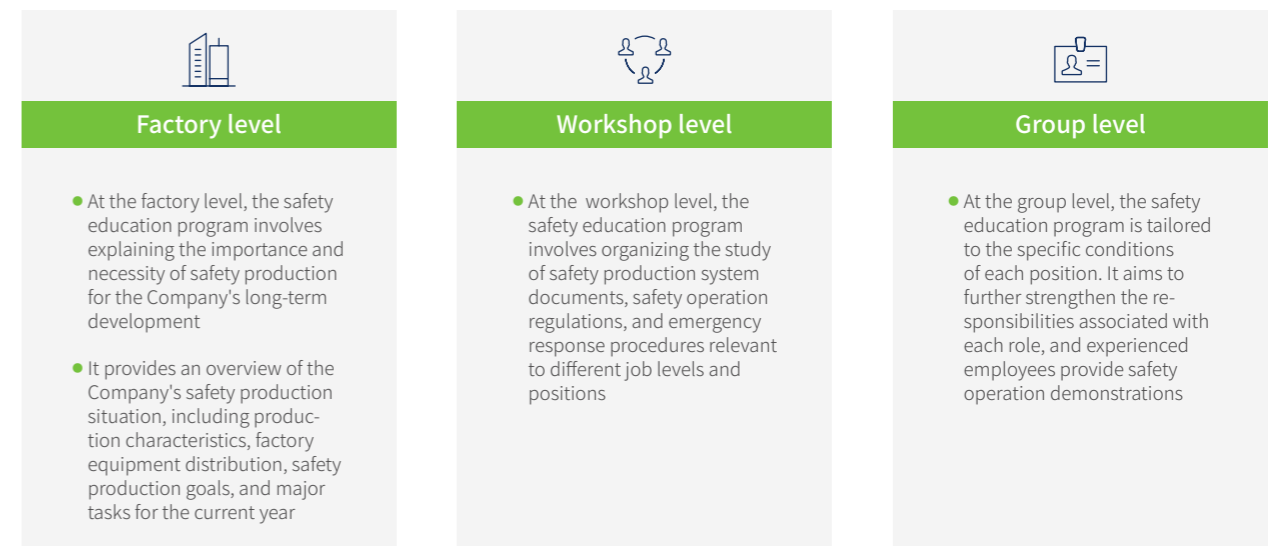
### Capchem's measures for the implementation of the safety production responsibility system



## Safety Education and Culture Promotion

Capchem has established a three-tier safety education system at the factory level, workshop level and group level. Tailored safety training is conducted for employees at different job levels, systematically promoting safety culture from top to sub-stratum. This comprehensive approach aims to enhance employees' safety awareness, risk identification abilities, and conflict resolution skills.

Capchem's three-tier safety education system





In 2023, the Company conveyed the corporate safety culture through diverse safety training and emergency drills, helping employees understand its safety regulations and emergency response mechanisms to enhance overall safety awareness. During the Reporting Period, the Company conducted 459 safety drills and 547 safety training sessions, involving 3,133 participants, totaling 98,847 hours and with an average of 31.55 training hours per employee.

During the Reporting Period

459

the Company conducted safety drills

547

safety training sessions

Safety training



According to the actual production base, the company organizes a series of thematic training on production safety. In 2023, in order to build the company's safety culture atmosphere, the company carries out a series of ways such as teaching by external lecturers, organizing to watch warning videos, holding safety knowledge contests, carrying out forklift truck skills competitions, visiting training bases and so on.



Motorized Forklift Truck Skills Competition



Summary meeting for "Violation of regulations, Violation of commands, Violation of labor discipline" phase

In 2023, the headquarters of Capchem organized training for HAZOP LEADER (Chair of Hazard and Operability Analysis) training and the first Hazard and Operability Analysis Chairperson Workshop. The purpose of this event was to enhance the professional skills of personnel in their respective positions, instill a sense of safety responsibility, and cultivate high-quality talents who understand both the process and safety aspects.



HAZOP LEADER training



Woodpecker action



In 2023, Initiated the "Woodpecker" (Violation of regulations, Violation of commands, Violation of labor discipline) Action, implementing measures such as monthly "Anti-Violation Vest" circulation activities, leadership-led inspections, and inter-departmental mutual inspections to regulate employee behavior. These actions aimed to cultivate a safety habit among all employees, promoting compliance with regulations and procedures, and eliminating instances of "Violation of regulations, Violation of commands, violation of labor discipline" behavior.



Woodpecker activity poster screenshot

Safety emergency drills



In 2023, Capchem focused on potential emergency safety events such as hazardous chemical leaks, fires, and extreme weather. The Company organized and conducted emergency drills to thoroughly test the operability of emergency response plans. This initiative effectively enhanced employees' awareness of the risks associated with emergency events and their ability to respond appropriately.



Capchem's safety emergency drills



Capchem's safety emergency drills

Safety Hazard Reporting System

Capchem has developed and implemented a safety hazard reporting system based on relevant laws and regulations, considering its specific situation. The Company has established a comprehensive procedure for reporting hazards, encouraging employees to promptly report any safety issues identified during work processes. A well-established safety hazard reporting system requires active participation from employees at various levels and positions in building a safety culture. Employees play a crucial role in discovering, reporting, and overseeing potential safety hazards in their daily work, preventing the recurrence of similar risks, and collectively creating an atmosphere where "everyone is a safety guarder".



## Occupational Disease Prevention

Capchem diligently fulfills its responsibility for occupational disease prevention and control. Aligning with ISO 45001 requirements and industry best practices, the Company has established comprehensive control systems such as the *Workers' Occupational Health Monitoring and File Management System*, the *Occupational Disease Hazard Monitoring and Evaluation Management System*, and the *Occupational Disease Protection Facility Maintenance and Inspection System* to standardize occupational health management. In the development of new products and the introduction of new materials, the Company chooses low-toxic or non-toxic materials to protect the physical health of every employee from the source. Annually, places with occupational disease hazards undergo regular identification and testing of occupational disease hazard factors. Employees exposed to such factors receive occupational health examinations before starting work, during employment, and upon leaving, as required by regulations. Periodic assessments of the current status of occupational disease hazards are conducted according to regulatory requirements. As of now, the Company has not suspected or confirmed cases of occupational diseases.

Capchem has established the *Occupational Disease Protection Articles Management System*, setting procurement standards for labor protection articles and providing articles that meet national or industry standards. The Company has also formulated the *Occupational Disease Hazard Emergency Rescue and Management System* and the *Emergency Plan for Employee Occupational Health Disposal*, enhancing the Company's emergency response and management for occupational disease hazards in a timely, effective, and compliant manner. Additionally, through occupational health and safety training, the Company enhances employees' awareness of occupational diseases, aiming to minimize and eliminate all potential occupational disease hazard factors present in the operational processes.

### Capchem's measures for identification and management of occupational disease hazard factors

**Identification**

- Capchem Chemicals diligently studies and comprehends the *Classification Catalog of Occupational Disease Hazard Factors*. The identification process involves methods<sup>4</sup> such as table lookup method, empirical method, and analogy method, etc., to identify harmful factors generated in the Company's production and operational processes.

**Management**

- Capchem strictly implements relevant management regulations, conducting comprehensive inspections and regularly publicizing the results for workplaces with occupational hazards.
- Capchem is committed to the health and safety of its employees, and tracks employee health through medical examinations. As of the end of the Reporting Period, all newly hired, existing, and departed employees in positions exposed to occupational disease hazards at Capchem had undergone occupational health examinations.
- Capchem consistently implements job hazard analysis and publicizes the results to make employees aware of safety risks and potential hazards in their positions.
- Considering different positions, Capchem provides employees in positions with potential occupational disease hazard factors with appropriate personal protective equipment and labor protection supplies. Additionally, the Company equips them with various tools, equipment, and emergency materials required during the production and disposal of chemicals.

<sup>4</sup> Table Lookup Method reflects the occupational disease hazards existing and generated by the Company through the use of risk factor tables applicable to the chemical industry. Empirical Method identifies occupational disease hazards of the evaluated object intuitively based on relevant professional knowledge and practical work experience. Analogy Method uses data from occupational health monitoring, supervision, and statistical analysis of completed and operational similar or identical projects for comparison.

In 2023, Capchem coordinated various occupational health and safety activities using Occupational Disease Prevention Week and Safety Production Activity Month as platforms. The Company, its subsidiaries, and holding companies regularly organized occupational health knowledge competitions, painting contests, essay competitions, and related training programs. Through engaging and informative formats, these activities aimed to enhance employee awareness of health, safeguarding their well-being. As of the end of the Reporting Period, 100% of the Company's employees received regular occupational health and safety training.



Occupational health training

As the end of the Reporting Period

# 100%

of the Company's employees received regular occupational health and safety training





#### Supply Chain Management System

- Upgrade the supplier full lifecycle management process
- Provide **71** quality-related training sessions to suppliers
- Establish and successfully operate ERP, SRM, and OA systems

#### Building A Resilient Supply Chain

- Multi-regional and multi-Source supply for **100%** of key raw materials
- A flexible stock management mechanism was built based on different production models (Make to Order and Make to Stock)
- Adopting an information system to achieve visibility in the supply chain which rapidly identify and response to potential risks
- Building strategic partnerships with business partners of core materials

#### Building A Sustainable and Low-carbon Supply Chain

- **100%** of suppliers have signed agreements and pledge to comply with *Supplier Code of Conduct Management System*
- **All** raw material suppliers have obtained ISO9001 Quality Management System Certificate or ISO14001 Environmental Management System Certificate, or ISO45001 Occupational Health and Safety Management System Certificate
- Carbon management research was conducted for suppliers that account for **90%** of total annual deliveries
- **100%** of suppliers involved in lithium production have signed *Human Rights Compliance and Conflict-Free Minerals Declaration*

# 06

## Collaborative Efficiency: A Robust and Reliable Supply Chain

As a crucial link in the industrial chain, Capchem provides high-quality products and services to numerous global and domestic customers. The Company has built an "efficient, stable, flexible, and agile" end-to-end integrated supply chain, laying a solid foundation for manufacturing to meet customers' high standards and expectations for products and services. At the same time, leveraging its influence, the Company continually drives collaborative efforts with partners to create a more sustainable, low-carbon, and responsible industrial chain, contributing to the overall sustainable development of the industry.





# Supply Chain Management System

Adhering to the philosophy of "building a competitive supply chain and creating the optimal cost and service value for customers", The Company has formulated and continuously improved the Supply Chain Management System, including processes and systems of supplier management and supply chain risk managemnt to rigorously standardizes the supply chain. The Company extend the requiremets from suppliers to their upstream suppliers thereby driving high-quality development throughout the entire industry chain. The Company integrates the full-process supply collaboration system from "order to delivery" deeply into actual business operations, creating an integrated, collaborative, and efficient full-lifecycle supply chain management mechanism to enhance the efficiency and agility of supply chain management.

## Enhancing Full Lifecycle Management

The Company continuously upgrades the supplier's full lifecycle management processes, comprehensively reviewing supplier development, management, supervision, and assessment requirements through the five key stages of "resource development – certification – evaluation – maintenance – elimination". The Company conducts a key performance assessment of suppliers from different dimensions such as quality, cost, delivery, service, technology, management, sustainability, etc. It establishes a database for objective data analysis, guiding suppliers to make positive improvements based on the results of objective data analysis. This enhances the overall quality of suppliers, providing a solid guarantee for The Company's production and manufacturing processes.

## Supplier Full Lifecycle Management Stage Process Table

Supply chain management stages		Supplier status	Key contents
Resource development	Enterprise registration	/	<ul style="list-style-type: none"> <li>Invite new suppliers to register basic information in the SRM system</li> </ul>
	Sample certification	Potential supplier	<ul style="list-style-type: none"> <li>Conduct quality certification for supplier products</li> </ul>
Certification	Qualification review		<ul style="list-style-type: none"> <li>Perform basic qualification review</li> <li>Conduct system audits on quality, hazardous substances management, EHS, carbon management, etc</li> <li>Sign agreements covering procurement, quality, integrity, confidentiality, etc</li> </ul>
Evaluation	Small batch trial use	Trial supplier	<ul style="list-style-type: none"> <li>Develop trial plans and validate product continuity and stability through multiple batches.</li> </ul>
	Admission review		<ul style="list-style-type: none"> <li>Conduct on-site system and process audits. After passing the audits, an admission review for trial supplier will be initiated to judge whether to enter qualified supplier management.</li> </ul>
Maintenance	Performance evaluation	Qualified supplier	<ul style="list-style-type: none"> <li>Establish a supplier performance evaluation model, evaluating supplier performance in six dimensions: management, quality, cost, service, technology, and sustainability. Publish the evaluation results and implement rewards and penalties.</li> <li>Conduct supplier classification and grade management based on performance evaluation results and mutual benefits.</li> </ul>
	Supplier rectification		<ul style="list-style-type: none"> <li>Require improvement or guidance for suppliers that need improvement. In case of unqualified rectification, Supplier Elimination Management Process will be activated.</li> </ul>
Elimination	Supplier elimination	Eliminated supplier	<ul style="list-style-type: none"> <li>Eliminate suppliers that fail to meet the required standards.</li> </ul>





## Enhancement of Business Continuity Management (BCM)

The Company has established a Business Continuity Management program, conducting business impact analysis within the supply chain department. Critical resources and activities are

expected to undergo risk assessment and management, and risk mitigation measures are developed for high-risk projects. For key resources and activities, the Company has built emergency

response procedures, ensuring compliance with the Recovery Time Objective (RTO) requirements and aligning with the Company's development needs.

## Collaborating With Suppliers for Quality Improvement

The Company categorizes suppliers into raw material, indirect material procurement, engineering, and logistics suppliers based on business modules. Supplier performance results are used for suppliers' grade management. With considering the mutual benefits of both supply and demand sides, the Company further classifies suppliers into strategic, preferred, and qualified categories. For different supplier categories, The Company applies differentiated management based on the evaluation, admission, grade and classification, and elimination methods outlined in *Supplier Management Procedure and Systems*, in conjunction with the actual business operation scenarios.

Quality evaluation is emphasized during the admission and performance evaluation stages. For admission review, the quality accounts for 45% of total scores, and a "quality one-vote veto system" is enforced. For

performance evaluation, the Company monitors and assesses the monthly and annual quality level and quality management capabilities of suppliers from different dimensions such as incoming material quality, process quality finding, finished product abnormal feedback, effectiveness of improvements, quality service response, and environmental compliance. All first-tier suppliers and key secondary suppliers must meet the Company's stringent standards for qualifications, quality testing, certification, on-site audits, quality systems, admission, and performance.

The Company regularly monitors supplier basic qualifications, performance, Environment, Health, and Safety (EHS), Corporate Social Responsibility (CSR), and continuous improvement. In addition to routine monitoring, the Company makes an annual on-site audit plan covering quality management

element such as system operation and process control. All qualified suppliers are expected to undergo one audit at least every three years, and suppliers required improvement shall be audited in the current year. The Company employs various quality control methods to guide and supervise the operational status of supplier quality, preventing unexpected quality risks.

For key suppliers with unqualified performance evaluations and on-site audits, the Company's quality team provides training through online platforms, technical benchmarks, or on-site residency. Leveraging their expertise, the team assists suppliers in formulating, implementing, reviewing improvement plans to enhance the quality of supplier deliveries. In 2023, the Company provided a total of 71 quality-related training sessions for suppliers, covering 355 individuals.

## Digital System Transformation for Empowerment

Guided by a customer-focused philosophy, the Company has successfully established and operated ERP, SRM, and OA systems, achieving end-to-end online closed-loop management from demand to procurement, procurement to production, and production to delivery. The Company's digital transformation of the supply chain aims to establish an efficient and stable system. By continuously exchanging information and data within and outside the supply

chain, it breaks down information silos, enhances supply chain collaboration performance, and ensures the agility and reliability of the supply chain.

In Capchem, the digitalized supply chain system enables data analysis across different dimensions of procurement and quality, real-time monitoring of contracts and orders, tracking of delivery and payment discrepancies, and supplier full lifecycle management.

The system presents management reports to various levels of managers, facilitating the timely identification of problems and risks in different areas. This allows continuous improvement by business personnel, forming a closed-loop management system and effectively enhancing the level of supply chain management.

## Building A Resilient Supply Chain

In the present world, there is an increasing manifestation of VUCA characteristics, namely Volatility, Uncertainty, Complexity, and Ambiguity. Supply chains are confronted with numerous unforeseen risks that could lead to disruptions. The Company deeply understands the emergent risks faced by the supply chain in the VUCA era and actively establishes a

resilient supply chain system, enabling it to recover to its original state or an even more ideal state after disruptions.

Starting from strategic planning, The Company continuously deepens supply chain cooperation, enhances the optimization of the supply chain structure, establishes safety stock reasonably,

and consistently identifies and controls supply chain risks to prevent disruptions. This ensures the stable supply of strategic resources and comprehensively enhances the supply chain's resilience to risks. It strengthens the flexibility and agility of the supply chain, creating a resilient supply chain.

### Management measures for supply chain resilience

#### Develop a resilient supply chain plan, comprehensive identification, and management of potential risks

- The Company is implementing a strategic supply chain plan by integrating processes across production, supply, and distribution. This approach involves a comprehensive identification of key control points and risks in the supply chain. The Company formulates key performance indicators (KPIs) and emergency plans for various processes to enhance the visibility, agility, and sustainability of the supply chain

#### Deepen strategic cooperation and strengthen industry collaboration

- Based on their respective advantages, the Company deepens strategic cooperation with supply chain partners through long-term cooperation agreements and regular reviews of capacity rationality, to ensure a stable supply of strategic resources
- Taking the self-supply of carbonate solvents in Huizhou as an example, based on the large chemical industry foundation of Huizhou Daya Bay Petrochemical area, the Company strengthens industry collaboration to achieve "wall-separated supply" of carbonate solvents in Huizhou, which reduces supply distances and improves supply efficiency

#### Optimize supply chain structure and strengthen localized and diversified sourcing

- The Company continuously optimizes its supply chain structure, with 94.17% of spending on important raw materials coming from local suppliers. Additionally, the Company consistently establishes a diversified supply chain, achieving proximity in supply through multiple suppliers and bases. This approach shortens transportation distances, saves transportation time, accelerates supply chain responsiveness, and enhances overall supply chain agility

#### Establish adequate safety stock for ensuring continuous and stable supply chain

- The Company, considering the production and sales situations of suppliers and bases, collaboratively sets up appropriate safety stock with suppliers and internally. This ensures that, even in situations of material shortages or urgent demands, the supply chain can maintain continuous and stable supply

#### Continuously identify risk points to enhance supply chain sustainability

- The Company, through excellent operations, continuously identifies, analyzes, responds to, and monitors risks at stages of the supply chain. This ensures the sustainability of the supply chain





# Building A Sustainable and Low-carbon Supply Chain

Under the "carbon peaking and carbon neutrality" goals, sustainable procurement is gradually becoming a key element for companies to achieve sustainable development strategic goals and create new growth engines. Capchem incorporates the concept of sustainable development into the supply chain management systems, focusing on the sustainable development, low-carbon development, and conflict-free mineral development of the supply chain. This guides the sustainable transformation of the industry chain, contributing to the sustainable transformation of whole society.

## Assessing Supplier Sustainability

The Company has formulated and continuously improved the *Supplier Code of Conduct Management System*, conducting ESG assessments and management of suppliers from dimensions such as environmental protection, integrity, and protection of labor rights. This ensures that suppliers shoulder both environmental and social responsibilities in the process of providing products and services. In 2023, 100% of Capchem's suppliers signed agreements and pledge to comply with this code. The Company is committed to strengthening the capacity building for the sustainable development of suppliers, collaborating with them to accelerate the race, and driving the carbon reduction of the Capchem value chain to reduce climate change risks.

In 2023

# 100%

Capchem's suppliers signed agreements and pledge to comply with this code

### ESG evaluation dimensions in the *Supplier Code of Conduct Management System*

Environmental 	Measures
Environmental management system	<ul style="list-style-type: none"> <li>All suppliers are required to sign an Environmental, Health, and Safety (EHS) management agreement during the admission phase, outlining specific environmental management requirements</li> <li>Conduct on-site audits of suppliers according to the audit plan</li> </ul>
Green and low-carbon operations	<ul style="list-style-type: none"> <li>Actively engage in green design, innovate green manufacturing processes, use eco-friendly materials, promote green packaging, and implement green transportation</li> <li>Strive to create a green workplace and promote the green upgrade of industry infrastructure</li> </ul>
Carbon emissions	<ul style="list-style-type: none"> <li>Assist core suppliers in collecting carbon emission data to understand the carbon footprint of the entire supply chain and collaborate with suppliers on energy-saving and emission reduction actions</li> </ul>

Social 	Measures
Labor rights	<ul style="list-style-type: none"> <li>Periodically review suppliers for child labor, forced labor, and other labor rights violations</li> </ul>
Business ethics	<ul style="list-style-type: none"> <li>All suppliers must sign a Integrity agreement that includes anti-corruption content</li> <li>Establish <i>the Whistleblower Protection and Reward Systems</i>, encouraging suppliers and all employees to actively report corrupt practices, providing protection and rewards for whistleblowers</li> </ul>
Conflict minerals	<ul style="list-style-type: none"> <li>For minerals, especially lithium, suppliers are required to sign the <i>Human Rights Compliance and Conflict-Free Minerals Declaration</i>, aiming for a 100% signing rate among lithium-related suppliers</li> </ul>

Corporate governance 	Measures
Fair trade, advertising, and competition	<ul style="list-style-type: none"> <li>Adhere to antitrust laws and fair competition standards</li> <li>Abide by fair trade, advertising, and competition standards</li> </ul>
Intellectual property rights	<ul style="list-style-type: none"> <li>Suppliers must protect all intellectual property rights owned by Capchem</li> <li>Suppliers must respect the intellectual property rights of third parties</li> </ul>
Information security	<ul style="list-style-type: none"> <li>Require suppliers to sign a procurement framework agreement that includes confidentiality requirements</li> <li>Require suppliers to properly safeguard information from Capchem, adhering to confidentiality agreement requirements</li> </ul>

In 2023

# 100%

raw material suppliers of Capchem obtained ISO9001 Quality Management System Certificate or ISO14001 Environmental Management System Certificate and ISO 45001 Occupational Health and Safety Management System Certificate. This effective measure solidifies the sustainable development capabilities of the supply chain.



## Partnering with Suppliers for Low-carbon Management

Capchem regards supporting supplier low-carbon management as a crucial step in promoting upstream green, clean, and sustainable practices. The Company, together with key suppliers, is involved in building carbon emission management capabilities. It assists the parties involved in collecting carbon-related data such as energy usage and consumption management, urging them to establish their own greenhouse gas control systems. This includes monitoring and verifying reports, strengthening internal talent reserves, actively improving greenhouse gas management, and achieving low-carbon production, transportation, and disposal.

In 2023, the Company selected 20 key suppliers for the first-round key selected enterprises and collected comprehensive data on their energy usage efficiency, potential carbon emissions from raw material purchases, transportation distances, etc. The Company

assessed their internal low-carbon actions through a questionnaire, gaining insights into their green low-carbon action capabilities. An evaluation of suppliers' foundational aspects such as carbon management architecture, top management commitment, internal system development, quantitative emission reduction targets, renewable energy application, third-party carbon inventory certification, and information disclosure was conducted. The Company also provided targeted guidance and capacity building to ensure effective greenhouse gas management.

Simultaneously, the Company plans to expand the scope of supplier carbon inventory and questionnaire surveys gradually. This aims to transfer green responsibility from the Company itself to the entire supply chain, thus collaborating with more key suppliers to drive the low-carbon transformation of the Company's supply chain.

In 2023

# 20

key suppliers for the first-round key selected enterprises

Dimensions considered in supplier carbon emission-related information survey questionnaire



## Conflict-free Minerals Management

Capchem actively avoids purchasing minerals from conflict regions, highly respects the labor rights in mining areas, and seeks to reduce even eliminate any potential social and environmental impacts caused by conflict minerals. The conflict mineral potentially involved in the Company's supply chain is lithium, with potential sourcing concentrated in Congo, Australia, Argentina, Chile, and China.

The Company believes that eliminating conflict minerals requires collaborative efforts within the supply chain. In 2023, 100% of suppliers involved in lithium production signed the *Human Rights Compliance and Conflict-Free Minerals Declaration*, successfully ensuring that all products supplied to Capchem and its affiliated companies are conflict-free minerals.

In 2023

# 100%

Suppliers involved in lithium production signed the *Human Rights Compliance and Conflict-Free Minerals Declaration*

Key contents in the *Human Rights Compliance and Conflict-Free Minerals Declaration* of Capchem

Conflict Minerals	Specific Actions
<ul style="list-style-type: none"> <li>Conflict Mineral Locations: Democratic Republic of the Congo (DRC), Rwanda, Uganda, Burundi, Tanzania, Kenya</li> <li>Conflict Mineral Types: Gold (Au), Tantalum (Ta), Tungsten (W), Cobalt (Co), Tin (Sn), Lithium (Li)</li> </ul>	<ul style="list-style-type: none"> <li>Commit to abide by relevant United Nations sanctions resolutions</li> <li>Adhere to domestic and international laws enforcing such resolutions, such as the <i>OECD Due Diligence Guidance for Responsible Supply Chains from Conflict-Affected and High-Risk Areas</i> and the <i>China Responsible Mineral Supply Chain Management Guidelines</i></li> <li>Commit not to engage in any activities that would provide support for conflicts related to human rights and other issues</li> </ul>

As of the end of the Reporting Period, relevant suppliers of Capchem, based on the Company's *Human Rights Compliance and Conflict-Free Minerals Declaration*, had diligently conducted their own supply chain investigations. This ensures that metals such as Gold (Au), Tantalum (Ta), Tungsten (W), Cobalt (Co), Tin (Sn), and Lithium (Li) are not obtained through illegal means or smuggling by non-state armed groups. Additionally, these metals are confirmed not to originate from conflict regions, including the Democratic Republic of the Congo. Furthermore, the metals used by the Company's suppliers do not come from sources that violate the "conflict-free" standards, particularly those originating from Congolese mines as recognized by the United Nations Security Council.



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十期训练营

#### Talent Growth

- The total workforce was **4,133**, with **891** new hires
- The turnover rate of full-time employees was **8%**

#### Talent Development and Incentive

- A total investment of RMB **3,5477** million in training
- A total of **0.227** million training hours
- The average number of training hours per employee over **55** hours

#### Employee Rights, Interests and Benefits

- The satisfaction survey of the Company covered **100%** of full-time and part-time employees, and the employee satisfaction was rated "Good"

07

## People-Oriented Philosophy: The Development Environ- ment of Harmonious Coex- istence

As an R&D-driven high-tech enterprise, Capchem understands that employees serve as the driver of its development. The Company is committed to building an equal, diverse, and inclusive working environment, and takes the "Participate, Develop, Undertake and Share" talent development philosophy as the effective means to help each employee achieve shared growth and promising future together with the Company.



Training Camp of Capchem Bangjing Program

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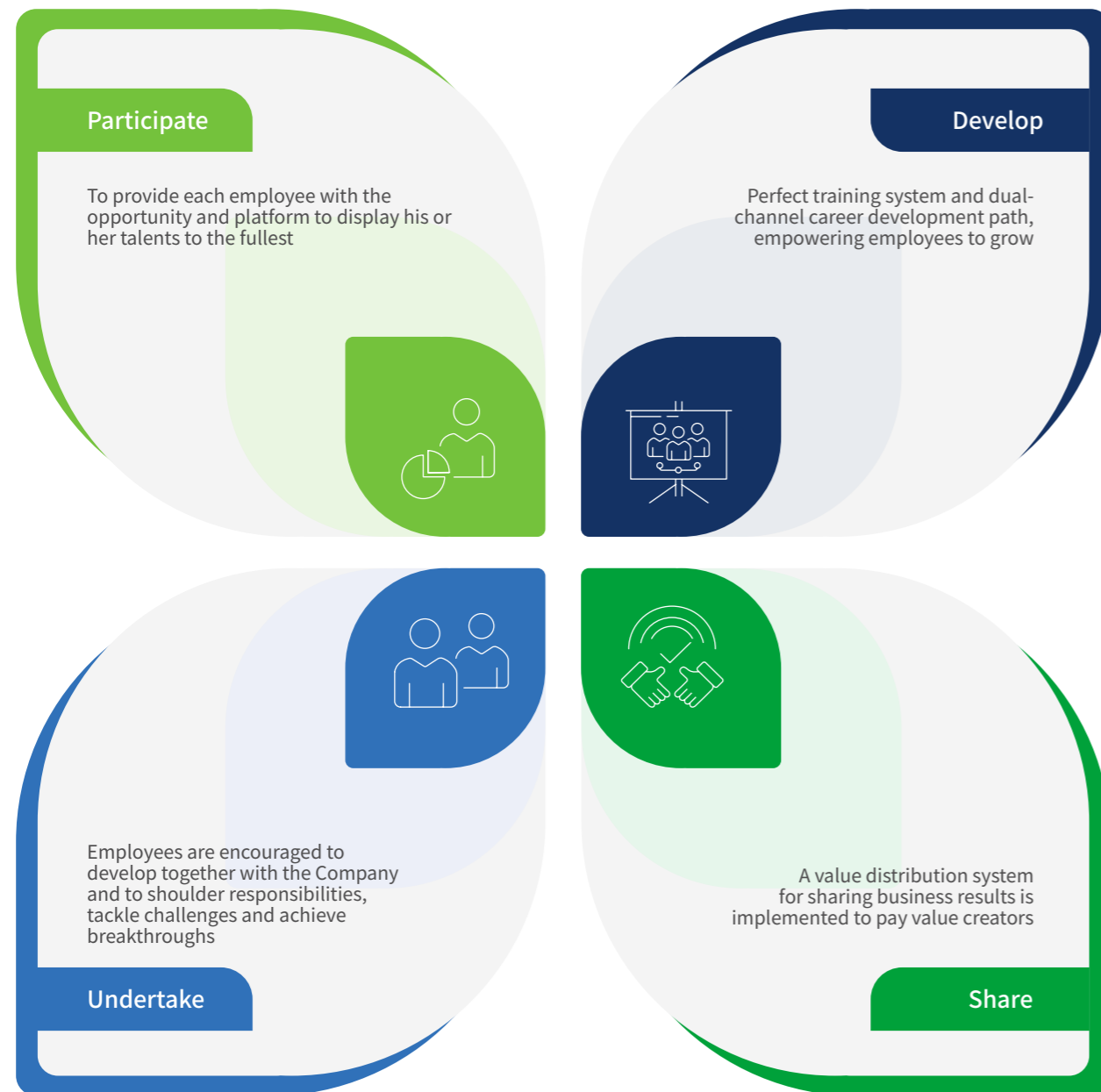
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At Capchem, the talent development philosophy has effectively integrated into the genes and blood of corporate operation and development. The Company understands that empowering employee growth and setting up a stage for each like-minded partner to display their talents is to drive employee growth together with the corporate development, shoulder responsibilities with solidarity, achieve breakthroughs, and creating sustainable value for both parties.

Capchem's talent development philosophy



## Talent Introduction

Capchem, in accordance with the *Labor Law of the People's Republic of China* and other applicable laws and regulations of domestic and overseas operation locations, as required by the UN Sustainable Development Goals (SDGs) and the *Universal Declaration of Human Rights (UDHR)*, formulates and constantly updates the relevant internal systems such as the *Employee Recruitment and Assessment Systems* to actively establish and maintain harmonious and stable employment relations.

Capchem fully respects the rights and interests of employees, sets up a fair and just stage for them to achieve value, and positively builds an employer brand widely trusted by employees for synchronous talent growth and corporate development. The Company puts an end to child labor and forced labor employment under any circumstances and announces zero tolerance for any discrimination and harassment based on race, gender, skin color, religious belief, age, nationality, and physical condition. During the Reporting Period, neither child nor forced labor employment was found at the Company.

### Equal employment opportunity

- Prohibiting discriminatory recruitment conditions
- Prohibiting any physical contact with employees that may cause physical or mental injury
- Prohibiting any verbal threats harmful to employees' physical or mental health
- Prohibiting disciplinary actions such as physical punishments

### Compliant employment

- No child or underage employees
- Taking a stand against any form of forced labor and arranging work legally with employees' consent
- Strictly guarding against illegal employment such as human trafficking



Stressing both professional ability and moral integrity, Capchem carries out social recruitment, campus recruitment and school-enterprise cooperation in an all-round way, builds a talent pool diligently, and widely absorbs strategically necessary talents for business development. In 2023, the Company organized more than 30 campus recruitment events, which effectively solved the shortage of technical and management talents in enterprises through regular social recruitment and integrated campus recruitment.

In pace with overseas business development, the Company has steadily accelerated the internationalization process and continuously promoted local recruitment. Local recruitment is one of the priorities in preparing the U.S. and Poland facilities. Fully considering the project cycle, the Company shortens the completion and production cycle of the facilities relying on the diverse skills of local talents. The Company strengthens the toolkit of international talents through internal mobilization, technical support and other ways.

In 2023

30

The Company organized campus re-  
cruitment events more than

## Talent Development and Incentive

High-quality talents are always the cornerstone and driving force for the development of Capchem. The company focuses on the three dimensions of "incentive, development and culture", and empowers the growth of employees through the crisscrossing differentiated training system, clear and definite career development paths and multi-level incentive mechanism, and endeavours to achieve the goal of "making the best use of talents" in the cultivation and development of talents, and development goals.

### Employee Training

At Capchem, it is an important element of training schemes to tailor training plans for more employees throughout their career development life cycle and help them grow at different levels and grades. It also inexhaustibly drives long-term corporate development. The Company attaches importance to the resources needed by employees in each growth stage, breaks down the strategic talent objectives and development requirements, and accelerates iteration in institutional systems, curriculum setting, lecturer cultivation and detailed evaluation, thus boosting employee nurture and team building.

### Training System

Supported by institutional construction, Capchem has continuously improved a series of internal management systems, such as the *Employee Training Management Procedure* and the *Internal Trainer Management Systems*, and made full use of teaching channels such as Capchem Management College and offline internal trainer teaching to provide institutional and technical support for multi-channel and multi-dimensional regular employee training.

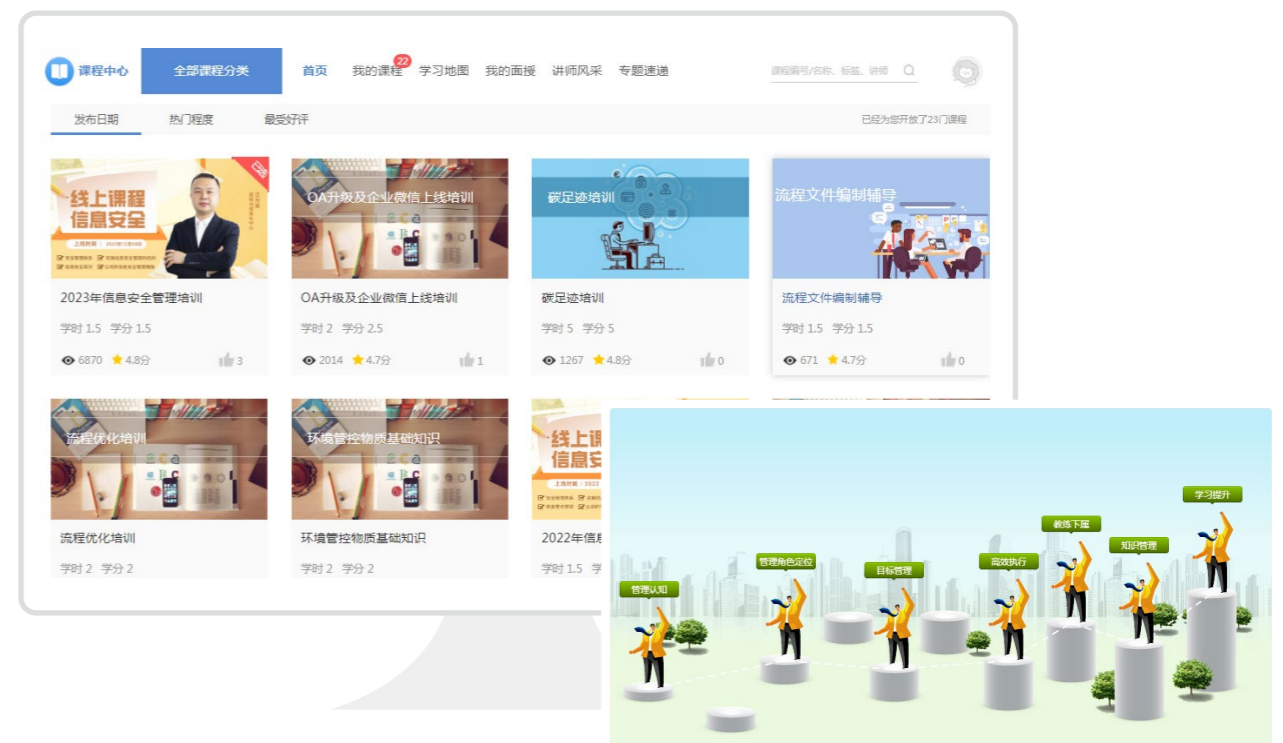
### Campus recruitment



Capchem coordinates the annual regular talent demand forecast based on the core requirements of corporate development and gradually develops plans for the campus recruitment in 2024. In 2023, Capchem communicated with college graduates face to face on industry development frontiers, technology development trends, career development and other topics through the online campus recruitment platforms and offline campus career talks to enhance reserve of talents with high potential.



2024 Campus recruitment



Screenshot of online courses of Capchem Management College

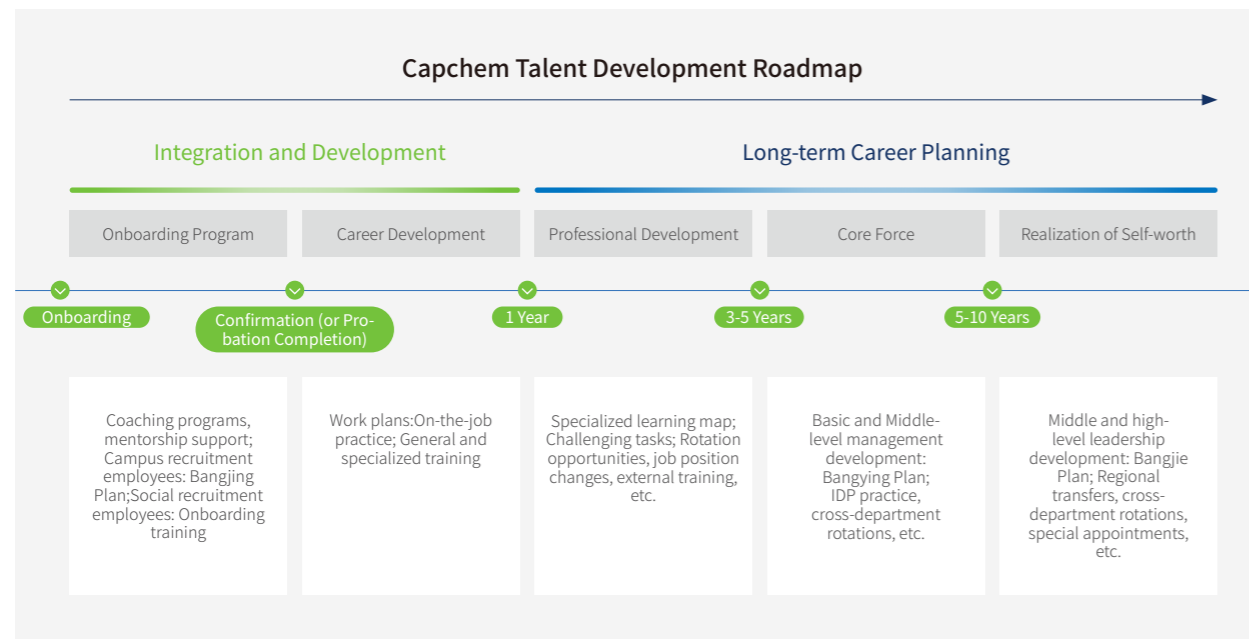


### Curriculum Design

Relying on years of practical experience, Capchem has developed more than 3,000 quality training courses categorized by the depth of courses and formed a personalized growth graph based on the growth needs of employees in different ranks and business departments to promote their career development. During the Reporting Period, the Company invested RMB3.5477 million for more than 0.227 million hours of training in total, with an average of more than 55 hours of training per employee.

During the reporting period  
RMB **3.5477** million

the Company invested of training in total



### Personalized Growth Map



In 2023, the Company empowered fresh graduates, functional personnel, R&D personnel, sales teams, and front-line, middle and senior management through the "Capchem Series" training programs to help employees be competent for their jobs, understand and identify with company culture, unite team strength, and meet future challenges enthusiastically.

### Capchem Bangjing Program

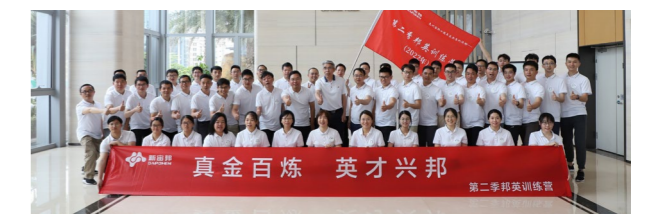


Training Camp of Capchem Bangjing Program

The "Capchem Bangjing Program" helps fresh graduates integrate into the Company through systematic training and change their role from "students" to "workers", thus reserving talents for the Company. By the end of this Reporting Period, the Company has carried out 13 sessions of Capchem Bangjing Program.

### Capchem Bangying Program

Following the "721" cultivation concept, Capchem transforms middle management from "Handling of work matters" to "Leading the team" by combining practices with training. By the end of this Reporting Period, Company For three consecutive years, the company has organized the Bangying Program, conducted more than 30 empowerment trainings, and the reserve talent pool rate has reached 90%.



Training Camp of Capchem Bangying Program

### Capchem Bangjie Program



Training Camp of Capchem Bangjie Program

Based on the internal leadership model, Capchem comprehensively considers the personalized development and common needs of employees, systematically promotes the transformation of the middle and senior management from "leaders" to "operators" and deepens the construction of talent pipeline.

### Trainer Cultivation

To gather and pass on valuable internal experience and management skills, Capchem continues to strengthen the construction of an internal trainer team under the guidance of the *Internal Trainer Management Systems*, so as to accumulate teacher resources for the plan for promoting employees' subsequent capacity development. As of the end of the Reporting Period, the Company had more than 30 experienced practical internal trainers.

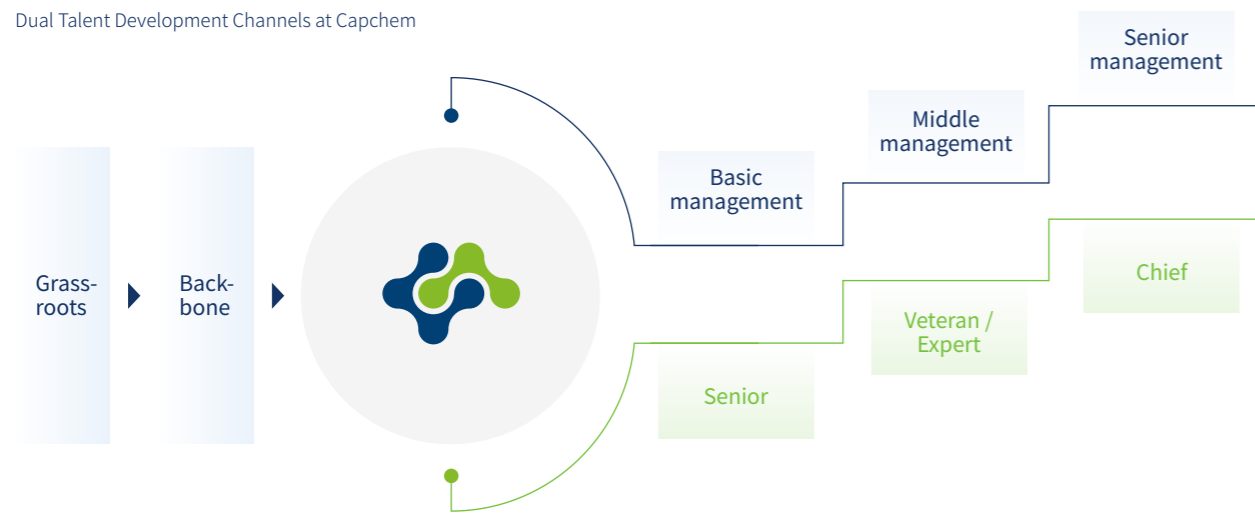


## Employee Development

Capchem effectively discovers, nurtures and reserves talents through well-improved systems and standards and clear career development channels for employees. In this way, we enhance the sense of belonging of talents with high-potential that meet the demands of corporate development strategies and keep creating corporate value.

Capchem has established multiple career development channels including 4 sequences and 54 channels, and a talent promotion mechanism twice a year. The Company has formed a vertical development channel for professional talents and a horizontal development model for corresponding talents by the well-improved qualification system promoted, to encouraging employees to tackle challenges and achieve breakthroughs.

Dual Talent Development Channels at Capchem



Focusing on employee competency evaluation and performance demonstration, the Company has systematically established a supporting rank promotion system for employee career development and promotion to ensure an annual rank promotion coverage rate exceeding 50% from the constitutional level, so that everyone has an opportunity and a possibility to be promoted. Thus, more employees gain a sense of career development identity and actively pursue richer career growth opportunities. Meanwhile, the Company constantly improves the qualification system including career development channels, qualification level standards and certification evaluation management systems to encourage, respect, recognize and reward talents in professional channels and management channels.

Composition of Capchem's personnel ability development channel

● R&D Sequence

23

channels for R&D engineers and product developers, etc.

● Professionals Sequence

26

channels for project management, finance and human resource management, etc.

● Marketers Sequence

4

channels for marketing and customer service

● Managers Sequence

1

channel for management sequence qualification standards

In 2023, based on a perfect qualification system and promotion mechanism, Capchem focuses on promoting young talents, promoting the rejuvenation of cadres. As of the end of the Reporting Period, approximately 40% of the Company's management were 35 or younger.

Qualification System for Positions



Qualification level certification defense at Capchem

## Employee Incentives

Capchem regards fair and competitive compensation and incentives as the cornerstone to stimulate employees. Starting from "Retaining talents with career, treatment and culture", the Company has established a scientific assessment mechanism, a perfect compensation system and a diversified incentive system to "select, develop, nurture and retain" talents.

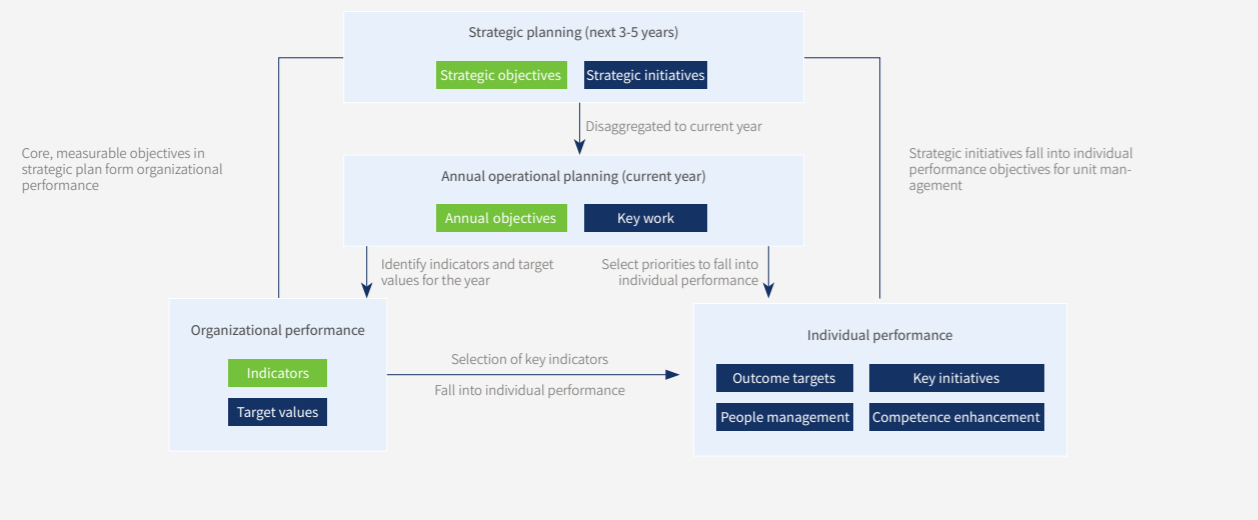
Incentive, attraction and retention mechanisms for employees of Capchem





The Company continuously optimizes the Performance Appraisal Mechanism driven by "Organizational Performance and Individual Performance", with clear strategic and business planning, effectively routinizes performance culture, closed-loops performance application, and differentiated performance rewards and punishments, several methods help to improve the quality of performance management level in a multi-dimensional way, and promote the learning and growth of the team.

Performance Management System of Capchem



Capchem drives talent development with performance. Short-term incentives and medium-and-long-term incentives as well as material incentives and spiritual incentives that complement each other have been put in place at Capchem. The Company allocates performance-based bonus distribution and equity incentives for all kinds of employees, closely linking talents' interests with the sustainable corporate success.

### Performance-based Bonus Distribution

Capchem associates employees' income with the corporate operating performance and individual performance and provides employees with a mixed variable compensation plan including monthly performance awards and year-end awards to achieve a win-win situation. As of the end of the Reporting Period, the mixed variable compensation plan at Capchem has covered all employees.

### Equity Incentives

The Company sets equity incentives as a long-term and sustainable benefit-sharing mechanism, to drive long-term development and profit growth by key and core talents for enhanced brand value and market influence. As of the end of the Reporting Period, the Company has carried out periods of equity incentives in total, with 646 incentive recipients and 10.119 million incentive shares in 2023.

**10.119** million incentive shares

First batch of incentive objects in 2023

## Employee Rights, Interests and Benefits

As a caring enterprise, Capchem accurately targets the common needs of employees and strives to meet the reasonable ones by communicating with and caring for employees to help them feel warmth.

### Employee Benefits

Capchem helps employees achieve work-life balance through multi-dimensional humanistic care and supporting arrangements to continuously improve their psychological well-being and satisfaction.

Adhering to the talent development philosophy of "Participate, Develop, Undertake and Share", the Company continuously improves the employee benefits system from benefits, vacations and activities and actively helps employees relieve their worries about housing and house purchase by providing mandated benefits such as five major social insurance programs and housing provident fund, as well as comprehensive and sound non-compensation benefits. The Company also regularly sends festival condolences and enriches employees' spare time life through Reading Clubs, Family Day, Carnival Events and other activities, expressing its care and concern for employees in every possible way.

Benefit Packages of Capchem

Benefits	Holidays	Activities
<ul style="list-style-type: none"> <li>Business Insurance</li> <li>Recruitment Transfer</li> <li>Holiday Sympathy</li> </ul>	<ul style="list-style-type: none"> <li>Paid Annual Leave</li> <li>Paid Leave of Absence</li> <li>Wedding Leave</li> </ul>	<ul style="list-style-type: none"> <li>Annual Meeting</li> <li>Carnival</li> <li>Reading Bonanza</li> </ul>
<ul style="list-style-type: none"> <li>Self-operated canteen/meal subsidy</li> <li>Annual Physical Examination</li> </ul>	<ul style="list-style-type: none"> <li>Maternity Leave</li> <li>Breastfeeding Leave</li> <li>Travelling Leave</li> </ul>	<ul style="list-style-type: none"> <li>Interest Association</li> <li>Holiday Activities</li> <li>Physical Exercise</li> </ul>
<ul style="list-style-type: none"> <li>Single room dormitory/room subsidy</li> <li>Telephone Subsidy</li> </ul>	<ul style="list-style-type: none"> <li>Parental Leave</li> <li>Nursing Care Leave</li> <li>Other Holidays</li> </ul>	<ul style="list-style-type: none"> <li>Birthday Party</li> <li>Team Building</li> <li>Other Activities</li> </ul>





Photos of employees participating in activities

### Huizhou Capchem Charity Marathon



To help employees exercise, and create a positive corporate atmosphere, Huizhou Capchem organized a 10-kilometer charity marathon in July 2023, enhancing the friendship among employees through healthy and happy running.



Capchem prioritizes the humanistic care for female employees and needy employees. The Company insists on building an inclusive and equal workplace for female employees and guarantees their rights and interests to equally enjoy benefits by setting up a baby care room and regularly carrying out special activities for women on International Women's Day on March 8th. Meanwhile, the Company provides economic assistance for needy employees in terms of their actual difficulties and needs. The Company cares about the physical and mental health of employees and provides psychological health counseling for employees to convey concern and warmth to them.

### Care for female employees



To recognize and appreciate female employees, on International Women's Day in 2023, Capchem organized the Floriculture Salon Themed "Flowers as a Gift for Appreciation" and the "Meet WENDY" heart-to-heart project to help female employees relax and deeply understand their demands, showing humanistic care within the Company.

Jingmen Capchem sent flowers, fruits, prepaid cards and other holiday gifts to female employees on International Women's Day to convey its blessings and show its care and concern.



Floriculture Salon themed "Flowers as a Gift for Appreciation" on International Women's Day



### Care for needy employees



Eager to meet the needs of employees, Capchem deeply implemented the care activities in 2023, namely "kindly caring for present life of needy employees, carefully understanding the needs of employees, and patiently promoting the humanistic work of the Company", to convey concern and warmth to needy employees.

## Employee Communication

At Capchem, employees enjoy the freedom of association and expression and are encouraged to carry forward their sense of ownership to put heads together for the Company to continuously optimize its business and environment. The Company management discovers demand of employees based on their individualized demands through workers' congress and communication meetings, and accurately responds to their expectations.

#### Main communication channels

#### Annual key tasks

Workers' congress → Capchem carries out up-bottom democratic management through the workers' congress, uniformly collecting, following up and solving the difficulties of employees in their work and life.

Employee communication meetings → Capchem communicates with employees continuously through various employee communication meetings. In 2023, the Company organized new employee seminars, welcome meetings and executive meet-and-greet events to help create a democratic, positive and cooperative corporate atmosphere.

Carnival events → Capchem effectively promotes employees' and their families' understanding of corporate culture through carnival events and corporate culture salons. In 2023, the Company organized the second session of Carnival and Corporate Culture Salon, hosting more than 350 participants including employees and their families, which unified employees in a happy and harmonious atmosphere.



### Executive meet-and-greet events



In 2023, Capchem carried out executive meet-and-greet events involving executives and fresh graduates. This event effectively dealt with the doubts of fresh graduates and built a bridge for deepening communication between employees and officers through training review, career planning and Q&A.



Capchem's executive Meet-and-Greet events



New employee seminar



Welcome meeting



Carnival event for employees

To further consolidate democratic management achievements, the Company regularly conducts employee satisfaction surveys, tracks the current situation of employees in real time, and timely solves the problems of employees at work. In 2023, the Company carried out an employee satisfaction survey in terms of career development, training and development, compensation and benefits, working environment, communication and cooperation and service quality based on the needs of employees, and analyzed and improved the shortcomings in the operation process in the light of the survey result. As of the end of the Reporting Period, the employee satisfaction survey covered all employees including part-time employees), with the employee satisfaction rated "Good".

As of the end of the Reporting Period  
rated **"Good"**  
of the employee satisfaction survey covered all employees



08

## Engagement in Public Welfare: Commitments to Diverse and Inclusive Communities

Committed to giving back to society with love and care, Capchem sees social responsibility and being an outstanding corporate citizen as an integral part of the corporate culture. Capchem actively engages in social welfare initiatives while creating economic value. The Company, driven by the philosophy of reciprocity, aligns corporate interests with social welfare by fulfilling social responsibility in charity and community activities, benefiting more people with love and care.

### Community Engagement

- During the Reporting Period, Capchem has invested a total of RMB**3.4286** million in supporting public welfare
- During the Reporting Period, Capchem's contributions in scholarship programs and education donations had reached a total of RMB**2.87** million
- Capchem was honored with 2022 "**Outstanding Enterprise in Fulfilling Social Responsibility**" Award





Fully leveraging industry advantages, Capchem undertakes public welfare programs focusing on youth education, support for disadvantaged groups, and domestic and international community development, thus contributing its due share of contributions for improving social welfare and residents' happiness.

During the Reporting Period, Capchem has invested a total of

RMB **3.4286** million for public welfare

Capchem's priorities in public welfare



## Addressing Social Demand

As an enterprise that brings warmth and shoulders responsibilities, Capchem always keeps a close eye on social issues, focusing on education and rural development. By virtue of economic and industrial strengths, Capchem actively demonstrates the social value of an enterprise through tangible actions, consolidates achievements in poverty alleviation, and partners with various sectors of society to create a better future.



Capchem's charitable donations for education

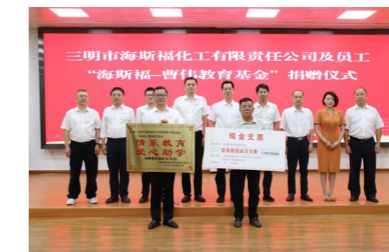
### Capchem makes charitable donations for education

Committed to youth development, Capchem has made charitable donations for education to universities and local communities nationwide, providing financial support for boosting the development of regional education.

- The Capchem headquarters has set up scholarship programs in a number of colleges and universities, encouraging graduates to continually push boundaries of their potential. As of the end of the Reporting Period, Capchem had donated a total of RMB3.8 million.
- Sanming Hexafluoro contributed RMB1.87 million for education to the Society for the Advancement of Education in Mingxi County in Sanming City, Fujian Province, as well as RMB300,000 to Sanming University Education Development Foundation, significantly improving local teaching and learning conditions.
- Tianjin Capchem has donated RMB100,000 to the International School of Tianjin (IST) for improving campus green landscape.



The scholarship donation and signing ceremony of Shenzhen Capchem



Sanming Hexafluoro Chemicals make donations



Tianjin Capchem's certificate of donation



### Capchem USA advances studies on industrial technology



Research Excellence Award in Electrochemical Energy Storage (EES Award), 2021 Capchem USA has donated USD20,000 to the Research Excellence Award in Electrochemical Energy Storage (EES Award). This award mainly recognizes the outstanding scholars who have made significant original contributions to research and development in the field of electrochemical energy storage, with an aim to promote research in electrochemical energy storage and energy transition, as well as to contribute to carbon reduction and carbon neutrality worldwide.



Group photo of the director of Capchem USA and the Award winner Meng Ying

### Caring about the disadvantaged groups



In April 2023, Capchem, partnered with Shenzhen SME Industry Innovation Association, Shenzhen SME Entrepreneurs Association and SMEA Qingwawa Charity Foundation under the Shenzhen Charity Federation, initiated the "Walking for Love · Capchem Cup" Shenzhen SME Entrepreneur Spring Charity Walk. The initiative aims at giving back to society by raising social awareness and support for children with hematologic tumors from underprivileged families. During the event, the Chairman of Capchem received a certificate of honor from the SME Service Bureau of Shenzhen Municipality.



Group photo of "Walking for Love"

Capchem also remains committed to the welfare of the disabled and police officers in distress. In 2023, Jiangsu Hicomer improved the living conditions of these groups and their families through charitable donations, demonstrating love and care through concrete actions.

### Dedication to social welfare initiatives



In December 2023, Sanming Hexafluo organized a voluntary blood donation event, putting into practice the core value of "Innovation for Application, Progress with Integrity." In this event, 133 donors passed the medical test and donated blood, contributing a combined volume of 42,300 milliliters.



Blood donation event organized by Sanming Hexafluo Chemicals

### Huizhou Capchem contributes to rural revitalization



In October 2023, Huizhou Capchem donated RMB50,000 to Huizhou Da Ya Wan Charity Federation as the Special Development Fund for Rural Revitalization in Qinglong County, consolidating achievements of local rural revitalization efforts.



# Partnering with Communities for Shared Development

Capchem strives to establish positive interactions with local communities surrounding its operational sites. The Company endeavors to address the needs of the communities and to build connections through various events, including cultural and sports activities and awareness-raising education, fostering harmonious, friendly, and sustainable community ties.



Huizhou Capchem friendly basketball match



Capchem badminton match



Capchem open day for residents

Community exchange highlights launched by Capchem in 2023

## Raising residents' safety and health awareness



Taking the needs of communities and concerns of residents into consideration, Capchem uses activities for popularization of science to promote safety and health awareness among residents, building a positive corporate image.

In September 2023, Nantong Capchem was invited to organize a lecture on "Home Fire and Disaster Prevention", attended by over 50 residents and property management personnel. This event was designated to popularize knowledge about fire and disaster prevention through images, videos, and other forms, effectively enhancing the safety awareness of community residents.



"Home Fire and Disaster Prevention" lecture

## Uniting with communities to initiate cultural and sporting activities



Capchem, actively engaged in sports, demonstrates a spirit of teamwork and fortitude in events such as basketball and badminton matches, strengthening communication with stakeholders including surrounding communities, corporations, and governments.

In November 2023, Capchem's basketball team competed in the first "Low Carbon Super Cup" basketball game for enterprises at Pingshan Innovation Square and won third place.



"Low Carbon Super Cup" basketball game for enterprises

## Overseas community development activities



Honoring corporate social responsibility, Capchem Poland focuses on safe production and the development of local youth and shares its development achievements with local communities.

In 2023, Capchem Poland organized the Capchem Cup youth football matches, and funded the eco-friendly bus stop on Chtapowski Road. The Company also collaborated with the local police in conducting safe holiday campaigns and road safety activities. Furthermore, the Company engaged in educational cooperation with the Pyszcza volunteer fire brigades and WOPR, participating in volunteer services like water emergency response in Srem City. These efforts significantly supported children's charity events in local communities. With a total donation exceeding RMB 350,000, Capchem successfully built a positive corporate image.



Capchem's employees volunteering





# Appendix

## Quantitative ESG Performance Tables

### Corporate Governance Performance

Disclosure indicator	Unit	2023
<b>Corporate governance</b>		
Construction of "three governance bodies"		
Number of shareholder meetings	/	4
Number of board meetings	/	10
Number of supervisory board meetings	/	10
Information disclosure indicator		
Response rate of investor interactions	%	100
Number of regular result presentations	/	4
Number of major negative new reports	/	0
<b>Anti-corruption and operation compliance</b>		
Rate of employee <sup>5</sup> enrollment in anti-corruption courses	%	100
Signing rate of <i>Commitment Letter of Integrity</i> by employees	%	100
Signing rate of <i>Integrity Agreement</i> or <i>Integrity Clause</i> with suppliers	%	100
Corruption cases	/	0
<b>R&amp;D leadership</b>		
R&D workforce	person	900+
R&D investment	RMB100 million	4.77
R&D investment as a percentage of total revenue	%	6.37
Accumulative number of patents submitted	/	1,108
Accumulative number of trademarks registered	/	220
Total R&D and IPR training sessions	session	120
Total R&D and IPR training hours	hour	151

### Social Performance

Disclosure indicator	Unit	2023
<b>Safety first<sup>6</sup></b>		
Total investment in health and safety	RMB million	46.21
Lost days due to work injuries	hour	1,431

<sup>5</sup> Covering full-time employees, part-time employees and contractors.

<sup>6</sup> The statistical caliber covers Shenzhen Capchem, Huizhou Capchem, Sanming Hexafluor, Nantong Capchem, Suzhou Novolyte, Jingmen Capchem, Jiangsu Hicomer, Hunan Fluopont, Nantong Top, Tianjin Capchem and Fujian Heptafluor; The data of the "total investment in health and safety" excludes Fujian Heptafluor.

Disclosure indicator	Unit	2023
Total recordable occupational health and safety incidents <sup>7</sup>	/	17
Total recordable incidence rate (TRIR) <sup>8</sup>	N/A	0.47
Work-related fatalities	/	0
Occupational disease cases	/	0
The percentage of production units for hazardous chemical passing the ISO 45001 certification	%	75%
Number of safety drills	/	459
Number of safety training sessions	session	547
Number of employees trained	person	3,133
Total number of safety training	hour	98,847

Disclosure indicator	Unit	2023
<b>Resident supply chain</b>		
Total number of suppliers	/	5,382
Number of suppliers from Chinese mainland	/	5,253
Number of suppliers from Hong Kong, Macao, Taiwan regions and oversea suppliers	/	129

Disclosure indicator	Unit	2023	
<b>People-centric<sup>9</sup></b>			
Total workforce	person	4,133	
New hires	person	891	
Number of employees by gender	Male employees	person	3,138
	Female employees	person	995
Number of employees by age	29 and below	person	1,129
	30-50	person	2,751
Number of employees by rank	51 and above	person	253
	Executive Management Team (EMT)	person	10
Number of employees by nationality	Other management (Basic-to-middle level, and middle-to-senior level)	person	555
	Frontline employees	person	3,568
Number of employees by nationality	China	person	4,060
	Overseas	person	73
Percentage of female employees <sup>10</sup>	%	24	

<sup>7</sup> The recordable occupational health and safety incidents herein refer to the recordable injury incidents defined by the Occupational Safety and Health Administration (OSHA).

<sup>8</sup> For the calculation of this indicator, total working hours do not include those of Fujian Heptafluor, resulting in a slightly inflated calculation result.

<sup>9</sup> The data in this section includes total full-time employees of Capchem Poland and Shenzhen Capchem.

<sup>10</sup> Calculation formula: Percentage of female employees = (number of female employees/total number of employees in the category) \* 100%.



Disclosure indicator	Unit	2023	
By rank <sup>11</sup>	Board of Directors (Joint-Stock Companies only)	%	11.1
	Executive Management Team (EMT)	%	20.0
	Other management (Basic-to-middle level, and middle-to-senior level)	%	46.8
	Frontline employees	%	24
<b>Employee turnover</b>			
Employee turnover rate <sup>12</sup>	%	8	
Total number of employees left	person	336	
<b>Employee development and incentives</b>			
Total investment in training	RMB million	3,547.7	
Total training hours for employees	hour	227,939.48	
Training hours per employee <sup>13</sup>	hour/person	55.15	
Training per employee by gender	Male employees	hour/person	55.34
	Female employees	hour/person	51.27
Training per employee by rank	Executive Management Team (EMT)	hour/person	13.7
	Other management (Basic-to-middle level, and middle-to-senior level)	hour/person	47.79
	Frontline employees	hour/person	55.48
Total number of employees trained	person	4,133 <sup>14</sup>	
Percentage of employees covered by training <sup>15</sup>	%	100	
Employee promotion rate <sup>16</sup>	%	17	
Percentage of employees accepting performance evaluation	%	100	
<b>Employee rights, interests and benefits</b>			
Employee social insure coverage	%	100	
Percentage of employees entitled to variable performance-based pay	%	100	
Equity Incentives	Number of employees receiving incentives in 2023	person	646
	Number of incentive shares in 2023	10,000 shares	1,011.9

<sup>11</sup> Percentage = Female employees in the group/total number of employees in the group

<sup>12</sup> Calculation formula: Employee turnover rate = (number of employees left / total number of employees) \* 100%.

<sup>13</sup> Calculation formula: Training hours per employee = Total training hours for employees/total number of employees in each category.

<sup>14</sup> The total number of employees who have participated in at least one training session as of December 31, 2023.

<sup>15</sup> Calculation formula: Percentage of employees trained in each category = (Number of employees trained in each category/number of employees in that category) \* 100%.

<sup>16</sup> Employee Promotion Rate: Percentage of Full-Time Employees Promoted as a Percentage of All Employees in Capchem.

Disclosure indicator	Unit	2023	
<b>Community engagement</b>			
Total investment in social welfare	RMB million	3,428.6	
Investment by charitable fields	Education donation	RMB million	2.87
	Support for disadvantaged groups	RMB	153,600
	Others	RMB	405,000
Voluntary services	Total hours	hour	48
	Total participants	person	412

## Environmental Performance<sup>17</sup>

Disclosure indicator	Unit	2023	
<b>Environmental management</b>			
The percentage of stable operating bases obtained certification for ISO 14001 environmental management system	%	100	
Investment in energy conservation and technology improvement	RMB million	4.15	
Environmental investment	RMB million	39,444.3	
Implementation of environmental compliance training	Specialized environmental management training	sessions	24
	Number of environmental management training enrollments	/	603
Implementation of emergency drills	Environmental emergency drills	sessions	74
	Number of environmental emergency drills enrollments	/	2,632
	The pass rate for environmental management training assessments	%	100
	Environmental protection training and activities enrollments	sessions	32
Investment in environmental protection training and activities	Number of environmental protection training and activities	/	797
	Investment in environmental protection training and activities	RMB	41,100
<b>Waste gas emissions</b>			
Total air pollutant emissions	Ton	13.81	
VOC <sub>s</sub>	Ton	6.12	
PM	Ton	0.87	
NO <sub>x</sub>	Ton	5.29	
SO <sub>x</sub>	Ton	0.35	
<b>Waste discharge</b>			
Hazardous waste	Ton	8,757.16	
General waste	Ton	1,476.36	
Recycling of general waste	Ton	105.55	
<b>Waste water discharge</b>			

<sup>17</sup> Unless otherwise specified, the statistical caliber of environmental performance covers Shenzhen Capchem, Huizhou Capchem, Sanming Hexafluor, Nantong Capchem, Suzhou Novolyte, Jingmen Capchem, Jiangsu Hicomer, Hunan Fluopont, Tianjin Capchem, and Fujian Heptafluor.





Disclosure indicator	Unit	2023
Total waste water discharge	Ton	294,047.94
<b>Water consumption</b>		
Total water withdrawal <sup>18</sup>	Ton	1,264,986.05
Total water consumption (withdrawal -displacement)	Ton	970,938.11
Water consumption per unit revenue	Ton/RMB 10,000 in revenue	1.30
Reuse of reclaimed water	Ton	83,098.47
Reuse rate of reclaimed water	%	28
<b>greenhouse gas emissions</b>		
Total greenhouse gas emissions <sup>19</sup>	tCO <sub>2</sub> e	888,779.59
Scope 1 greenhouse gas emissions	tCO <sub>2</sub> e	16,558.40
Greenhouse gas removals	tCO <sub>2</sub> e	19,582.25
Scope 2 greenhouse gas emissions	tCO <sub>2</sub> e	172,445.60
Scope 3 greenhouse gas emissions	tCO <sub>2</sub> e	719,357.84
Scope 1 and Scope 2 emission intensity <sup>20</sup>	tCO <sub>2</sub> e/RMB 10,000 in revenue	0.23

Types	Unit	2023
<b>Energy consumption</b>		
Comprehensive energy consumption <sup>21</sup>	tec	53,161.85
Comprehensive energy consumption intensity	tec/ RMB 10,000 in revenue	0.07
<b>Direct energy consumption</b>		
Natural gas	m <sup>3</sup>	5,919,642.33
Diesel	kg	69,410.70
Gasoline	kg	131,284.36
<b>Indirect energy consumption</b>		
Purchased steam	GJ	883,092.96
Purchased electricity	kWh	120,938,036.57

<sup>18</sup> Statistics cover Shenzhen Capchem, Huizhou Capchem, Sanming Hexafluoro, Nantong Capchem, Suzhou Novolyte, Jingmen Capchem, Jiangsu Hicomer, Hunan Fluopont, Tianjin Capchem and Fujian Heptafluoro.

<sup>19</sup> Total greenhouse gas emissions include Scope 1, 2 and 3 greenhouse gas emissions. The types of gases include carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), and hydrofluorocarbons (HFCs). The data covers the Shenzhen Capchem, Huizhou Capchem, Sanming Hexafluoro, Nantong Capchem, Suzhou Novolyte, Jiangsu Hicomer, Jingmen Capchem, Hunan Fluopont and Tianjin Capchem. The calculation of Scope 1, 2 and 3 greenhouse gas emissions refers to as the *Accounting Methods and Reporting Guidelines for Emission of Greenhouse Gas by Industrial Enterprises in Other Industries (Trial)* published by the National Development and Reform Commission (NDRC) in 2015, and the *2006 IPCC Guidelines for National Greenhouse Gas Inventories (2006 IPCC Guidelines)* published by the Intergovernmental Panel on Climate Change (IPCC) and the Ministry of Ecology and Environment (MOE).

<sup>20</sup> The greenhouse gas emission intensity of Scope 1 and Scope 2 (with GHG removals) is 0.23 tCO<sub>2</sub>e/RMB 10,000 in revenue. The greenhouse gas emission intensity of Scope 1 and scope 2 (without GHG removals) is 0.25 tCO<sub>2</sub>e/RMB 10,000 in revenue.

<sup>21</sup> Calculated with reference to the General Principles for Calculation of Comprehensive Energy Consumption (GB/T 2589-2020), covering energy types such as natural gas, diesel, gasoline, purchased steam and purchased electricity; Statistics cover the Shenzhen Capchem, Huizhou Capchem, Sanming Hexafluoro, Nantong Capchem, Suzhou Novolyte, Jingmen Capchem, Jiangsu Hicomer, Hunan Fluopont and Tianjin Capchem.

## Indicator Indexes

Shenzhen Stock Exchange Social Responsibility Instructions to Listed Companies Indexes

Contents	Headings
No.2	ESG Governance Corporate Governance
No.3	ESG Governance Corporate Governance
No.4	Anti-corruption and Operation Compliance Innovation-driven
No.5	About the Report ESG Governance
No.6	About Capchem
No.7	
No.8	
No.9	Corporate Governance
No.10	
No.11	
No.12	
No.13	Talent Development and Incentive
No.14	Employee Rights, Interests and Benefits
No.15	Occupational Health and Safety
No.16	Employee Rights, Interests and Benefits
No.17	Talent Introduction
No.18	Talent Development and Incentive
No.19	Employee Rights, Interests and Benefits
No.20	Innovation-driven Customer Services
No.21	
No.22	Quality Assurance
No.23	Quality Assurance Supply Chain Management System



Contents	Headings
No.24	Anti-corruption and Operation Compliance Building A Sustainable and Low-carbon Supply Chain
No.25	Information Security and Privacy Protection Building A Sustainable and Low-carbon Supply Chain
No.26	Customer Services Supply Chain Management System
No.27	Environmental Management Innovation-driven
No.28	Environmental Management Pollution and Resource Management Commitment to Green Product
No.29	Commitment to Green Product Environmental Management Pollution and Resource Management
No.30	Pollution and Resource Management
No.31	Environmental Management
No.32	Partnering with Communities for Shared Development
No.33	Addressing Social Demand
No.34	ESG Management
No.35	About the Report ESG Governance
No.36	About the Report ESG Governance Quality Assurance Environmental Management Employee Rights, Interests and Benefits Partnering with Communities for Shared Development

GRI content index

<b>Statement of use</b>	Capchem has reported the information cited in this GRI content index for the period 2023.1.1 to 2023.12.31 with reference to the GRI Standards.
<b>GRI 1 used</b>	GRI 1: Foundation 2021

GRI Standards	Disclosure	Headings	
GRI 2: General Disclosures 2021	2-1	Organizational details	About the Report
	2-2	Entities included in the organization's sustainability reporting	
	2-3	Reporting period, frequency and contact point	
	2-4	Restatements of information	Not applicable
	2-5	External assurance	Independent Assurance
	2-6	Activities, value chain and other business relationships	About Capchem
	2-7	Employees	Talent Introduction
	2-8	Workers who are not employees	Collaborative Efficiency: A Robust and Reliable Supply Chain
	2-9	Governance structure and composition	Corporate Governance
	2-11	Chair of the highest governance body	Corporate Governance
	2-12	Role of the highest governance body in overseeing the management of impacts	Corporate Governance
	2-13	Delegation of responsibility for managing impacts	Corporate Governance ESG Governance
	2-14	Role of the highest governance body in sustainability reporting	About Capchem Message From Chairman ESG Governance
	2-16	Communication of critical concerns	Corporate Governance
2-18	Evaluation of the performance of the highest governance body	Multi-level Governance: Complete and Robust ESG Governance System Corporate Governance	
2-22	Policy commitments	Multi-level Governance: Complete and Robust ESG Governance System	
2-27	Compliance with laws and regulations	No severe illegal punishment during the reporting period	
2-28	Membership associations	R&D innovation mechanism	
2-29	Approach to stakeholder engagement	ESG Management	
GRI 3: Material Topics 2021	3-1	Process to determine material topics	ESG Management
	3-2	List of material topics	ESG Management
	3-3	Management of material topics	ESG Management
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	ESG Highlights in 2023
	201-3	Defined benefit plan obligations and other retirement plans	Employee Rights, Interests and Benefits
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	Partnering with Communities for Shared Development
	203-2	Significant indirect economic impacts	Partnering with Communities for Shared Development
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	Building A Resilient Supply Chain



GRI Standards	Disclosure	Headings
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption Anti-corruption and Operation Compliance
	205-2	Communication and training about anti-corruption policies and procedures Anti-corruption and Operation Compliance
	205-3	Confirmed incidents of corruption and actions taken Anti-corruption and Operation Compliance
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices Not happened during the reporting period
GRI 301: Materials 2016	301-2	Recycled input materials used Packaging material management
	301-3	Reclaimed products and their packaging materials Packaging material management
	302-1	Energy consumption within the organization
GRI 302: Energy 2016	302-2	Energy consumption outside of the organization Addressing Climate Change Quantitative ESG performance tables
	302-3	Energy intensity
	302-4	Reduction of energy consumption Commitment to Green Product Quantitative ESG performance tables
	302-5	Reductions in energy requirements of products and services Commitment to Green Product Quantitative ESG performance tables
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource
	303-2	Management of water discharge-related impacts
	303-3	Water withdrawal Pollution and Resource Management Quantitative ESG performance tables
	303-4	Water discharge
	303-5	Water consumption
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions
	305-2	Energy indirect (Scope 2) GHG emissions
	305-3	Other indirect (Scope 3) GHG emissions
	305-4	GHG emissions intensity Quantitative ESG performance tables
	305-5	Reduction of GHG emissions
	305-6	Emissions of ozone-depleting substances (ODS)
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts
	306-2	Management of significant waste-related impacts
	306-3	Waste generated Pollution and Resource Management Quantitative ESG performance tables
	306-4	Waste diverted from disposal
	306-5	Waste directed to disposal
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria Building A Sustainable and Low-carbon Supply Chain
	308-2	Negative environmental impacts in the supply chain and actions taken
GRI 401: Employment 2016	401-1	New employee hires and employee turnover Talent Introduction Quantitative ESG performance tables
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees Employee Rights, Interests and Benefits
	401-3	Parental leave Employee Rights, Interests and Benefits

GRI Standards	Disclosure	Headings
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system Occupational Health and Safety
	403-2	Hazard identification, risk assessment, and incident investigation Occupational Health and Safety
	403-3	Occupational health services Occupational Health and Safety
	403-4	Worker participation, consultation, and communication on occupational health and safety Occupational Health and Safety
	403-5	Worker training on occupational health and safety Occupational Health and Safety
	403-6	Promotion of worker health Occupational Health and Safety
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships Occupational Health and Safety
	403-8	Workers covered by an occupational health and safety management system Occupational Health and Safety
	403-9	Work-related injuries Occupational Health and Safety
	403-10	Work-related ill health Occupational Health and Safety
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee Talent Development and Incentive Quantitative ESG performance tables
	404-2	Programs for upgrading employee skills and transition assistance programs Talent Development and Incentive
	404-3	Percentage of employees receiving regular performance and career development reviews Talent Development and Incentive Quantitative ESG performance tables
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees Talent Introduction
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken Talent Introduction
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk None
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor None
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor None
GRI 411: Rights of Indigenous Peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples None
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs Partnering with Communities for Shared Development
	413-2	Operations with significant actual and potential negative impacts on local communities None
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria Building A Sustainable and Low-carbon Supply Chain
	414-2	Negative social impacts in the supply chain and actions taken Building A Resilient Supply Chain
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories Chemical Management
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services None
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling Customer Services
	417-2	Incidents of non-compliance concerning product and service information and labeling None
	417-3	Incidents of non-compliance concerning marketing communications None
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data Information Security and Privacy Protection



SASB content index

Topic Metric	Topic Metric	Code	Headings
Greenhouse Gas Emissions	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	RT-CH-110a.1	Addressing Climate Change Quantitative ESG performance tables
	Discussion of long- and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	RT-CH-110a.2	Addressing Climate Change
Air Quality	Air emissions of the following pollutants: (1) NO <sub>x</sub> (excluding N <sub>2</sub> O), (2) SO <sub>x</sub> , (3) volatile organic compounds (VOC <sub>s</sub> ), and (4) hazardous air pollutants (HAPs)	RT-CH-120a.1	Pollutions and Resources Management ESG performance tables
Energy Management	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable and (4) total self-generated energy	RT-CH-130a.1	Addressing Climate Change Quantitative ESG performance tables
Water Management	(1) Total water withdrawn, (2) total water consumed; percentage of each in regions with High or Extremely High Baseline Water Stress	RT-CH-140a.1	Pollutions and Resources Management Quantitative ESG performance tables
	Number of incidents of non-compliance associated with water quality permits, standards and regulations	RT-CH-140a.2	None
	Description of water management risks and discussion of strategies and practices to mitigate those risks	RT-CH-140a.3	Pollutions and Resources Management
Hazardous Waste Management	Amount of hazardous waste generated, percentage recycled	RT-CH-150a.1	Pollutions and Resources Management ESG performance tables
Community Relations	Discussion of engagement processes to manage risks and opportunities associated with community interests	RT-CH-210a.1	N/A
Workforce Health & Safety	(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	RT-CH-320a.1	Occupational Health and Safety ESG performance tables
	Description of efforts to assess, monitor, and reduce exposure of employees and contract workers to long-term (chronic) health risks	RT-CH-320a.2	Occupational Health and Safety
Product Design for Use-phase Efficiency	Revenue from products designed for use-phase resource efficiency	RT-CH-410a.1	Commitment to Green Product Addressing Climate Change Building A Sustainable and Low-carbon Supply Chain
Safety & Environmental Stewardship of Chemicals	(1) Percentage of products that contain Globally Harmonised System of Classification and Labelling of Chemicals (GHS) Category 1 and 2 Health and Environmental Hazardous Substances, (2) percentage of such products that have undergone a hazard assessment	RT-CH-410b.1	Chemical Management
	Discussion of strategy to (1) manage chemicals of concern and (2) develop alternatives with reduced human and/or environmental impact	RT-CH-410b.2	Chemical Management
Genetically Modified Organisms	Percentage of products by revenue that contain genetically modified organisms (GMOs)	RT-CH-410c.1	N/A
Management of the Legal & Regulatory Environment	Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry	RT-CH-530a.1	Environmental Management
Operational Safety, Emergency Preparedness & Response	Process Safety Incidents Count (PSIC), Process Safety Total Incident Rate (PSTIR), and Process Safety Incident Severity Rate (PSISR)	RT-CH-540a.1	Occupational Health and Safety
	Number of transport incidents	RT-CH-540a.2	None

Independent Assurance



Independent Assurance Statement

Introduction

TÜV Rheinland (Shanghai) Co., Ltd., member of TÜV Rheinland Group, Germany (hereinafter "TÜV Rheinland", "We") has been entrusted by the management of Shenzhen Capchem Technology Co., Ltd. (hereinafter "Capchem", "the Company") to conduct independent assurance of the Capchem ESG Report 2023 (hereinafter "the Report"). All contractual contents for this assurance engagement rest entirely within the responsibility of Capchem. Our task was to give a fair and adequate judgment on the Report.

The intended users of this assurance statement are stakeholders who have relevance to Capchem's overall sustainability performance and impacts of its business activities during year 2023 (1 January 2023 ~ 31 December 2023).

TÜV Rheinland is a global service provider of Corporate Social Responsibility (CSR) & Sustainability Services in over 65 countries, having qualified professionals in the field of Corporate Sustainability Assurance, Environment, Social and Stakeholder Engagement. We have maintained complete impartiality and independence during the assurance engagement, and we were not involved in the preparation of the Report contents.

Assurance Standard

TÜV Rheinland undertook the assurance work in accordance with the AA1000 Assurance Standard v3 (AA1000AS v3), Moderate level of assurance.

Scope & Type of Assurance

Our assurance engagement was carried out in accordance with the AA1000AS v3, Type 1, Moderate level on Capchem's ESG performance in the Report. The following assurance criteria were used in performing the assurance work:

- With reference to the GRI Sustainability Reporting Standards (GRI Standards 2021)
- With reference to the Sustainability Accounting Standards Board Standards (SASB Standards)
- Guidelines on Social Responsibility of Listed Companies on the Shenzhen Stock Exchange
- The United Nations Sustainable Development Goals (UN SDGs)
- Adherence to the AA1000 AccountAbility Principles of *Inclusivity, Materiality, Responsiveness, and Impact*

Assurance Methodology

Our assurance activities included:

- Reviewing the company's ESG-related management practices, processes, and performance to evaluate the ESG management system, including the ESG strategy, corporate governance, compliance management, risk management, stakeholder communication, material issue analysis, and key performance.
- Interviews with company management and managers responsible for gathering and analyzing information on ESG-related performance.
- Reviewing and examining ESG management practices and performance information and data to test the accuracy of such information and data based on a sample basis and applied analytical procedures.
- Reporting assurance observations to management provides an opportunity for the company to take corrective actions before the assurance process is completed.
- Collecting documentary evidence and assessing management representations to support adherence to the AccountAbility Principles.



### Limitations

TÜV Rheinland performed the assurance based on the scope of defined engagement agreement, and on a moderate level assurance under the AA1000AS for engagement. Information and performance data subject to assurance is limited to the contents of the Report.

Our assurance work did not cover financial report and financial data, and other information not related to sustainability.

### Conclusions

Based on our methodology and activities performed within the scope of this assurance, we can reach a conclusion that no instances or information came to our attention that would be to the contrary of the statement made as below:

- Capchem ESG Report 2023 and its contents adhere to the AA1000 AccountAbility Principles.
- Capchem has implemented processes to collect and aggregate key performance data related to material issues within reporting boundaries, and its management practices demonstrate that the company identifies, evaluates, and defines material issues.
- The ESG-related information and performance disclosed in the report are evaluated and supported by documentary evidence.
- TÜV Rheinland shall not bear any liability or responsibility to a third party for perception and decision on Capchem based on this Assurance Statement.

### Adherence to the AA1000 AccountAbility Principles

#### Inclusivity

Capchem's identified key stakeholders include investors, regulators, customers, suppliers, and employees, etc. Supporting evidence shows that the company identified and understood relevant material ESG issues through a stakeholder questionnaire in 2023. There are appropriate and timely communications with external stakeholders on governance and sustainability management at all levels of the company. We recommend that Capchem should set metrics to measure the effectiveness, outcomes, and impact of stakeholder engagement.

#### Materiality

Through stakeholder questionnaires, industry peer comparisons, investment, and analysis and consideration of the policy and regulatory environment, Capchem is positioned to understand the material issues. In the materiality analysis and assessment process, Capchem considers the company's strategy, decision-making, risk and compliance management, operational management, and reporting mechanisms. A material issue matrix is formed from two dimensions: importance to stakeholders and importance to the company. The report discloses 18 material issues, including high-material ones, such as intellectual property protection, environmental compliance, and business ethics.

#### Responsiveness

Capchem can communicate with stakeholders and respond to material issues in a timely manner to standardize corporate governance and the implementation of ESG policies and improve ESG management systems and processes. Multi-channel communication methods include regular communications with regulators, customer meetings, supplier audits and training, employee satisfaction surveys, and publication of company journals. The response focused on the company's operating conditions, the results of the assessment of material issues, and compliance reports. Capchem disclosed quantitative ESG performance indicators in the report, covering intellectual property, emissions compliance, occupational health and safety, and greenhouse gas (GHG) emissions. Through these disclosures, the company communicates the fundamentals of compliance management to all stakeholders.

#### Impact

Capchem has implemented Environmental Impact Assessments (e.g., soil and water concerns), safety risk assessments, supply chain risk assessments, and compliance risk assessments to comply with national regulations. The company has established a Strategy and Sustainable Development Committee, as well as an Energy (Carbon) management Committee, to create favorable conditions for the company's operations, risk management, compliance management and ESG management decisions. The company has also incorporated ESG performance appraisal into its executive compensation system and promoted cross-functional assessment and management of potential risks. We recommend that Capchem should fully understand, effectively measure, and evaluate ESG impact, and incorporate it into key management processes, and set medium- to long-term goals to manage impact.

**Daniel Pan**

Corporate Sustainability Service Technical Manager  
TÜV Rheinland (Shanghai) Co., Ltd.  
Shanghai, China, 26 February 2024





## Readers Feedback Form

Thank you for your time to read the 2023 Capchem ESG Report. In order to better provide valuable information to you and other stakeholders, and to enhance the capacity and performance of Capchem's ESG management, we welcome your comments and suggestions on the Report.

1. Which of the following categories of stakeholders do you belong to?

Investors  Regulators  Customers  Employees  Suppliers  Industry associations  External experts  Media  Others

2. What is your overall satisfaction rating with the Capchem ESG Report?

Very Satisfied  Somewhat Satisfied  Neither Satisfied nor Dissatisfied  Somewhat Dissatisfied  Very Dissatisfied

3. What is your satisfaction rating with the performance of Capchem in environmental, social and corporate development responsibility:

Environmental responsibility?

Very Satisfied  Somewhat Satisfied  Neither Satisfied nor Dissatisfied  Somewhat Dissatisfied  Very Dissatisfied

Social responsibility:

Very Satisfied  Somewhat Satisfied  Neither Satisfied nor Dissatisfied  Somewhat Dissatisfied  Very Dissatisfied

Corporate governance responsibility:

Very Satisfied  Somewhat Satisfied  Neither Satisfied nor Dissatisfied  Somewhat Dissatisfied  Very Dissatisfied

4. What is your satisfaction rating with the clarity, accuracy and completeness of the ESG disclosures in the report?

Clarity:

Very Satisfied  Somewhat Satisfied  Neither Satisfied nor Dissatisfied  Somewhat Dissatisfied  Very Dissatisfied

Accuracy:

Very Satisfied  Somewhat Satisfied  Neither Satisfied nor Dissatisfied  Somewhat Dissatisfied  Very Dissatisfied

Completeness:

Very Satisfied  Somewhat Satisfied  Neither Satisfied nor Dissatisfied  Somewhat Dissatisfied  Very Dissatisfied

5. What is your satisfaction rating with the content arrangements and design of the Report?

Very Satisfied  Somewhat Satisfied  Neither Satisfied nor Dissatisfied  Somewhat Dissatisfied  Very Dissatisfied

6. Other comments and suggestions:

Thank you for supporting our ESG work. If you have any other comments and suggestions on this report, please feel free to contact us through the following channels.

-Tel:0755-89923768

-Address:Capchem Plaza, Changye Road, Pingshan District, Shenzhen City, Guangdong Province, China

-Email:capchem@capchem.com



Capchem Official WeChat Account



Capchem Official Website



Capchem Official Video Account



Capchem LinkedIn Overseas Homepage



Capchem Vision WeChat Signal



Stock code: 300037.SZ