

2024 Tayho Advanced Materials Group Co., LTD.

Environmental, Social and Corporate Governance Report



INNOVATION FOR A BETTER LIFE



Tayho Advanced MaterialsGroup Co., LTD.

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ABOUT THIS REPORT

Introduction



This is the third Environmental, Social & Governance (ESG) report released by Tayho Advanced Materials Group Co., Ltd., which, following the principles of objectivity, standardization, transparency and inclusiveness, discloses in detail the concrete actions and achievements of Tayho with respect to environmental, social and governance.

Reporting Period



This report is an annual report covering the period from January 1st, 2024 to December 31st, 2024, and some sections herein have been extended beyond the period to enhance the comparability and foresight of this report.

Reporting Scope



This report relates to Tayho, which unless otherwise stated, includes Tayho Advanced Materials Group Co., Ltd. and its subsidiaries (Specific details are provided in the Annual Report 2024 of Tayho Advanced Materials Group Co., Ltd.).

Preparation Basis



Shanghai Stock Exchange's Self-Regulatory Guidelines No. 17 for Companies Listed on Shenzhen Stock Exchange—Sustainability Report (Trial)
Guidelines on Corporate Social Responsibility Reporting for Chinese Enterprises (CASS-ESG 6.0) issued by the Chinese Academy of Social Sciences (CASS)
UN Sustainable Development Goals (SDGs) 2030
Sustainability Reporting Standards of the Global Reporting Initiative ("GRI Standards")
Reference Indicator System for ESG Special Reports of Central SOE-Controlled Listed Companies released by the General Office of the State-owned Assets Supervision and Administration of the State Council

Data Sources and Reliability Assurance



All information and data referenced in this report are sourced exclusively from the official documents, statistical reports and financial statements of Tayho, including internal data and public information of all departments and business units of the Group, which are collected, summarized and audited by the Group. At the same time, in order to ensure the completeness and continuity of the explanation, the Group reviews and extends some of the contents under specific topics. Unless otherwise specially indicated, amounts are denominated in RMB. When there is any discrepancy between financial data and the annual report, the annual report shall prevail.

Appellation Description



For the ease of expression and readability, the Group and its subsidiaries are referred to as “Tayho”, “the Group”, “the enterprise” or “we” as appropriate in the context of this report, with reference to the Annual Report 2024 of Tayho Advanced Materials Group Co., Ltd.

Term	Interpretation
Tayho, the Group, we	Tayho Advanced Materials Group Co., Ltd. Formerly known as “Yantai Tayho Advanced Materials Co., Ltd.”
Yantai Texrise Co.	Yantai Texrise Material Technology Co., Ltd.
Minshida Co.	Yantai Minshida Special Paper Co., Ltd.
Xinghua Co.	Yantai Xinghua Spandex Co., Ltd.
Yuxiang Co.	Yantai Yuxiang Fine Chemical Co., Ltd.
Ningxia Taihexing group	Ningxia Texrise Material Technology Co., Ltd.
Texrise Technologies group	Ningxia Texrise Resource Recycling Technology Co., Ltd.
Texrise Protection group	Yantai Texrise Protection Technology Co., Ltd.
Taixiang group	Yantai Taixiang Property Management Co., Ltd.
Ningxia Ningdong group	Ningxia Ningdong Tayho Advanced Materials Co., Ltd.
Tayho Aramid group	Ningxia Tayho Aramid Fiber Co., Ltd.
Newstar group	Yantai Newstar Spandex Co., Ltd.
Metastar Advanced Manufacturing	Yantai Metastar Advanced Manufacturing Co., Ltd.
Sales group	Yantai Tayho Advanced Materials Sales Co., Ltd.
Guangrui Testing group	Shandong Guangrui Testing Technology Service Co., Ltd.
Jingwei Intelligence group	Yantai Jingwei Intelligent Technology Co., Ltd.
Research Institute group	Yantai Tayho Advanced Materials Polymer New Material Research Institute Co., Ltd.
Tayho Battery New Material	Yantai Tayho Battery New Material Technology Co., Ltd.
Tayho Lecai	Yantai Tayho Lecai Textile Technology Co., Ltd.
Tayho Hong Kong	Tayho Hong Kong Limited
Ecody	This group manages a green fiber processing technology brand

Access to this Report



For implementing the propositions of low carbon, environmental protection and sustainable development, this report is made available for online reading or downloading at or from the website of Shenzhen Stock Exchange (<http://www.szse.cn>). For other information of the Group beyond the report, please refer to the Group's annual financial report or visit the Group's website. For any feedback or suggestions, you can contact us at

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MESSAGE FROM THE CHAIRMAN

“

Dear Shareholders, Partners, and Friends from All Walks of Life,

At the historic juncture of epochal transformation and industrial upgrading, on behalf of Tayho's Board of Directors, I would like to extend my sincere gratitude to all partners who have been consistently paying attention to and supporting the development of our company. The year 2024 marks a pivotal stage for the new journey of Chinese-style modernization and also is a breakthrough year for our company to drive high-quality development through innovative productive capacities. Positioned at the intersection of 'dual carbon' strategy and the new industrialization trends, we have always taken sustainable development as the strategic cornerstone, taken scientific and technological innovation as the engine, taken transformation as the path, and refined our core competitiveness through serving the needs of the major national strategies, thus delivering an ESG answer sheet that harmonizes economic value creation with societal impact.

”

Cultivating Innovation, Forging Industrial Leadership.

Facing the global realignment of advanced materials industries, we have prioritized breakthroughs in critical technologies to establish an open innovation ecosystem integrating core R&D, industrial alliances, and multi-dimensional partnerships. The successful deployment of Tametar® aramid fibers on the Chang'e-6 lunar mission's far side flag—a testament to their exceptional durability in extreme environments—epitomizes our 37-year dedication to high-performance fiber innovation. From Litme® smart fibers (the world's first of its kind) to ECODY® technology that disrupts the printing and dyeing industry, from aramid-coated separator to fiber-integrated lithium cells, We have made unrelenting efforts to overcome obstacles and are committed to making the leap from 'followers' to 'leaders' in the international arena.

Fulfilling the Two-stage Carbon Reduction Commitments, Charting a Green Future.

As the "Pilot Enterprise for Green, Low-Carbon and High-Quality Development in Shandong Province", we are actively exploring innovative pathways to reduce greenhouse gas emissions. Our Ningdong chemical fiber regeneration project has achieved groundbreaking closed-loop recycling of spandex and aramid waste, setting new industry benchmarks for circular economy practices. Concurrently, The distributed photovoltaic power station project in the Polymer New Materials Industrial Park can achieve 100% coverage of green electricity for office use within the park, reducing carbon emissions by 5,000 tons every year. Answering the era's call with an unwavering commitment to green energy supply – and responding to the climate imperative with tangible emission reduction results.



Chairman of Tayho

Upholding Human-Centric Values, Building a Prosperous Corporate Community.

Employees are the foundation of value creation. Through initiatives like the Sprout Program (youth talent development) and Artisan Excellence Initiative (skills mastery cultivation), we have established dual career advancement pathways in management and technical fields, empowering employees to chart their professional journeys. In workplace safety, we are committed to establishing a safety culture with the participation of all employees, improving the risk prevention and control system, providing high-quality safety training, and building a solid line of defense to safeguard lives. For rural revitalization, we adopt an "Empowerment-through-Industry" approach by establishing sustainable livelihood projects, demonstrating our commitment to corporate citizenship through tangible actions that foster self-reliance.

The journey may be arduous, but perseverance will lead us to the destination. In our unwavering pursuit of sustainable development, Tayho will break barriers through technological innovation, answer global challenges with green transformation, and collaborate with partners worldwide to pioneer a new industrial era where modern progress harmonizes with ecological preservation.

About Tayho



Group Profile

Tayho Advanced Materials Group Co., Ltd., LTD., (Tayho, Stock Code: 002254.SZ) founded in 1987, is identified as a technology-based advanced material enterprise, a new polymer material technology group, a global factory of the special fabric ODM, a new energy system solution provider and a green chemical manufacturer. The Group consistently puts customers in the first place, promotes openness and collaboration, upholds fundamental principles while breaking new ground, and pursues excellence, so as to enable a better life for humanity.



Products of the Group



Newstar® Spandex



Taparan® Para-aramid



Tametar® Meta-aramid



Metastar® Kevlar Paper



LITME® Luminescent Fibers



SAFesafeBM® Aramid-coated Lithium-ion Battery Separator



Ecofriendly Green Printing and Dyeing

Honors

Exemplary Board of Directors of Public Companies for Best Practices in 2024

China Association for Public Companies

2024 Special Award for Science and Technology in Shandong Province

Department of Science & Technology of Shandong Province

2024 Green Factory in Shandong Province

Department of Industry and Information Technology of Shandong Province

National Model Enterprise for Technological Innovation in 2023

Department of Science and Technology of the Ministry of Industry and Information Technology

Top 100 Chinese Listed Companies for ESG Performance in 2023

Securities Times

First Prize of the Award for Scientific and Technological Advancements from China National Textile and Apparel Council

China Textile Industry Federation

The First Award from the Association of Public Companies for Best Practice in Investor Relations Management

China Association for Public Companies

Award for Scientific and Technological Progress in Ningxia Hui Autonomous Region

The People's Government of Ningxia Hui Autonomous Region

Outstanding Member for Greenness among Meritorious Member Enterprises in 2023

China Chemical Fibers Association

List of the First "Zero-Waste Cells" in Shandong Province

Department of Ecology and Environment of Shandong Province

The Third Prize in the Fifth Innovation and Entrepreneurship Contest for the New Material Industry in Shandong Province

Department of Industry and Information Technology of Shandong Province

"Award of Merit" in the Eighth China Fashion Printing Boutique Contest

China Dyeing and Printing Association

Golden Information Disclosure Award

China Securities Journal

"Benchmark" Rating for Model Enterprises in Technological Reform

State-owned Assets Supervision and Administration Commission of the State Council

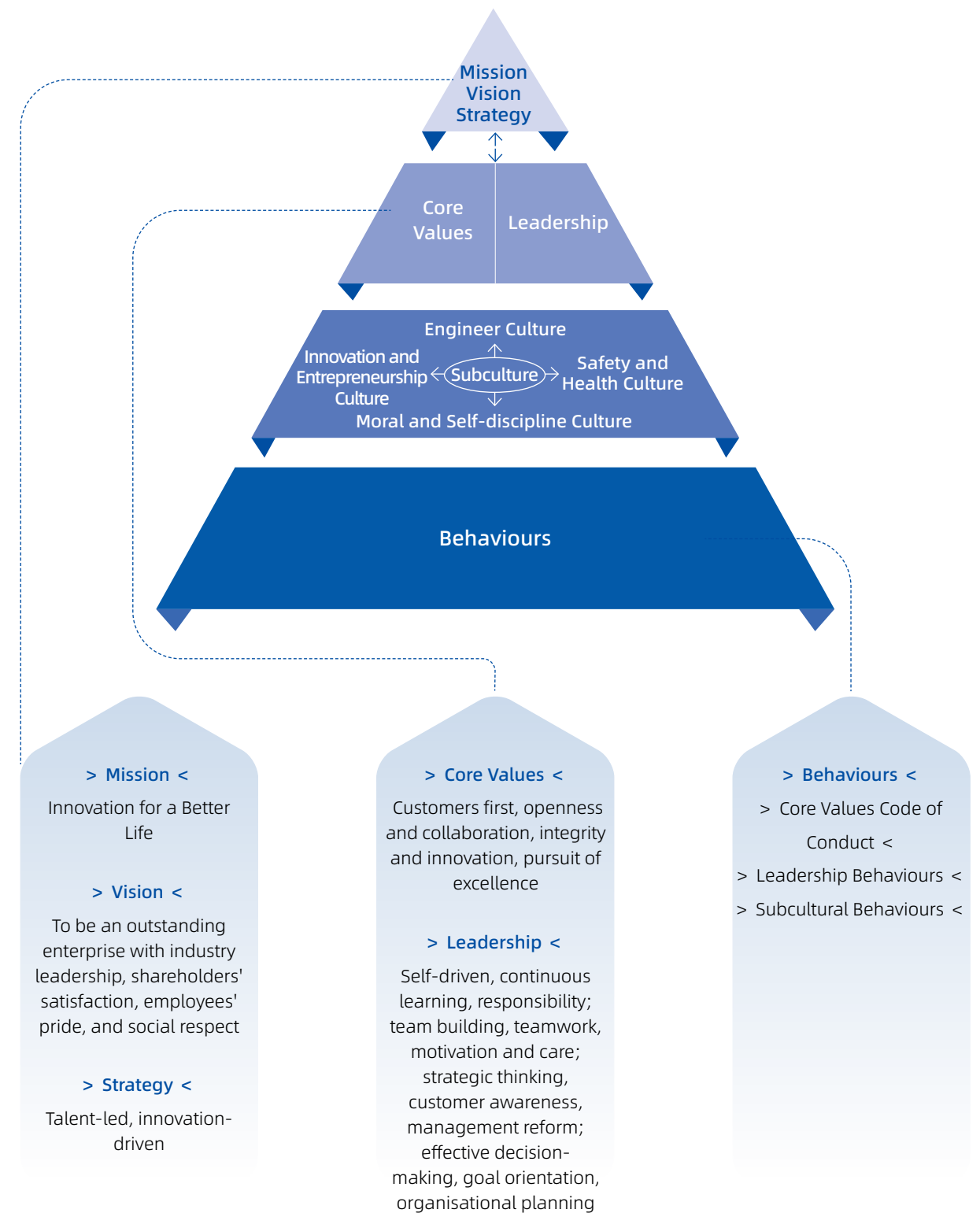
Dingge Award - Award for Annual Pioneering Growth Enterprise in Digital Transformation

Finance Journal

Science and Technology Award

Ministry of Public Security of the People's Republic of China

Group Culture



Overview of Tayho's Group Culture System



Milestones

1987

Commencement
of group
construction

1993

Foundation of Yantai
Spandex Co., Ltd.

2008

Yantai Spandex Co.,
Ltd became listed with
Shenzhen Stock Exchange,
and was recognized as
a national enterprise
technical center

2013

Approval was received
for building a national
aramid engineering and
technology research
center

2018

Tayho Ningxia
Ningdong Industrial
Park was constructed,
and Ningxia Tayho
Aramid Fiber Co., Ltd.
was founded

2020

Yantai Advanced Polymer
Material Research Institute
was founded

2022

Ningxia Ningdong
Tayho Chemical
Technology Co., Ltd.
Ltd. was founded

2024

The International Marketing
Center set a representative
office in Germany

The protective high-
performance fiber deep
processing project in Songshan
Industrial Park was put into
production

1989

Launch of the first
phase spandex
project for
production

2004

Launch of the
meta-aramid
industrialization
project for
production

2011

Renamed Yantai
Tayho Advanced
Materials Co., Ltd.

Launch of the
para-aramid
industrialization
project for production

2017

Ningxia Ningdong
Tayho Advanced
Materials Co., Ltd.
was founded

2019

Tayho Yantai New
Polymer Material
Industrial Park was
constructed

2021

Litme intelligent fiber
was first developed in
the world

2023

The group was renamed Tayho Advanced
Materials Group Co., Ltd.

Metastar group's stocks were listed for
public trading

Yantai Texrise group's stocks were made for
public transfer and listed with the national
stock transfer system

Penglai Industrial Park was formally put
into use, and the green fiber processing
technology realized industrialization

Songshan Industrial Park was formally put
into use, and the composite insulating
material project was put into production

Pilot project of the Aramid-coated
Separator was put into operation



Key Performance

Economic Performance



Operation Revenue

392,936.26

RMB 10,000 yuan



Total Profit

4,553.26

RMB 10,000 yuan



Total Taxes

8,256.67

RMB 10,000 yuan



Total Assets

1,491,984.12

RMB 10,000 yuan

Environmental Performance



Compliance Rate Observed
in Pollutant Monitoring

100

%



Synchronized Operation Rate of
Environmental Facilities

100

%



Compliance Rate of "Three Simultaneities" in
Environmental Protection for Construction Projects

100

%



Total Investment in
Environmental Protection

12,642

RMB 10,000 yuan



Total Amount of Direct
Energy Consumption

5.73

Coal
10,000 Tons



Total Water Consumption

180

Natural gas
10,000 m³
10,000 Tons

Social Performance



Total Number of Employees

3,281

persons



Percentage of
Contract Workers

100

%



Social Insurance
Coverage Rate

100

%



Total Investment in
Employee Training

198.3

RMB 10,000 yuan



Total Hours of
Employee Training

20,933

hours



Investment in Work Safety

694

RMB 10,000 yuan



Investment in R&D

21,529.41

RMB 10,000 yuan



Yield Rate

95.11

%



Customer Complaint
Resolution Rate

100

%

Governance Performance



General Meetings of
Shareholders Convened

5

times



Meetings of the Board of
Directors Convened

6

times



Meetings of the Board of
Supervisors Convened

5

times



Percentage of Independent Directors on the
Board of Directors

36.36

%



Unleashing New-quality Productive Forces, Steering the New Journey of the Industry

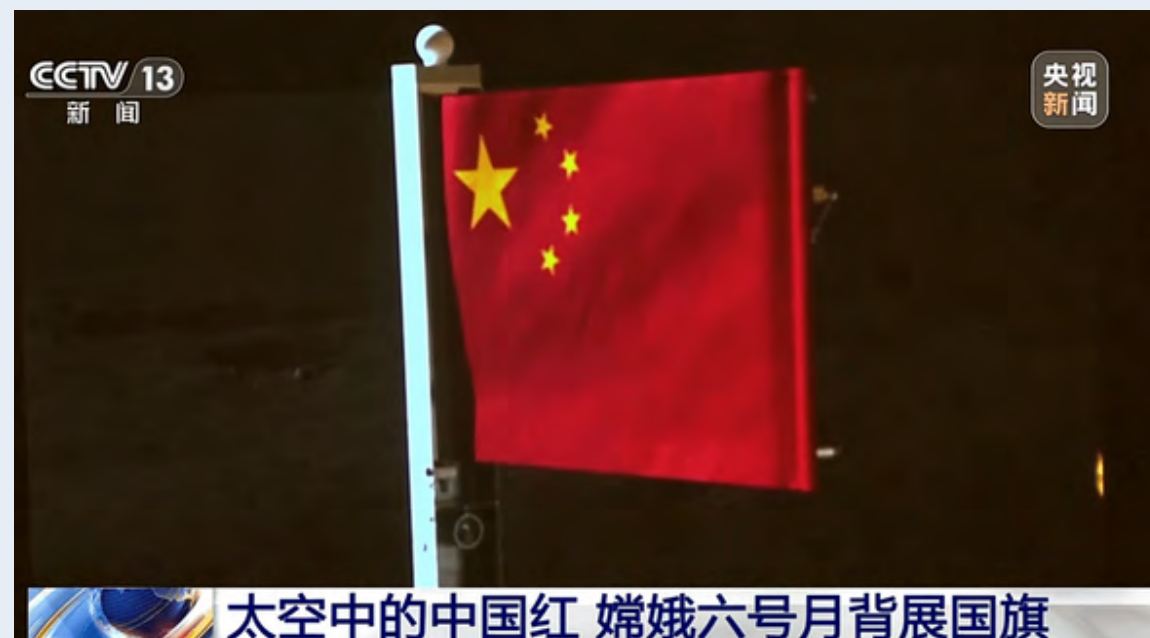
In this era of high-quality development, new-quality productive forces are critical to transformation and upgrading of enterprises. Tayho, through its years' commitment to innovation, has unlocked strong new-quality productive forces in such key areas as technological breakthrough, green development, and product upgrading, sustaining the continuous growth of the Group and adding further impetus to the vigorous development of the industry.

In June 2024, a Five-Star Red Flag made of basalt fiber and Tametar® meta-aramid from the Group was successfully unfolded by the Chang'e-6 probe on the far side of the Moon. That means the Group, which is a leader in the global aramid industry and has a complete range of aramid products, comprehensive industrial chain and leading production capacity, played its part in helping the National Flag of China fulfill the mission on the Moon.

The fabric used to make the national flag intended as the first one to display in the harsh environment without temperature control on the far side of the Moon, namely Tametar® meta-aramid, has extraordinary performance that enabled it to function as a “rivet” for display of the flag. It is also a reflection of Tayho's notable achievements in independent innovation and technological breakthroughs over the past thirty plus years.



Fabric for the Flag Carried by Chang'e-6 on the Moon (Image source: Wuhan Textile University)



Taking a Unique Approach to Lead Cutting-edge Technologies

In the 1980s, domestic demand for spandex and aramid fibers was heavily reliant on imports, which severely restricted the development of related industries. In 1987 Tayho Advanced Materials Group Co., Ltd. was established, and in 1989 it launched its first-phase spandex project, which filled the domestic gap. Since then, the Group has continued its efforts in innovation, having made successive breakthroughs in the field of high-performance fibers.

By overcoming key technological challenges in spandex, meta-aramid, aramid paper, and para-aramid that filled the domestic gaps, and pioneering development of technologies for luminescent fibers, fiber lithium batteries and ECODY® green dyeing that filled the global gaps, Tayho has made remarkable technological achievements that transform it from a follower into an industry leader. Its products and services are widely applied in many sectors of the national economy, including textile, healthcare and aerospace, providing critical support for national development. The Group is the winner of multiple national awards for progress in science and technology and boasts dozens of innovation platforms. Its great research strength provides a solid support for new-quality productive forces.



Tametar® Meta-aramid



LITME® Luminescent Fiber

Multi-party Collaboration for Building an Industry Ecosystem

To accommodate to market changes and the industry development trend, Tayho implements a scientific industrial landscape strategy. The “1+1+N” pattern, i.e. one R&D headquarters in Yantai + one R&D center in Ningxia + several joint laboratories, is adopted to integrate innovation resources, gather top talent and promote the innovation efficiency.

Focusing on four major business clusters and six new growth fields, the Group plans to build five industrial parks, develop five material industry chains and three chemical industry chains to form a “Highly Relevant and Diversified” industrial layout. Up to now, breakthroughs have been achieved in seven projects, including the Lithium-ion Battery Separator and Fiber Lithium Battery Projects. Efforts are being made to incubate more sources of economic growth, accelerate the formation of a new industrial system that aligns with new-quality productive forces, and take the preemptive opportunities for development in the new fields.



Laboratory



SafeBMTM Aramid Coated Separator

Innovative Craftsmanship, and Commitment to Environmental Sustainability

Understanding that new quality productive forces are also green productive forces, Tayho plays an active role in promoting green development. It has founded the first “Green Lighthouse Factory” in the global dyeing and printing industry, pioneering in the international industrialization of green dyeing technology. Relative to traditional dyeing processes, this innovation achieves a maximum water saving of 80%, power saving of 30%, steam saving of 50% while reducing carbon emissions by 60%. With all these efforts, the Group has successfully established it as a model in green transformation of the dyeing industry.

In terms of material recycling, Tayho has built a world-leading model project of chemical fiber regeneration, and launched production facilities for recycling spandex, para-aramid, and meta-aramid, which enables material-to-material recycling, and effective reduction in resource consumption and environmental pollution, and lures to the benefit of industry sustainability. This is how Tayho contributes its “wisdom” to the achievement of carbon peak and carbon neutrality.



Ecody™ Green Printing and Dyeing Products

Technology-powered Boost of Production Efficiency

In the wave of intelligent manufacturing, Tayho is actively incorporating cutting-edge technologies to promote the transformation of its production mode. By leveraging technologies such as industrial internet, big data, and artificial intelligence, the Group has created intelligent production workshops. During production, interconnection between equipment and real-time data collection, in combination with optimization of production processes based on big data, make it possible to accurately control various parameters, effectively enhances product quality stability and lower the defect rate.

By leveraging artificial intelligence algorithms, the Group realizes intelligent operation and maintenance of production equipment. This enables the early prediction of equipment malfunctions, timely scheduling of maintenance, and significantly reduces downtime, thus improving production efficiency. That aside, the intelligent manufacturing system can quickly adjust production plans and schedules based on market orders to achieve flexible production for better satisfaction of customers’ personalized and diversified needs. Intelligent upgrading further adds strong momentum to unleashing new-quality productive forces, and establishes an industry benchmark in the field of intelligent manufacturing.



Hejubian SAP-ERP Project



Honored as a Pioneer for Digital Transformation of the 2024 Dingge Award

Key Performance

During the reporting period, Tayho officially launched its “Hejubian SAP-ERP Project” that involved **17** companies across four industrial parks in Yantai and Ningdong, and the **18** integrated systems were successfully launched in sync, having greatly enhanced the Group’s operational efficiency and management accuracy.

Looking ahead, Tayho will continue to follow the green, environment-friendly, comfortable, safe, fashionable, and intelligent development trend of the industry, and continue its efforts in R&D and innovation, with focus set on developing “bottleneck” products in the field of new materials. Powered by new-quality productive forces, the Group will continuously develop and expand itself for leading China’s new materials industry toward the world and contributing to the global industrial upgrading.

01

Rule of Law Anchors Tayho, Integrity Charts the Course for a New Chapter

Our Philosophy

Tayho consistently adheres to the “Talent-Driven, Innovation-Powered” development strategy by taking innovation and entrepreneurship as a dual drive, gathering top-end talents and integrating innovation resources to lead the development of the new materials industry. It is striving to become an outstanding enterprise that leads the industry, satisfies shareholders, makes employees proud and draws social respect.

Our Actions

- Sustainable Development Governance
- Development under the Guide of the Party Leadership
- Optimization of Corporate Governance
- Solidification of Risk Control
- Improvement of Investor Relations
- Adhering to Business Ethics

SDGs



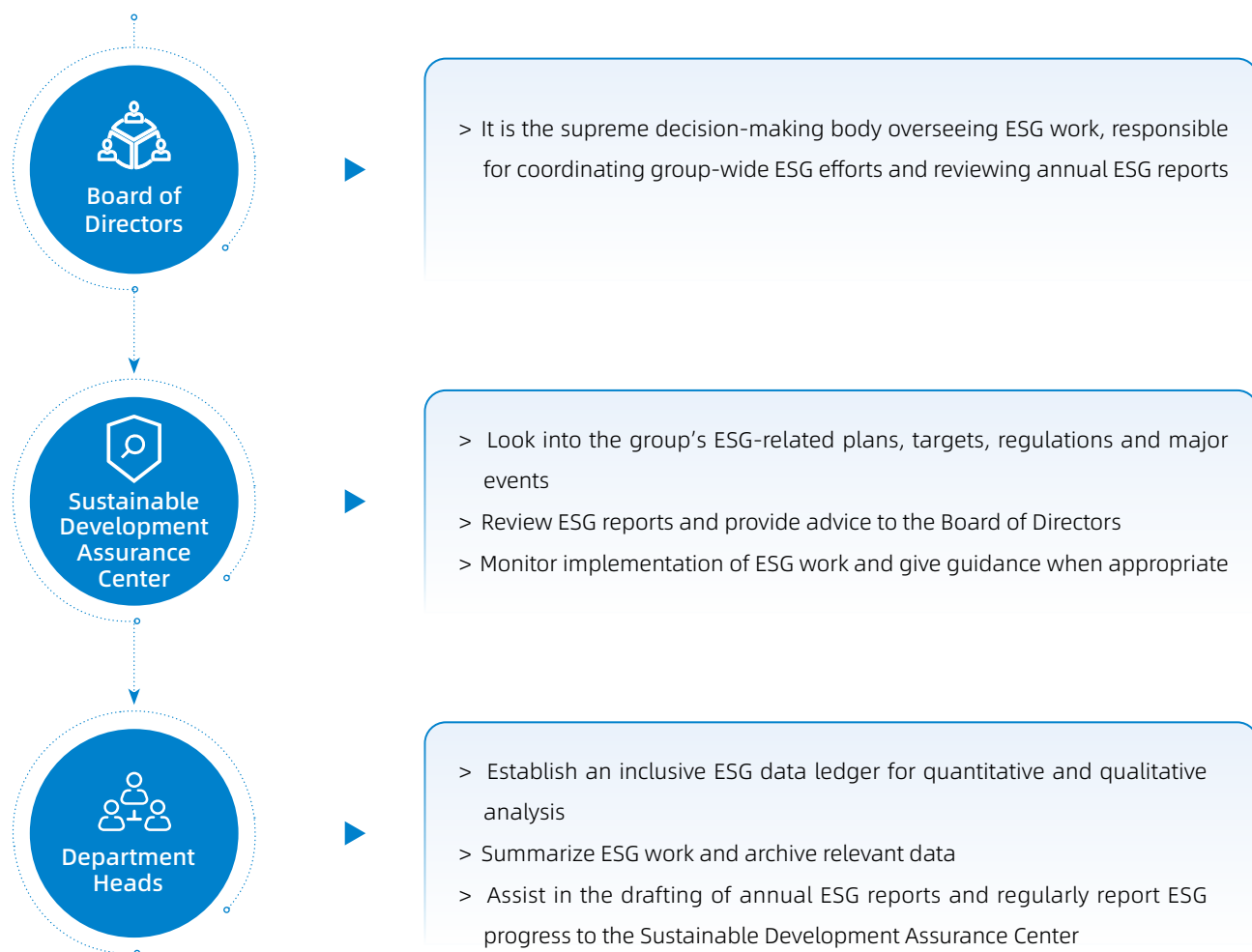
Governance for Sustainable Development

Sustainable Development Objectives and Vision

As an industry leader in high-performance fibers, Tayho drives sustainable growth through strategic focus on new energy, energy efficiency, and green circular economy initiatives. Continuous innovation and efficient operation enables the Group to secure its economic benefits while minimizing the environmental costs and providing eco-friendly products to customers in response to the national green and low-carbon development strategies and the requirements for industrial development in modern times. This is how it contributes to the sustainability of the industry and society, and achieves a win-win outcome for the economy, the environment and society.

Sustainability Governance Structure

Upon making strategic decisions, the Group gives full consideration to factors affecting sustainability. A Sustainable Development Assurance Center is set up as the core organization working to balance economic, environmental and social interests.



Contribution to the Sustainable Development Goals (SDGs) of the United Nations

SDGs	Tayho Commitment to Sustainable Development Goals (SDGs)
	Active participation in social welfare undertakings, including rendering supports to rural revitalization, providing aids to impoverished villagers, visiting families in need, sharing corporate growth benefits with employees, and offering interest-free home purchase loans to employees.
	Commitment to safety and compliance during operation by implementing safety training programs, carrying out safety awareness promotion campaigns during the work safety month, and conducting emergency drills to ensure a safe and healthy workplace for employees.
	Establishment of a complete position system; formation of career development channels through on-site professional training to foster employee development.
	Formulation and implementation of gender equality policies and initiatives to promote career development, protect rights and interests of female employees, and boost an inclusive workplace culture.
	Commitment to carbon emission reduction and sustainable development by seeking growth in new fields like new energy, energy conservation and consumption reduction, green development, and environment-friendly chemical engineering and circular economy.
	Providing a sound workplace, continuously optimizing the compensation and welfare system, and creating more job opportunities.
	Increasing R&D investment, and pushing ahead technological innovation and industrial upgrading to set the development trend of the industry and contribute to economic growth and societal progress.
	Striving to eliminate disparity of treatment for people of different genders and social or economic statuses by implementing fairness policies, improving internal management and providing equal opportunities to build a corporate culture of equality and inclusiveness.
	Staying committed to the pursuit of sustainable development, green mobility, energy conservation and emission reduction for livable and sustainable cities and communities.
	Attaching great importance to supply chain management and maintaining long-term stable partnerships with suppliers to keep supply chains compliant and sustainable.
	Actively combating challenges brought by climate changes by prioritizing the development of green products, setting up emission reduction measures, and advancing low-carbon development.
	Strictly complying with laws and regulations, ensuring no disturbance of the surrounding ecosystem by operations and products, and promoting harmony between humanity and nature.
	Implementing compliance management to ensure rights and interests of shareholders are fully protected; deepening the building of a culture of integrity; strengthening anti-corruption efforts; staying committed to the principles of business ethics.
	Making substantial contributions to the sustainable development of the group and the prosperity of the industry by establishing strategic partnerships, fostering supply chain collaboration and advancing industrial cooperation, or otherwise.

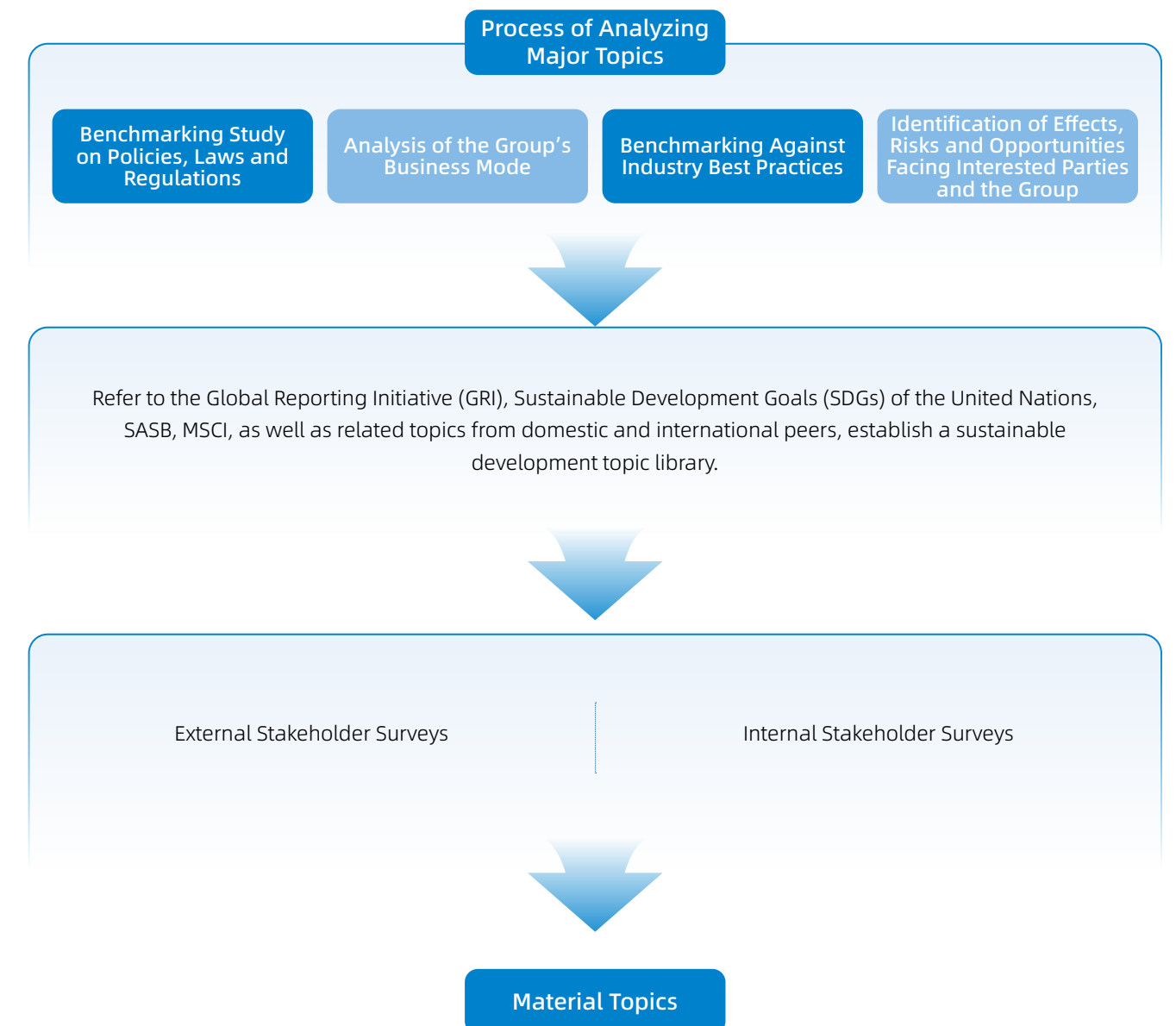
Communications with Stakeholders

Stakeholders	Topics of Concern	Communication and Response
 Government and Regulatory Departments	Environmental Management and Compliance Circular Economy Health and Safety Responding to the National Initiatives Energy Conservation and Carbon Reduction	Government Reception and Visits Government Communication Meetings Information Disclosure and Submission Clean Production Safety Training
 Investors/Shareholders	Corporate Governance Risk and Compliance Management Business Ethics Protection of Shareholders' Rights and Interests Investor Relations Management	General Meeting of Shareholders Regular Reports and Interim Announcements Investor Reception Annual Dividend Distribution Performance Briefings and Targeted Research Sessions
 Employees	Compliant Employment Health and Safety Employee Cultivation and Development Skill Training and Career Development Employees' Rights, Interests and Benefits	Employees' Annual Summarization and Commendation Conference Employee Satisfaction Surveys Employee Training Employees' Congress Employee Care
 Suppliers	Business Ethics Health and Safety Win-win Cooperation	Long-term Stable Cooperation Transparent Procurement Suppliers' ESG Management
 Customers	Product Quality Management Customer Relations Management R&D and Innovation Customer Privacy Protection	Visits to Customers and Routine Communication Meetings Visits to Factories Customer Satisfaction Surveys Emails, Telephone Calls Information Security
 Industry Associations	Product Quality Management R&D and Innovation	Technical Exchanges and R&D Cooperation Product Discussion Forums
 Communities	Environmental Management and Compliance Safe Production Social Welfare	Social Welfare Activities Environmental Protection in Communities Rural Revitalization

Analysis of Materiality Issues

Following the requirements of *Shenzhen Stock Exchange Self-Regulatory Guidelines for Listed Companies No. 17 - Sustainability Report (Trial)*, the Group systematically assesses the dual materiality of sustainable development issues based on the industry features and its operating characteristics. On the one hand, the issues were considered from the external perspective with respect to their material impact on the economic, social and environmental systems (i.e. impact materiality). On the other hand, they were analyzed from an internal perspective to identify their potential effects on the enterprise's strategic layout, business model innovation, financial robustness, cash flow management, financing structure and value chain resilience (i.e. financial materiality).

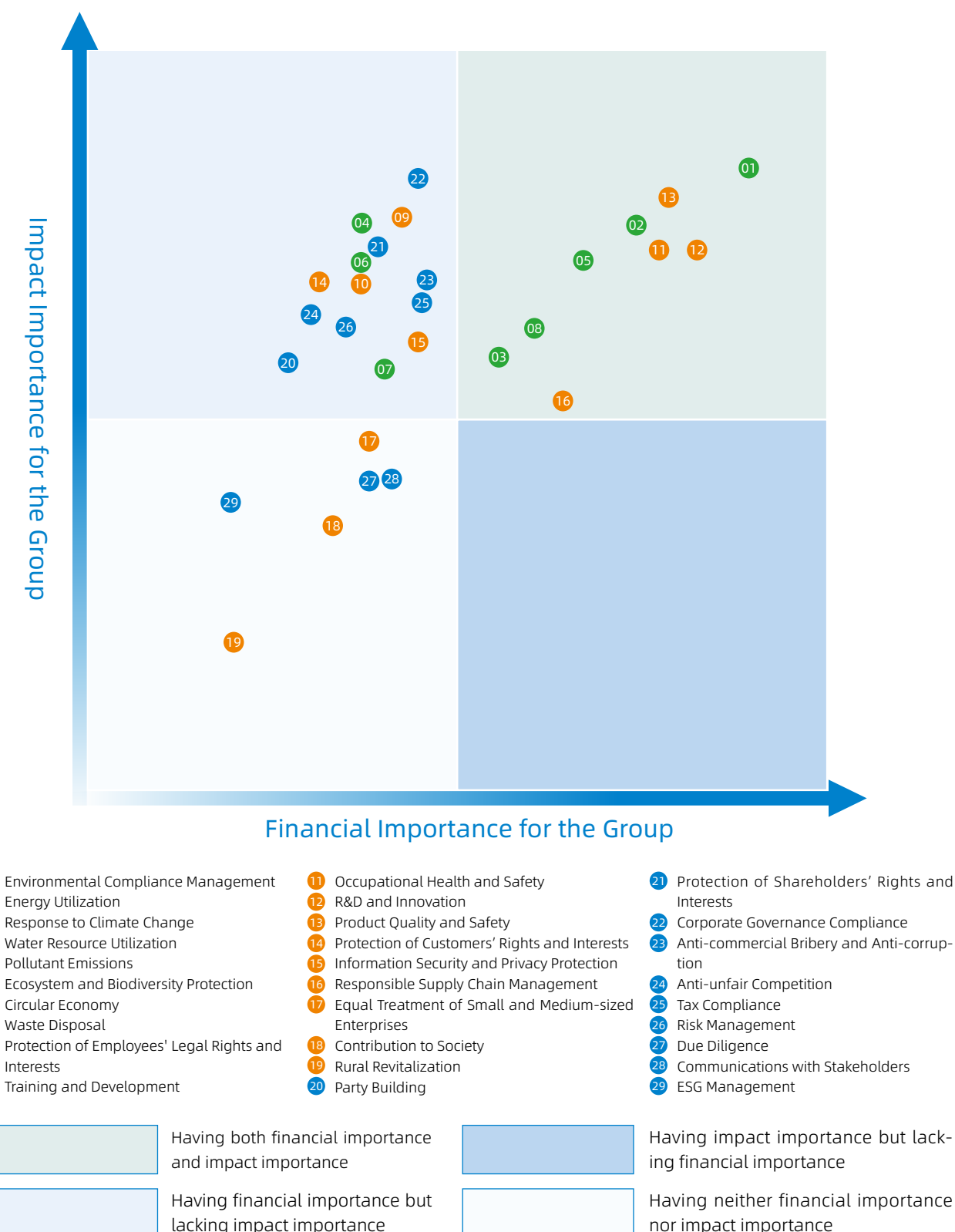
Under the framework of dual materiality analysis in combination with international mainstream ESG standard systems (such as GRI), the Group systematically graded sustainability issues using a two-dimensional "Impact-Financial" matrix model to accurately identify core issues with both significant social value and material influence on the enterprise's sustainability, providing a scientific basis for strategic disclosure and continuous improvement.



A list of Tayho's major topics is as follows

Dimension	Topics	Materiality
E	Environmental Compliance Management	Dual Materiality
	Energy Utilization	Dual Materiality
	Response to Climate Change	Dual Materiality
	Water Resource Utilization	Impact Materiality
	Pollutant Emissions	Dual Materiality
	Ecosystem and Biodiversity Protection	Impact Materiality
	Circular Economy	Impact Materiality
	Waste Disposal	Dual Materiality
S	Protection of Employees' Legal Rights and Interests	Impact Materiality
	Training and Development	Impact Materiality
	Occupational Health and Safety	Dual Materiality
	R&D and Innovation	Dual Materiality
	Product Quality and Safety	Dual Materiality
	Protection of Customers' Rights and Interests	Impact Materiality
	Information Security and Privacy Protection	Impact Materiality
	Responsible Supply Chain Management	Dual Materiality
	Equal Treatment of Small and Medium-sized Enterprises	Relevant
	Contribution to Society	Relevant
G	Rural Revitalization	Relevant
	Party Building	Impact Materiality
	Protection of Shareholders' Rights and Interests	Impact Materiality
	Corporate Governance Compliance	Impact Materiality
	Anti-commercial Bribery and Anti-corruption	Impact Materiality
	Anti-unfair Competition	Impact Materiality
	Tax Compliance	Impact Materiality
	Risk Management	Impact Materiality
	Due Diligence	Relevant
	Communications with Stakeholders	Relevant
	ESG Management	Relevant

Assessment Results of Tayho Advanced Materials' ESG Issues of Materiality



Consolidation of the Leading and Steering Role of Party Building

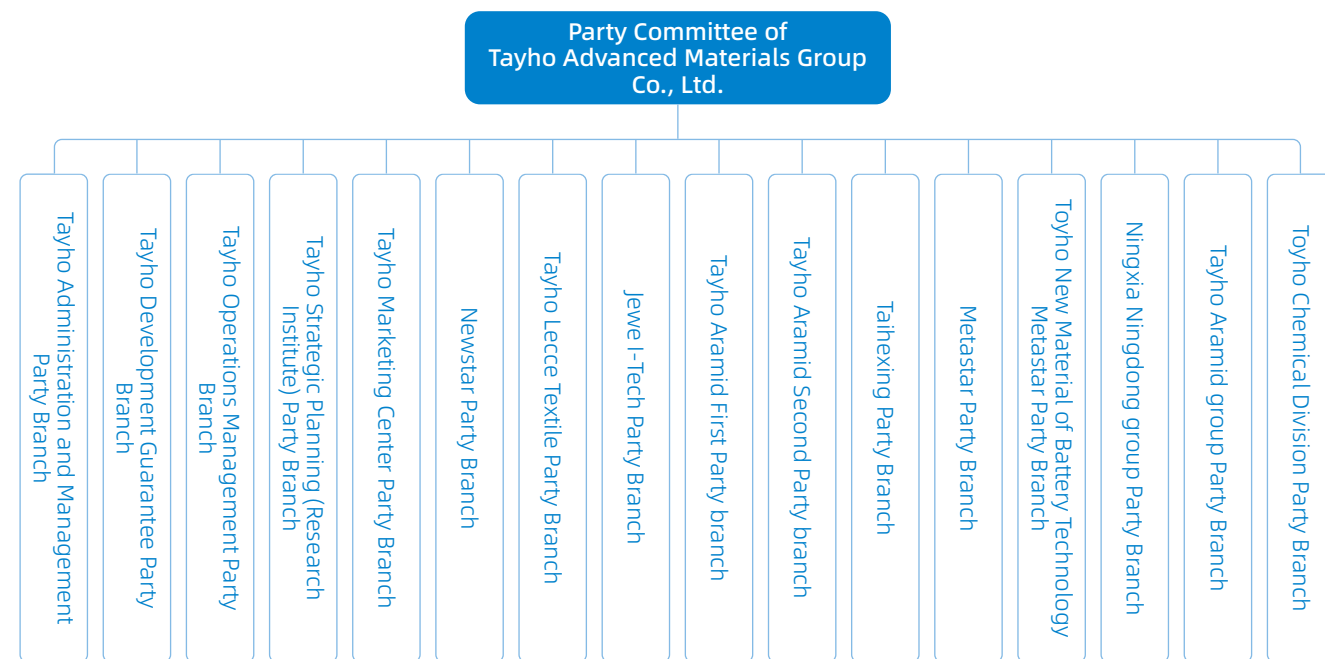
Upholding the Leadership of the Party in All Respects

Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, Tayho actively implemented the guiding principles from the Third Plenary Session of the 20th Party Central Committee, deepened all-round reform centering on its strategic objectives and work focuses, fostered innovation and made breakthroughs in its performance, having further enhanced its overall competitiveness.

Advancing Party Organization Development

For years, the leading and steering role of Party building has encoded the development of Tayho, and grown into an endogenous impetus and engine for the Group's development. In alignment with the Party building objectives of "extending the organizational system, solidifying the development foundation and tapping the potential in innovation, the Group has continued its efforts in deepening Party organization development and generally promoting the development quality to write a new chapter of the Group's high-quality development led and steered by Party building.

Party Organization



Key Performance



Number of Party branches

13



Number of Party Committee meetings held

17

Times



Number of Party members

289

Party Building Events

Firmly upholding the guiding principles of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, Tayho Committee of the CPC anchored itself to the political stance of "setting the right direction, keeping in mind the big picture, and ensuring the implementation of Party policies and principles", and continued its work in enriching carriers of Party building activities and in inheriting the red culture. Under the leadership of Party building, the Group focused on the "Talent-led, Innovation-driven" development strategy, prioritized institutional reform and employee-driven innovation, fully motivated industrial workers and aroused their enthusiasm and creativity, having facilitated the formation of an industrial worker team in line with the production and operation development of Tayho, and laid a solid ground for high-quality development of the Group.



Following the red light and igniting the flame of struggle -- One-day Party-building event at Changdao Daheishan & Laohaidao Island

To align with the Group's reform and quickly adapt to the new organizational structure, the Meta-Aramid Party Branch organized a study trip for all Party members and Party membership candidates to the Changdao Daheishan Island Party Education Base at the coming of the anniversary of the founding of the Communist Party of China on July 1, 2024. The event aimed to give a play to the exemplary leading role of the primary-level Party organization, unify ideological awareness, enhance organizational cohesion and drive business growth of the Group.



Themed Party Day event jointly carried out by China Nonwovens & Industrial Textiles Association, China Dyeing and Printing Association and Tayho

In May 2024, China Nonwovens & Industrial Textiles Association, China Dyeing and Printing Association and Tayho went to the National Botanical Garden, also the Memorial Site for the December 9th Movement, to hold the themed Party Day event. The participants visited the historical sites, listened to revolutionary stories, and paid tribute to fallen heroes. The event was intended to reinforced historical awareness, deepen ideological commitment and strengthen commitment to the Party discipline.



Party Integrity and Anti-Corruption Efforts

Tayho consistently upholds the Party leadership and diligently implements the planning and requirements of higher authorities by continually improving its supervision and inspection system, standardizing its business procedures, and revising regulations such as the *Measures for Implementation of Supervision and Disciplines*, and the *Regulations on Handling of Complaints Reported to Discipline Inspection Authorities*. Through identifying corruption-prone areas, updating integrity records of cadres and pursuing the accountability for implementation of supervision and disciplines, the Group steadfastly advanced its efforts in building Party integrity and fighting corruption.



Party members and cadres watched integrity education films

To deepen the understanding of the important directives of General Secretary Xi Jinping on building the Party disciplines in all respects, educate and guide Party members and cadres with respect to cultivation of moral virtues and self-discipline, holding virtue in high esteem, knowing their limits and abiding by precepts, Tayho organized Party members and cadres of the Group to watch integrity education films, intending to achieve their active commitment to integrity and self-discipline.



Party Building Achievements

In October 2024, Yantai State-owned Assets Supervision Commission hosted a “Party Building for Strong Foundations, Branding for Development” event to display outstanding corporate Party-building activities. The featured brand “Flagship Fiber Leadership” of Party building by the Tayho Committee of the CPC was recognized as an exemplary case, winning the second prize in the competition.

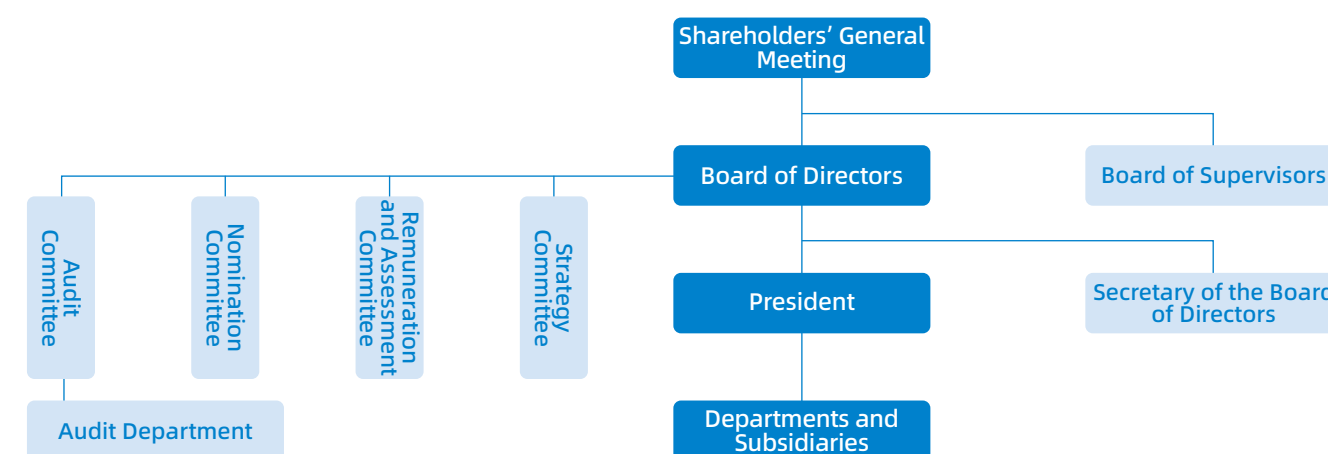


Scientific and Standardized Governance

Perfecting the Governance System

The Group ensured standard operations, transparent governance and legal compliance in strict observance of the *Articles of Association*, the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange* and other laws and regulations to generally safeguard the rights and interests of the shareholders and other interested parties.

Organizational Structure of Tayho



Standardization of the Governance through the General Meeting of Shareholders, Board of Directors, and Board of Supervisors

Shareholders' General Meeting

Shareholders' General Meeting is the supreme authority of the Group, and has the power to decide on the Group's operation strategies, investment plans, division policies and other major matters. By formulating and implementing the *Rules of Procedure of the General Meeting*, the Group ensures that all shareholders, particularly minority shareholders, are equal and can fully exercise their rights, including the right to know, voting right and other rights.

Shareholders' General meetings are convened in strict accordance with laws and regulations. Online voting is encouraged to facilitate shareholder participation, enhance engagement and promote the decision-making efficiency. Special emphasis is placed on protecting the rights of minority shareholders, including their access to information and decision-making power.

Key Performance

During the reporting period, the Group convened **5** Shareholders' general meetings, including **1** annual general meetings and **4** extraordinary general meetings and considered **20** proposals.

The meetings had presence of members of the Board of Directors and the Board of Supervisors as participants.

Board of Directors

The Board of Directors, as the permanent executive body of the Group, exercises functions and powers granted by laws, the *Articles of Association* and the General Meeting of Shareholders, and it is responsible to all shareholders. The *Rules of Procedure for the Board of Directors* is formulated by the Group in strict accordance with the *Company Law of the People's Republic of China* and other relevant laws and regulations to ensure practice of standard procedures and legal decision-making at directors' meetings.

The Board of Directors diligently fulfilled its responsibilities to ensure compliance of the *Company with provisions of laws, regulations and the Articles of Association*. The professional backgrounds and equipment of members on the Board of Directors with knowledge, skills and qualities required to perform their responsibilities enabled them to recognize and closely follow up the Group's production and operation, financial conditions, impact of major events and risks, so as to ensure efficient operation and scientific decision-making of the Board of Directors.

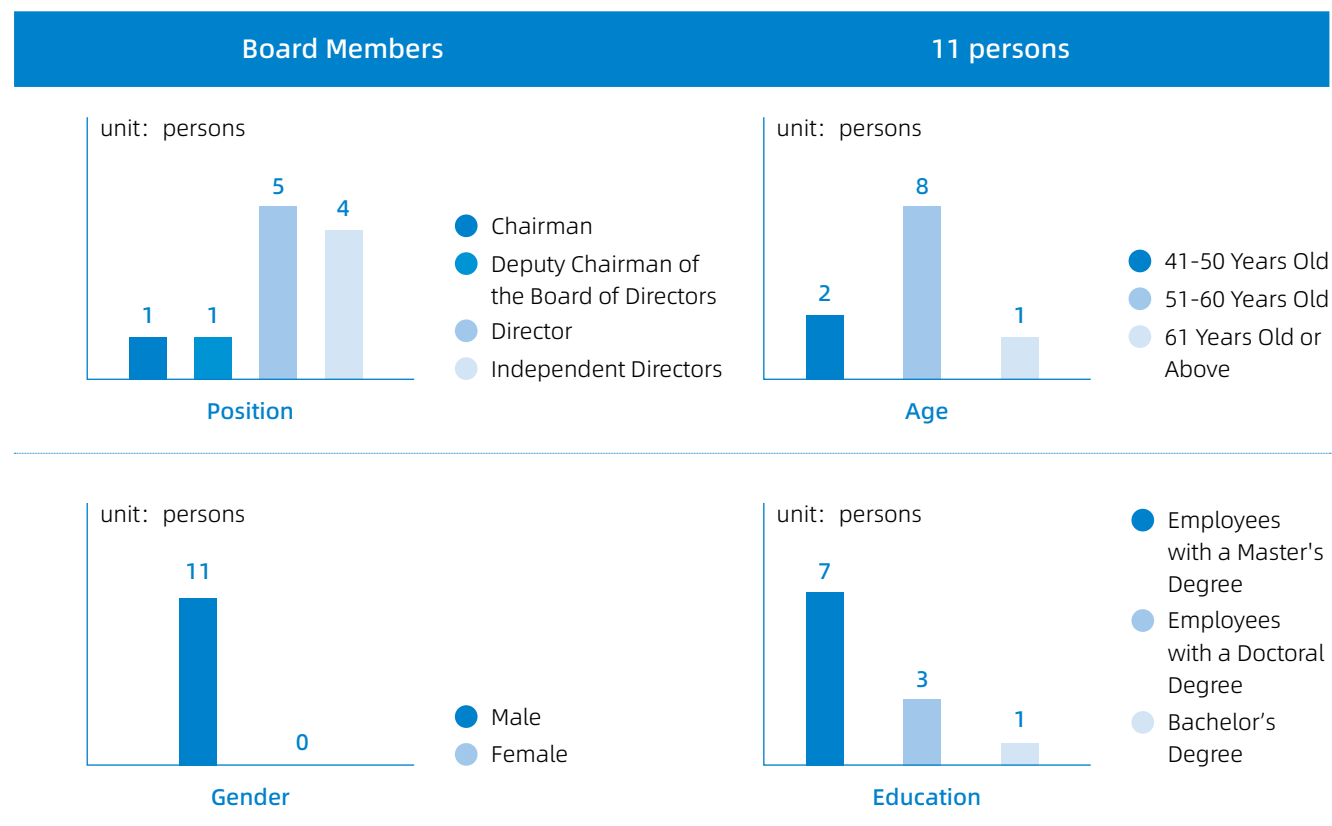
As at the end of the reporting period, the Board of Directors of the Group consisted of 11 directors, including 4 independent directors.

Key Performance

During the reporting period, the Group convened a total of **6** meetings of the Board of Directors and discussed **48** proposals. The average attendance rate was **100%**.

Diversified Backgrounds of the Directors

Upon election and appointment of directors, the Group takes into full consideration of the age, educational background, professional knowledge, and industry experience of the candidates for diversity in the composition of the Board of Directors required to meet the Group's business needs. The composition of the Board of Directors of the Group is described as follows:



Independency of Independent Directors

The Group has high regard for the function of independent directors in the standard operation of the Group, and gives full play to their professionalism and independency. There are 4 independent directors, accounting for no less than one third of the members on the Board of Directors, which is in line with relevant requirements of laws and regulations, and they provide scientific and professional advice for decision-making of the Board of Directors. In addition, the *Working System for Independent Directors* and the *Working System for Special Meetings of Independent Directors* formulated by the Group, responsibilities, rights and obligations of the independent directors are expressly specified. The Group provides the independent directors with sufficient working conditions and support.

Board Committees

The Board of Directors consists of four special committees, i.e. the Strategy Committee, the Nomination Committee, the Remuneration and Assessment Committee and the Audit Committee. Implementation rules are formulated for the special committees to follow, in which the compositions, responsibilities and proceedings of the committees are explicitly provided. All members on the special committees are directors or independent directors of the Group. The members on the special committees perform their responsibilities in accordance with respective proceedings based on the realities of the Group, and provide professional and efficient support for the Board of Directors to make decisions.

	Independent Director	Non-independent Director	Whether the Independent Director(S) Serves as Chairman of the Committee
Strategy Committee	1	6	No
Nomination Committee	2	1	Yes
Audit Committee	2	1	Yes
Remuneration and Assessment Committee	3	0	Yes

Key Performance

During the reporting period, there were **11** meetings of the special committees and of independent directors, at which cumulatively **32** proposals were deliberated, including:

- > **5** meetings of the Audit Committee, with **24** proposals deliberated;
- > **2** meetings of the Remuneration and Assessment Committee, with **3** proposals deliberated;
- > **2** meetings of the Strategy Committee, with **3** proposals deliberated;
- > **2** special meetings of the independent directors, with **2** proposals deliberated.

Board of Supervisors

The Board of Supervisors plays a critical role in ensuring the corporate compliance and safeguarding the rights and interests of shareholders and employees. For this reason, the Group has formulated the *Rules of Procedure for the Board of Supervisors* to ensure that the supervisors are responsible to all shareholders, and effectively supervise performance of duties by the directors, presidents and other senior officers of the Group in observance of laws and regulations, so as to protect the legitimate rights and interests of the Group and its shareholders.

The Board of Supervisors consists of 3 supervisors, including 1 employee representative. The supervisors diligently perform their own duties and supervise the Group's production, operation, financial operations, performance of the Group's directors and other senior officers for compliance with laws and regulations.

Key Performance

During the reporting period, the Group convened a total of **5** supervisors' meetings, at which **15** proposals were discussed. The average attendance rate was **100%**.

Strengthening Internal Control Management

Risk Management

Tayho considers risk and compliance management as the foundation for sustainable development of the Group. The risk management system of the Group is continually improved with system management at the core to ensure that risk management measures are well-documented and enforceable. This can solidify the management foundation, promote the awareness against risks and enhance the response capabilities, thereby securing steady development of the Group.

The Group has established a digital-empowered risk and internal control system for overall monitoring of different risks, timely alerting and operative response, having promoted the efficiency of risk prevention and internal control in the Group.



Special Training on Risks and Internal Control Systems



Training on Contract and Legal Affairs Management

Internal Control

The Group has carefully formed a comprehensive internal monitoring system in accordance with relevant laws and regulations by formulating a range of relevant regulations, including *Internal Control Management Measures*, *Internal Audit Implementation Rules* and *Management Measures for Internal Control Evaluation and Defect Recognition and Rectification*, to clearly provide the Group's internal control objectives, principles, procedures, and key control points regulations, and ensure the effectiveness and compliance of internal controls, providing a strong safeguard for healthy and stable growth of the Group.

During the reporting period, the Group conducted self-evaluations with respect to the effectiveness of internal controls at its headquarters and subsidiaries, and issued the *Internal Controls Report* and the *Internal Control Audit Report* in relation to internal controls in 2024, which were disclosed on the same date with the annual report on CNINFO.

Key Performance

During the reporting period, the Group audited **24** items internally, in which **69** problems were identified, and **62** audit comments were given; the fulfillment rate of rectification reached **100%**.

Compliance System

The Group adheres to the philosophy of "Compliance First, Stable Operations" for compliance management, and strictly follows laws, regulations, regulatory requirements and codes of ethics. It has established and improved a compliance management system to ensure the Group's business activities, management practices and operations are legal and compliant.

The establishment of a four-level compliance management, and the establishment and perfection of the compliance system and risk prevention mechanism centering on the Audit Department have enabled the enterprise to operate stably and develop sustainably, while creating long-term value for relevant interested parties.

Four-Level Compliance Management System	
Position	Responsibilities
Audit Committee	> Take responsibility for communication, supervision and verification of internal and external audits of the Group
Audit Department	> Inspect, assess and supervise the completeness, rationality and effective implementation of the internal control system > Verify the truthfulness and completeness of financial information > Assist in establishing and improving the anti-fraud mechanism > Conduct regular audits with respect to the deposit and use of raised funds > Regularly report work to the Audit Committee
Chief Auditor	> Assist the Party Committee and Board of Directors in management of internal audits
Full-time Auditors	> Conduct internal audits

Tax Management

To effectively control tax risks and strictly comply with national tax laws and regulations, the Group has formulated a *Tax Management System* that generally covers all key aspects of tax-related operations. The financial personnel are required to calculate and pay taxes in accordance with the tax compliance requirements, and ensure that tax returns are true, accurate and complete.

For effective operation of the Tax Management System, tax training is offered, internal control mechanisms are established and improved, risk assessment and compliance inspection are regularly conducted, and active communication and cooperation with tax authorities are maintained.

Key Performance

During the reporting period, the Group paid taxes totaling **82.5667** million yuan (excluding individual income tax), which was a practical contribution to the local economic development.

Management of Related Transactions

To ensure the compliance and transparency of related transactions, the Group has formulated and implemented a *Related-Party Transactions Management System* in line with legal and regulatory requirements to define identification, approval, execution, disclosure and supervision procedures for connected transactions, so that such transactions can be timely identified, managed from day to day and effectively supervised to protect the legitimate rights and interests of the Group and its shareholders. For approval of connected transactions, the Group has established a multi-level approval mechanism and clarified the approval criteria for connected transactions to ensure that all connected transactions are compliant and fair.

Investor Relations Improvement

Information Disclosure

Following the principles of compliance, equality, proactivity and good faith, the Group has established an *Information Disclosure Affairs Management System* to ensure transparent, timely and accurate disclosures. It discloses information through *Securities Times*, *Securities Daily*, *China Securities Journal*, *Shanghai Securities News* and CNINFO, having established a stable and robust investor base to gain long-term market support.

In October 2024, the Group received the 2023 Golden Disclosure Award from China Securities Journal. It was consistently rated “A” in 2022-2024 for information disclosure of companies listed with Shenzhen Stock Exchange.

Key Performance

During the reporting period, the Group disclosed **4** regular reports and **81** interim reports to the public.

Investor Relations Management

To further optimize its corporate governance, improve its communication with investors, and enhance its corporate credibility and core competitiveness, the Group has established an *Investor Relations Management System*, according to which communication with investors can be conducted in forms of performance briefings, roadshows, targeted research sessions, investor hotlines and emails, interactive Q&A, and so on, so as to improve investors’ understanding and identification with the Group, and build long-term stable investor relations.

In March 2024, the Group received an award from China Association for Public Companies for “Best Practices in Investor Relations Management”.



Key Performance



Convened **1** online performance briefing



Received **63** person times of investors for field investigation



Had **312** times of online exchange on irm.cninfo.com.



Uploaded **21** survey documents

Returns to Shareholders

Tayho focuses on creating long-term sustainable value for investors. Through rigorous operational strategies and scientific management, the Group continuously enhances its profitability to deliver juicy returns to its investors. The implementation of a steady and progressive cash dividend distribution policy allows investors to fully benefit from the Group’s growth and sustained profitability.

Over the 16 years of being publicly listed, the Group has cumulatively distributed dividends of 2.145 billion yuan. For the past three years, its cash dividend payout ratio has exceeded 35% of the net profit attributable to shareholders of the listed Group, realizing its commitment to sharing development achievements with investors.

Annual Cash Dividend Distribution			
Key Indicators	Unit	2023	2024
Dividends Per 10 Shares (Including Tax)	Yuan	3	0.5
Dividend Distribution Proposal and Share Capital Base	Shares	856,838,260	854,121,660
Amount of Distributed Cash Dividends (Inclusive of Tax)	Yuan	257,051,478	42,706,083
Proportion of Distributed Cash Dividends in the Total Amount of Profit Distribution	%	100	100



Adhering to Business Ethics

Integrity Governance

Tayho upholds the principle of integrity and self-discipline, aiming to foster a clean and upright environment. To this end, the Group has formulated the *Implementation Plan for Integrity Construction Efforts* to solidify its institutional foundation. There is a multi-dimensional supervision mechanism established by the Group that works to proactively prevent integrity risks through inspections by the Group Party Committee, more frequent daily supervision, and regular specialized and coordinated inspections. That aside, an *Implementation Plan for Identifying and Preventing Corruption-prone Areas* has also been developed to further clarify responsibilities and achieve better risk prevention. The Plan requires all-round identification of integrity risks in the “Three Major and One Significant” Decision-Making System (referring to major decisions, important personnel appointments, major project arrangements and significant capital operations)”, core businesses, major risk events, and other aspects. It is intended to strengthen the Group’s operational foundation.

Key Performance

The Group's Discipline Inspection Commission conducted:



Conducted **11** on-site supervisory inspections



Identified **29** issues



Issued and urged implementation of **31** suggestions on correction

In building of integrity culture, the Group has integrated various integrity education initiatives into its business operations, deeply explored cultural values, and rooted integrity awareness in all aspects of its operations. These efforts have contributed to the formation of a Clean Tayho brand, and fostered an ethical and upright work environment where integrity becomes a fundamental behavioral standard for employees. This has laid a cultural and ideological foundation to support the Group’s high-quality development.

During the reporting period, no legal proceedings related to corruption or bribery were initiated against the Group.



Training on Laws and Regulations Related to Integrity in Professional Conduct

To enhance the Party conduct and integrity efforts, and deepen employees’ awareness of ethical professional conduct, the Group organized training on relevant laws and regulations concerning integrity in professional conduct, and diligently implemented its responsibility for Party conduct and integrity, while integrating the construction of a clean and honest Party into the daily operational framework.



Key Performance

During the reporting period, **11** directors participated in anti-corruption and anti-bribery training, with an average training duration of **3** hours per person

Over the past three reporting periods, **100%** employees signed the Letter of Commitment to Integrity and the Letter of Commitment to the Code of Conduct

Anti-unfair Competition

In its operation and business development, the Group has always prioritized compliance, by strictly adhering to laws such as the *Anti-Unfair Competition Law of the People's Republic of China*, resolutely maintaining a fair and competitive market environment, and securing its market position with high-quality products and services while rejecting any unethical or illegal business practices.

During the reporting period, no legal proceedings related to anti-unfair competition, anti-trust or anti-monopoly violations were initiated against the Group.

Anti-Money Laundering

To ensure the legality and transparency of its business operations, Tayho has formulated the *Basic Financial Accounting Policy* and the *Financial Management Measures* in accordance with national anti-money laundering laws and regulations to specify that the Finance Department shall keep accounts of all transactions in a complete, true and timely manner to facilitate monitoring and analysis of the transactions.

In customer management, the Group strictly applies identity verification procedures and background checks to ensure the authenticity, completeness and accuracy of customer information. In employee training, the Group improves employees’ understanding and execution of anti-money laundering regulations, raises their awareness and enhances their ability to detect and prevent illicit activities through dedicated training programs. In close collaboration with regulatory authorities, the Group readily reports any suspicious transactions and fully cooperates in inspections and investigations.

Open Complaint Channels

The Group is committed to providing a safe and confidential environment by establishing multiple reporting channels, and encouraging employees and management to expose improper conduct. The Group solemnly pledges that: Complainants and whistleblowers will receive full protection during investigation. Any actual or attempted retaliation will be strictly punished in accordance with the law, to the maximum extent of punishments including, but not limited to, termination of employment or referral to relevant legal authorities.

Reporting Channels:



Hotline:
0535-6955023



Email for Reporting:
thjw@tayho.com.cn



Mailing Address:
10 Heilongjiang Road, Yantai Economic and Technological Development Zone, Shandong Province

02

Green Vision Leads, Sustainable Materials Define

Our Philosophy

Tayho upholds the core values of resource conservation and environmental protection, and actively implements a green and low-carbon development strategy. In strict observance of environmental laws and regulations, the Group continuously optimizes its environmental management system to set an industry benchmark for efficient resource utilization and harmonious ecological integration.

Our Actions

- Response to Climate Change
- Rational Resource Allocation
- Environmental Compliance Management
- Commitment to Green Operations

SDGs

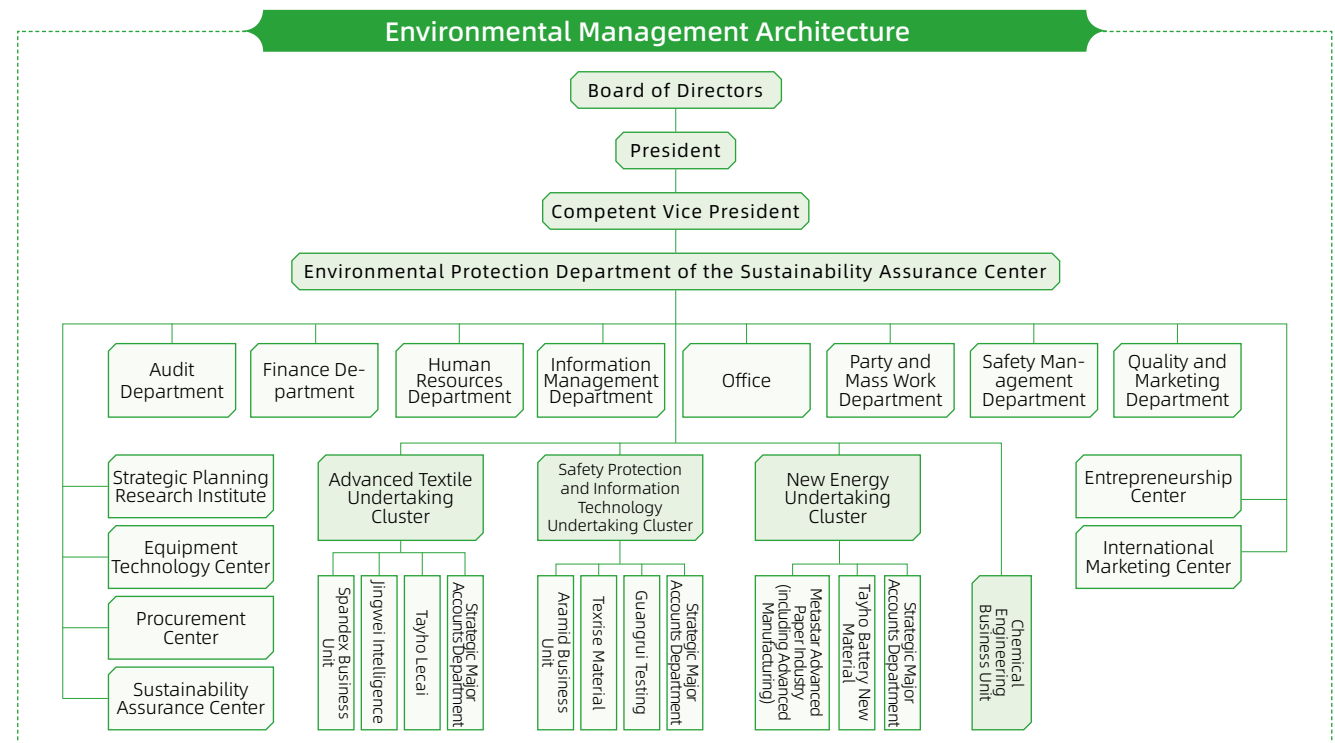


Tayho adheres to the environmental management policy of "Protecting the Environment, Cherishing Resources, Saving Energy and Developing Sustainably". In accordance with national environmental laws and regulations, it makes efficient use of resources and energy and disposal of waste, reduces emissions and prevents pollution, fostering a harmonious internal and external environment to achieve long-term sustainability.

»10 Major Principles for Environmental Management

- Strictly implement the environmental management system of "Three Simultaneities" (simultaneous design, construction, and operation of environmental protection measures with project development) for all new, modified and expanded projects, and prevent unauthorized construction and operation before approval
- Fulfill local environmental responsibilities, monitor risks and trends, and eliminate "no-responsibility zones"
- Take primary responsibility for environmental management, ensure proper supplier oversight and avoid outsourcing without supervision
- Implement the pollutant discharge permit system, strictly adhere to concentration and total emission limits, and prevent illegal discharges
- Ensure efficient operation of pollution control facilities, and prohibit improper operation
- Conduct stringent qualification reviews and contractual agreements for hazardous and solid waste disposal, and prevent illegal handling
- Protect soil and groundwater, and prevent uncontrolled leaks, spills, drips and seepage
- Maintain emergency preparedness and change management, ensure timely communication and response in urgent situations, and prevent negligence or mismanagement
- Conduct regular employee training, and foster full participation in environmental protection efforts
- Promote a holistic environmental perspective, safeguard the Group's reputation and prevent public relations crises

The Group has established a top-down environmental management framework involving the President, Vice Presidents, the Sustainability Assurance Center and all operational departments. This structure ensures comprehensive decision-making, supervision and coordination of the Group's environmental protection initiatives. The Environmental Protection Department of the Sustainability Assurance Center serves as the primary authority for environmental management, staffed with professionals who align their expertise with the Group's production processes and operational requirements.



Response to Climate Change

Governance

To advance its efforts in emission reduction and energy conservation, Tayho has established the *Incentive System for Emission Reduction and Improvement Projects* and the *Environmental Protection Target Management System*, which is designed to achieve the Group's sustainable development goals by integrating green practices throughout the entire production process and product lifecycle, enhance the Group's market competitiveness and build a resource-efficient enterprise.

The Group has set up the Sustainability Assurance Center, with its Environmental Protection Department responsible for energy conservation and emission reduction initiatives. Through refined management, the Group aims to reduce greenhouse gas emissions and establish a green, low-carbon and efficient operational model, laying a solid foundation for long-term sustainability and contributing to global climate change mitigation efforts.

Strategy

To accurately know potential climate-related risks and opportunities, Tayho adopts a dual-perspective approach for systematically identifying and evaluating the impact of climate changes on its business, with reference to research on climate trends, macroeconomic conditions and industry policies, and dynamically aligns its business operations and resource allocation to significantly enhance its resilience and adaptability to climate challenges.

Opportunity Type	Description	Explanation of Financial Impact	Likelihood of Occurrence	Impact Size	Impact Duration	Impact on Value Chain	Countermeasures
Market Opportunities	With the growing market demand for low-carbon products, actively increasing R&D and production efforts in environment-friendly materials can cater to market needs and help downstream businesses reduce their carbon footprint, contributing to global climate improvement.	Income increase Goodwill gain Market shares expansion	Medium	Medium	Long-term	Operations Downstream	1.Promote the transition to eco-friendly materials, such as bio-based aramid, by implementing green and low-carbon management throughout the entire product life-cycle, including production, design, transportation, usage and recycling. 2.Drive digitalization and green transformation among upstream and downstream players across the entire industry value chain.
Energy Source	The emerging renewable energy policies and incentives facilitate the Group's switch to clean energy sources. GHG emissions can be effectively reduced by adjusting the energy consumption mix and enhance energy efficiency.	Reduction in cost	High	Medium	Long-term	Operations	1.Continuously improve carbon management capabilities, actively establish a "Zero-Carbon Lighthouse Factory", and optimize production processes to reduce energy consumption per unit of product. 2.Gradually replace traditional energy sources by launching on-site solar power generation projects. 3.Promote technological advancements and sustainable practices by exploring energy-saving and carbon-reduction potential across the entire product lifecycle to promote technological innovation and green transformation.

Risk Type		Description	Explanation of Financial Impact	Likelihood of Occurrence	Impact Size	Impact Duration	Impact on Value Chain	Countermeasures
Physical Risks	Extreme Weather Conditions (Rainstorm, typhoon)	1.Extreme weather events may cause damage to the Group’s facilities, disrupt employee commuting and regular work, and affect production continuity due to logistical constraints, especially as the Group operates multiple production sites in different locations. 2.Such events could also damage factory infrastructure, including raw material storage tanks and wastewater treatment facilities, potentially leading to chemical leaks that contaminate soil, groundwater, and nearby water sources. The possible reaction of certain chemicals with water may pose risks of fire or explosion, which is likely to incur fines, compensation claims and regulatory penalties beyond direct financial losses.	Cost increase Fixed assets depreciation Goodwill damage	Long	High	Short-term	Upstream Operations Downstream	1.Implement strict segregation of chemicals to prevent hazardous reactions in the event of leaks, reducing the risk of secondary disasters. 4.Use premium-grade chemical storage containers to reduce safety risks. 2. Maintain a good stock of emergency materials and establish a comprehensive guarantee system of emergency supplies. Strengthen cooperation with local fire departments, environmental agencies and emergency response teams. 3. Install containment barriers, drainage channels, and emergency containment ponds within factory premises to prevent chemical spills from spreading beyond the site, minimizing potential environmental and operational impact.
	Extreme temperatures	1.Maintaining optimal production temperatures may lead to higher energy consumption, contributing to increased greenhouse gas (GHG) emissions. 2.Extreme temperatures could compromise the stability of specialized raw materials essential for high-performance fiber production and the precision of production equipment, potentially affecting product quality and consistency.	Cost increase	Medium	Medium	Short-term	Operations	Upgrade the equipment to enhance heat and cold resistance, minimizing the impact of temperature fluctuations on production operations.
Transformation	Policy Risks	The chemical manufacturing sector is facing increasingly stringent regulations on monitoring and disclosure of GHG emissions. Companies are expected to develop sustainable emission management capabilities to remain compliant. Failure to do so may result in fines and production restrictions imposed by regulatory authorities, or expose the companies to the risk of decreased market share due to poor environmental performance.	Cost increase	High	High	Long-term	Operations	1.Keep a close eye on updates to national and local regulations on disclosure of greenhouse gas (GHG) emissions, promptly analyze key changes and make strategic planning ahead for compliance. 2.Strictly adhere to relevant regulations by incorporating comprehensive GHG emission data in the Group’s 3.Conduct carbon footprint verification for key products to quantify emissions from different sources and know GHG emissions at different production stages, providing data-driven insights to support targeted emission reduction strategies.

Impact, Risk, and Opportunity Management

With a forward-thinking strategic approach, Tayho incorporates climate risks into its corporate risk management system. Through systematic planning and rigorous implementation, the Group has established a well-based comprehensive climate risk assessment and management framework, ensuring the Group moves stably forward in the increasingly unpredictable climate landscape to achieve its long-term sustainability goals.

Process	Specific Actions
Demands and Expectations of Related Parties	Take into account all internal and external factors that could affect the Group’s daily operations, business mode, financial conditions and the external environment or society, and requirements of related parties.
Risk Identification	Based on macro policies, regulatory requirements and industry trends, employ various means such as questionnaire surveys, focus group discussions, expert consultations, scenario analysis, policy analysis, industry benchmarking and interviews to identify potential climate risks and opportunities.
Risk Analysis	Based on the Group’s operating realities, analyze and assess the likelihood of occurrence, severity of impact, reach of influence and irreversibility of consequences, and classify risks into physical risks, transition risks and climate opportunities for effective response with appropriate resource allocations.
Risk Assessment	Review the results of risk analysis to determine the acceptability of each identified climate change-related risk and opportunity, and identify which issues should be prioritized and which require general attention, laying the foundation for the development of targeted risk mitigation strategies.
Risk Response	Based on the results of the risk analysis, assess the causes and tolerability of each risk, and weigh the risks against benefits to determine the most appropriate risk response strategy.
Effectiveness Evaluation	With internal goals and external factors taken into account, supervise the implementation of measures taken to address climate change-related risks and opportunities, and evaluate the effectiveness of the measures.
Review and Update	Organize regular review of risks and opportunities to verify their validity. The review covers the effectiveness of identification, the progress of response measures, impact on products and services, customer satisfaction, and identification of new risks and opportunities.

Indicators and Objectives

Tayho actively responds to the national “Dual Carbon” initiative by taking the path of green, low-carbon and high-quality development. It continuously enhances its carbon management capabilities, aiming to create “Zero-Carbon Lighthouse Factories” and contribute to achieving the national “Dual Carbon” goals.

Greenhouse Gas (GHG) Emissions of Tayho Advanced Materials/Ton Carbon Dioxide Equivalent

	2024	2023	2030 (Target Year)	2050 (Target Year)
Total Emission of Greenhouse Gases	320,623	500,000	700,000	200,000
Greenhouse Gas Emissions (Scope 1)	21,375	116,000	300,000	75,000
Greenhouse Gas Emissions (Scope 2)	278,896	346,000	240,000	80,000
Greenhouse Gas Emissions (Scope 3)	20,353	38,000	160,000	45,000

Decarbonization and Emission Reduction

Carbon Footprint of Product

During the reporting period, the Group conducted life cycle assessment (LCA) and carbon footprint investigation for Tapanar® Aramid Filament, and obtained corresponding certifications. This helped the Group fully understand the carbon emissions across the entire product lifecycle, having laid a foundation for guiding design personnel in low-carbon design, optimizing production processes and reducing greenhouse gas emissions.



Product Carbon Footprint report

Clean Energy

A photovoltaic power generation project was launched at the parking lot of the New Polymer Material Industrial Park. When it comes into operation, the project is expected to generate electricity of approximately 400,000 kWh per year, reducing about 450t/a carbon emissions. According to the feasibility study for a steam waste heat utilization project, operation of the project is expected to save electricity of approximately 4 million kWh per year, leading to a reduction of about 4,500 t/a carbon emissions.



The photovoltaic power generation project at the parking lot

Environmental Compliance Management

Governance

The Group strictly adheres to the *Environmental Protection Law of the People's Republic of China*, the *Water Pollution Prevention and Control Law of the People's Republic of China*, the *Air Pollution Prevention and Control Law of the People's Republic of China*, and the *Solid Waste Pollution Prevention and Control Law of the People's Republic of China*. It has also developed the *Environmental Management Manual of Tayho Advanced Materials Group Co., Ltd.* and a range of supporting regulations to ensure close monitoring and proper disposal of various pollutants and waste generated in its operations and production processes. Emission management strategies are implemented based on scientific planning and gradual advancement to achieve coordinated development between production activities and environmental protection.

During the reporting period, the Group and some of its subsidiaries became certified with GB/T 24001-2016/ISO 14001:2015 Environmental Management System, with the pollutant storage and treatment facilities at the Group's production bases operating normally and in compliance with emission standards.



Environmental Management System Certification Certificate

To strengthen the supervision and management of environmental protection efforts, ensure fulfillment of environmental responsibilities, control pollutant concentrations and total emissions, reduce or gradually eliminate excessive pollutant emission incidents, the Group has incorporated environmental performance into its assessment system, and established the *Environmental Protection Rewards and Penalties System* to encourage promotion of environmental awareness by the management.



Environmental protection targets and indicators are included in departmental performance evaluations, and are evaluated on a quarterly basis. The evaluation results are considered in quarterly performance assessments.



If any environmental incident that disturbs the normal operation of the Group's sewage treatment plant or leads to excessive emissions or causes more severe outcomes occurs in a year as a result of any department, the quarterly and year-end performance rating of the responsible department will be lowered based on the original assessment results.



In case other control targets are not fulfilled, quarterly evaluations will be conducted in accordance with the *Environmental Protection Rewards and Penalties System* and other relevant regulations.

Environmental Information Disclosure

The Group strictly respects and consistently commits itself to a strong sense of environmental responsibility and the rule of law. It stringently follows the *Environmental Protection Law of the People's Republic of China*, the *Measures for Formulating Regulations on Information Disclosure of Public Enterprises and Institutions*, and the *Measures for the Management of Corporate Environmental Information Disclosure*, and other relevant laws, regulations and documents, ensuring that its disclosure of environmental information is in line with legal requirements. Having established an Environmental Information Disclosure Management System, the Group agrees to receive supervision from the government and the public.

During the reporting period, there was no punishment imposed on the Group due to improper disclosure of environmental information.

Incentives for Emission Reduction

To advance its efforts in emission reduction and energy conservation, achieve the sustainable development goals of energy conservation, consumption reduction, pollution mitigation and efficiency promotion, and integrate green practices throughout the entire production process and product lifecycle, the Group has developed an Emission Reduction Improvement Project Incentive System, aiming to facilitate the implementation of emission reduction and energy conservation projects, improve the Group's market competitiveness and build a resource-efficient enterprise.

Objectives

Reduce pollutant generation and discharge through less consumption of resources and energy

Measures

01/

Encourage improvement in product design and processes, use of clean and green raw materials and energy sources, and employment of technological processes and equipment that feature high efficiency of resource utilization and low pollutant emission.

02/

For waste generated in production and circulation, strive to achieve full recycling, so as to ensure maximal transformation of waste into resources.

03/

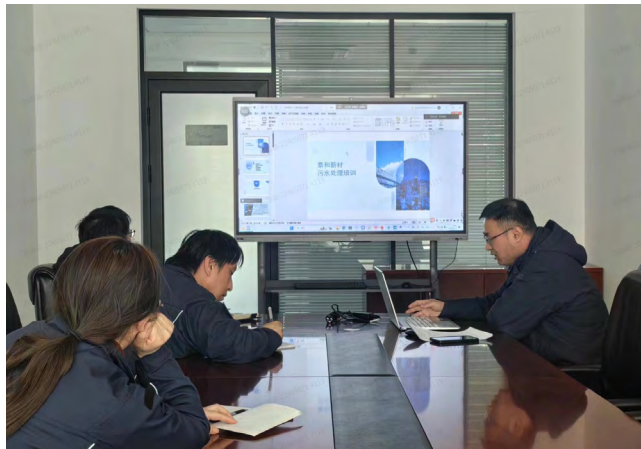
Consistently combine emission reduction and energy conservation with cost reduction and efficiency improvement, implement control at source in sync with potential exploration, apply management by law and policy incentives, and emphasize both priorities and general advancement.

04/

Consistently align emission reduction with growth to realize the win-win goal of emission reduction and development.

Environmental Protection Training

Based on the characteristics of the chemical fiber industry and the Group's operational needs, an Environmental Protection Training Management System is developed, according to which environmental protection-themed training sessions should be regularly carried out centering on environmental regulations, waste management and environmental operational procedures, among others. Environmental protection training for employees of the Group, construction workers of external contractors engaged for operations of different departments and units, visitors and interns can be carried out through daily knowledge sharing, environmental protection management manuals, internal auditor certification, environmental protection management certification or otherwise, so as to ensure relevant personnel can accurately and effectively implement environmental protection measures in practice.



Environmental Protection Management Training

Strategy

In the context of increasingly stringent environmental compliance requirements and regulation for the chemical industry, some chemical companies are subject to punishment or even shutdown for rectification due to failure to meet environmental requirements. In light of this, Tayho take the initiative to align with regulations on environmental protection and emission standards for the chemical industry by accurately identifying and assessing environmental compliance issues and pollution control challenges, so as to provide reference for rectification and maintain its commitment to environmental compliance. These efforts help promote green development and contribute to the sustainable advancement of the industry.

Risk Type	Description	Explanation of Financial Impact	Likelihood of Occurrence	Impact Size	Impact Duration	Impact on Value Chain	Countermeasures
Address risks	Equipment failure, misoperation, or use of improper processes in treatment of waste water, exhaust gas or other pollutants may result in inadequate treatment of the pollutants failing to meet environmental standards. This can exert adverse effect on the eco-environment, and subject the Group to punishment by regulatory authorities, thereby harming the Group's social image and financial performance.	Cost increase Goodwill damage	Low	Low	Short-term	Operations	1.Establish an inclusive responsibility system for prevention and control of hazardous waste pollution, specifying job responsibilities to ensure effective implementation of pollution prevention and control. 2.Set in place specifications for regular equipment maintenance and calibration, ensuring early identification and elimination of potential equipment defects for stable operation of the equipment. 3.Enhance training of operators on skills and safety to promote their operating proficiency and awareness, thereby reducing operational errors. 4.Introduce Tayho environmental information management system for real-time monitoring and management of pollutant treatment processes, so as to promote the treatment efficiency and accuracy. 5.Engage qualified third-party monitoring agencies to monitor pollutant treatment,
Improper storage and potential leaks	Environmentally hazardous substances concerning the Group include liquid ammonia, diethylamine and methylene diphenyl diisocyanate (MDI), which pose significant risks to the atmosphere and water environments. In the storage, transportation or handling of pollutants and hazardous chemicals, accidental release of these substances to the environment due to equipment aging, damage or operational errors may directly threaten the environment and public health, or even give rise to social panic and social pressure.	Cost increase Goodwill damage	Low	High	Mid-term	Operations	1.Upgrade storage and transport equipment, using more advanced leak prevention technologies and equipment to improve the equipment tightness and reliability, and thereby significantly reduce the risk of leak. 2.Set up a professional emergency response team, with each member's role and responsibility expressly specified, so as to ensure fast response in case of an accidental release. 3.Carry out regular emergency drills and training to test and improve emergency response capabilities, ensuring effective response and minimizing loss and harm in case of an incident.

Opportunity Type	Description	Explanation of Financial Impact	Likelihood of Occurrence	Impact Size	Impact Duration	Impact on Value Chain	Countermeasures
Market Opportunities	Against the backdrop of ongoing ecological civilization development, laws, regulations and policies in the field of pollution prevention and control are becoming more stringent and inclusive, with increasing regulatory enforcement. Meanwhile, the downstream market is experiencing explosive growth in demand for green, low-carbon and environment-friendly products, particularly with stricter requirements for pollutant reduction. This brings new opportunities for the Group to expand its portfolio to eco-friendly products.	Revenue increase	Medium	Medium	Long-term	Operations	1.Develop and launch the full range of Tametara® and Tepran® solution-dyed aramid fibers, eliminating the need for dyeing and adding no harmful chemicals. 2.Develop the Ecody® green dyeing technology, enabling textiles to be dyed rapidly without salt at ambient temperature, so as to significantly relieve the current situation of high energy consumption, severe pollution, and high-volume saline wastewater emissions in the traditional dyeing industry.

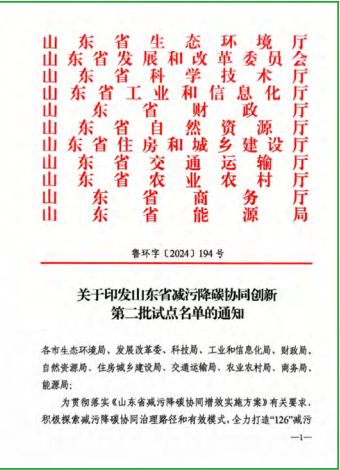
> In August 2024, Tayho was honored as a green factory in Shandong Province due to its exceptional practices in green development by leveraging cutting-edge production technologies and advanced equipment to achieved low-carbon, circular and zero-emission production processes, and to realize fine carbon footprint management throughout the entire product lifecycle through continuing optimization of its energy mix, development and expansion of the new energy proportion, in combination with the implementation of energy conservation, carbon reduction, and pollution control initiatives. This honor is the revelation of the Group’s steadfast commitment to sustainable development, as well as a high recognition of its active efforts in practicing sustainability principles.



> Tayho actively supports the “Zero-Waste City” initiative of Yantai City by consistent commitment to waste reduction at source, resource utilization and harmless disposal. Optimized production processes generate less waste, with advanced technologies applied to efficiently convert recyclable waste into regenerated resources. Non-recyclable wastes are safely disposed in strict observance of environmental protection standards. Due to its outstanding performance in practicing the “Zero-Waste” concept, Tayho was recognized as a “Zero-Waste Cell” in Shandong Province and Yantai that had contributed to the green transformation of the urban environment.



> As one of the second batch of pilot units for collaborative innovation in pollution reduction and decarbonization in Shandong Province, Tayho focuses on key areas of synergy between pollution reduction and decarbonization by integrating internal R&D resources and external research forces to tackle technological challenges and develop new models. As the pilot work progresses, the Group has developed replicable and scalable experience in innovative pollution and carbon reduction, which is helpful to green, low-carbon and high-quality development of Shandong Province.



> The Ecody® green dyeing technology industrialization project has been certified with Oeko-Tex Standard 100 for eco-textiles, suggesting that the product fully meets high international environmental standards. The certification is also a strong implication of the Group’s leading position and great strength in the green dyeing technology field, as well as a reflection of its active commitment to sustainable practices and dedication to offering consumers green and eco-friendly textiles.



Impact, Risk, and Opportunity Management —

In alignment with ISO 14001 Environmental Management System, the Group has planned and implemented the *Operation Control Procedure for Environmental Factors* and the *Environmental Factors Identification and Evaluation Procedure*, and compiled the *Environmental Risk Assessment Report*. Within the defined scope of its environmental management system, the Group comprehensively assesses the environmental impact of each procedure throughout the product lifecycle from raw material procurement, manufacturing to finished product delivery and after-sales service for whole-process refined environmental management and for performance of its corporate environmental responsibility, so as to contribute to green development.

Process	Specific Actions
Identification of internal and external environments, and related parties' needs	Conduct comprehensive analysis of external environmental factors on political, economic, social and technological fronts, as well as internal resources, capabilities and culture in accordance with the <i>Business Planning Control Procedure</i> ; actively gather feedback from customers, suppliers, partners and regulatory agencies to identify their needs, expectations and concerns, laying the groundwork for subsequent risk and opportunity identification.
Identification of environmental factors, risks and opportunities	Explore the evolution law of various environmental incidents; seek information on the potential impact of natural disasters; identify environmental hazards; analyze their relations with surrounding residents, units and local environment that may be affected, as well as with the Group's production, sale and management activities, related parties' products and services, personal activities and site facilities; maintain records of identified results in the <i>Risk Control Matrix Sheet</i> .
Risk Analysis	Apply the binary judgment method (say in case of evaluating whether emissions exceed legal or regulatory standards) and the scoring judgment method (by assigning scores to dimensions including severity of environmental impact, frequency of occurrence, reach of influence and duration of pollution, among others).
Risk Response	In case of significant environmental factors or high risks, relevant responsible departments will establish control measures, including targets and indicators, environmental management plans and operation guidelines, and develop emergency preparedness and response documents; Less significant environmental factors and low risks will be managed by each department in accordance with the routine workflow and standards. Regular checks and supervision are required to ensure that these factors and risks remain under control.
Monitoring and Enforcement	Responsible departments are tasked with monitoring the implementation of control measures through routine supervisory inspections, internal audits or otherwise. It is required to check whether equipment operates properly, whether the operation complies with the specifications, whether the target indicators are fulfilled, etc., and record the monitoring results in detail.
Effectiveness Evaluation	Consistently monitor environmental factors, risks and opportunities to timely identify potential changes; regularly assess risks and opportunities; check identification for completeness, implementation of response measures, impact on products/services and customer satisfaction, and emergence of new risks and opportunities.

Emergency Response Plan

To establish a strong environmental safety barrier, effectively prevent environmental emergencies, ensure fast and scientific response and efficient disposal in case of an emergency, minimize the extent and degree of pollution, and fully control and eradicate environmental pollution risks, Tayho has formulated the *Environmental Response Management System* and developed an Environmental Emergency Response Plan, with emergency response teams set up. As at the end of the reporting period, the Group had 7 emergency rescue headquarters and 52 emergency rescue work teams to effectively address environmental pollution and damage emergencies.

Emergency Drills

To establish and improve mechanisms for response to environmental pollution emergencies, and effectively promote the Group's general ability to respond to environmental emergencies, the Group is active in environmental emergency response drills, with the *Annual Environmental Emergency Response Drills Plan* formulated, so as to effectively respond to environmental pollution and damage emergencies, improve the emergency response and rescue level, heighten employees' awareness of environmental risk prevention, control and reduce harmful environmental effects.

Key Performance

During the reporting period, the Group has carried out **44** emergency drills for environmental emergencies..



Drill of Response to Emergent Heat Transfer Oil Leakage

Hazard Identification and Prevention

Consistently committed to "Priority on protection, Prevention first, Comprehensive management, Public participation and Damage responsibility", the Group has incorporated environmental responsibilities into its core development strategy, aiming to reduce, at source, environmental pollution risks resulted from emergencies and prevent the occurrence of environmental incidents in all respects.

For daily operations, the Group has established a multi-level environmental supervision and inspection system. Regular inspections across the Group, plus monthly departmental inspection, are conducted with problems recorded and corrective measures immediately taken to ensure that the environmental facilities operate normally and potential hazards are eliminated. Meanwhile, environmental monitoring in accordance with relevant regulations and the pollution discharge permit offers real-time information on the environmental quality, providing data for decision-making in relation to the environment and for the Group's commitment to green development.

Key Performance

During the reporting period, Tayho has conducted totally **10** cycles of environmental inspection and hazard identification, including **8** self-inspections. No major environmental issues were identified during these inspections.



Goal Planning

To further enhance eco-environmental monitoring and pollutant discharge management, and ensure up-to-standard emission indicators, the Group has formulated the *Environmental Monitoring System* and the *Environmental Protection Target Management System*, and engaged qualified third-party monitoring agencies to regularly monitor pollution sources (points) and pollutant discharges at the Group's production sites and issue test reports, so as to ensure all indicators conform to the national environmental discharge standards. Pollution sources include exhaust gas, wastewater, soil, groundwater, noise, etc.

That aside, the Group has developed a self-monitoring plan for permitted pollutant discharge, according to which pollutant discharge from its production processes is regularly and fully monitored and disclosed on the national pollutant discharge permit management information platform. To enforce the *Environmental Protection Law* and fulfill the enterprise's primary responsibility for environmental protection, the Group has signed an Annual Agreement on Commitment to Environmental Protection with the heads of departments or business units to ensure environmental management within their respective responsible areas comply with the law.



Pollutant Test Report

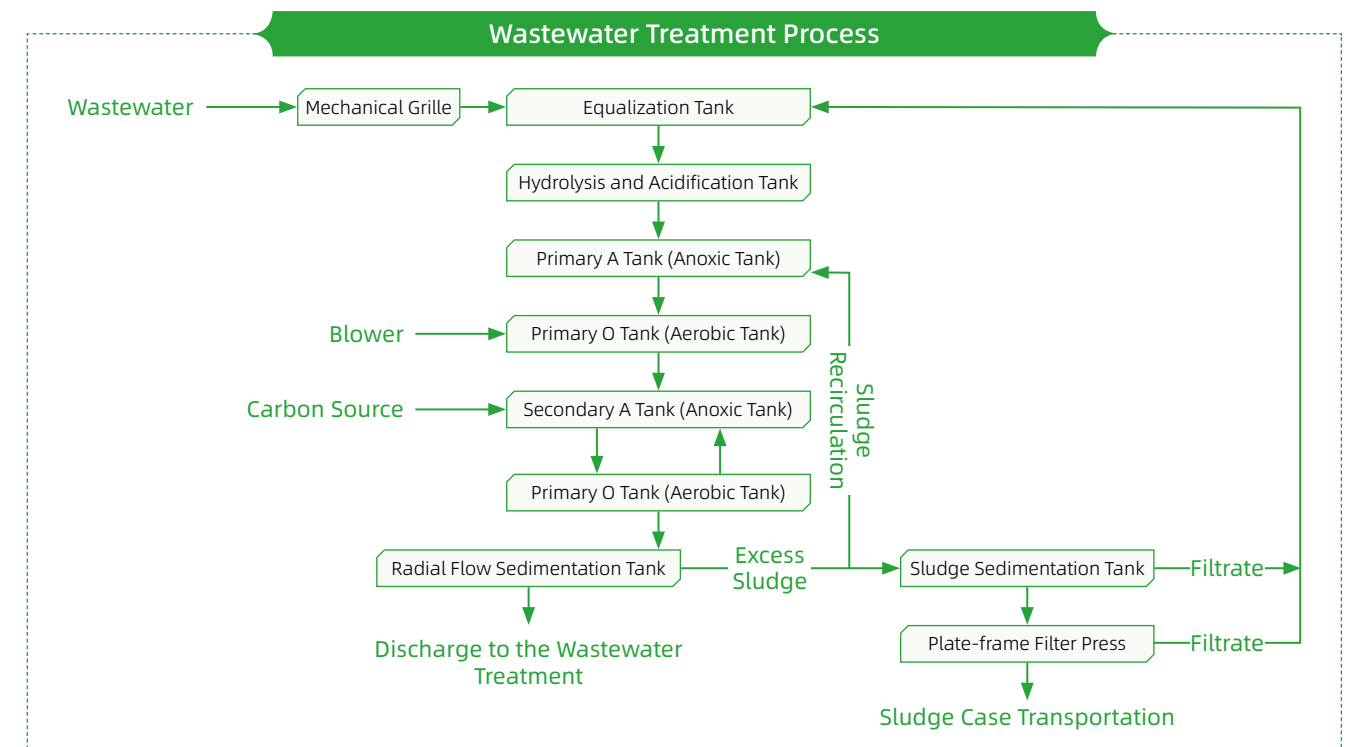
Goals for 2024	Achievement √
No environmental pollution accident of the Group level or above	Achieved
No discharge of pollutants beyond the limits	Achieved
No disposal of solid (hazardous) waste against regulations	Achieved
On-time hazard correction rate ≥ 95%	Achieved
Deployment and operational rate of environmental facilities ≥ 95%	Achieved
On-time execution rate of education and training 100%	Achieved
"Three Simultaneities" processing compliance rate 100%; related-party management compliance rate 100%	Achieved
External environmental inspection compliance rate, 100%	Achieved
Effective rate of emergency disposal 100%	Achieved
Volume of solid (hazardous) waste generated per ton of products reduced by 5%	Achieved

Pollution Prevention and Control

Management of Wastewater

The Group strictly adheres to the requirements of relevant policies and regulations by taking concrete actions to prevent and control wastewater pollution, scientifically improving wastewater treatment technology and avoiding uncontrolled leaks, spills, drips and seepage. Workshops and shift teams are required to rigorously follow operating procedures, properly manage and maintain treatment facilities and maintain operation records to ensure wastewater is treated to meet the discharge standards.

The primary sources of wastewater at the Group include production effluents, floor wash water, initial rainwater runoff, and domestic sewage. Clean water is treated separately from polluted water, so is rainwater from sewage. All rainwater within the factory area is directed to the wastewater treatment station and treated to meet the specified standard before discharge along with the circulating cooling water into the municipal sewer system.



Key Performance

During the reporting period, the Group discharged a total of **1.0955** million tons of wastewater; that is **11.14** tons wastewater is discharged per ton of products, marking a fall of **32,07%** from that in 2023.

Management of Waste Gases

Tayho has established relevant rules and systems in closely adherence to relevant laws and regulations. To ensure effectiveness, 5 sets of online monitoring systems have been installed at the exhaust outlets of the Group's production workshops. Exhaust emissions are handled in strict observance of DB37-2801.6-2018 - *Emission Standards for Volatile Organic Compounds - Part 6: Organic Chemical Industry*, and qualified third-party testing agencies are engaged to regularly monitor the exhaust emissions.

Main air pollutants generated during production of the Group include dimethylacetamide (DMAC), HCl, diethylamine and ammonia. For effective control over air pollution, Tayho Advanced Materials has 150 sets of high-efficiency treatment equipment (including water sprinkling, RTO,RCO.etc) in place, and employs a fine management approach to limit air pollutant emissions.

Key Performance

In 2024, the total air pollutant emissions amounted to **90.79** tons, with pollutant emission per unit product decreased by **40.31%** from that in the previous year.

Waste Gas Emission of Tayho in 2024

Pollutant	Actual Emission/t
Particulate Matter	10.48
SO ₂	27.75
NOx	49.65
Total Volatile Organic Compounds	13.43

Management of Solid Wastes

The Group strives to minimize the generation and landfill of production waste and evaluates progress toward its environmental goals annually. To this point, it has established a succession of management systems including the *Solid Waste Disposal Management System* and the *Responsibility System for Prevention and Control of Hazardous Waste Pollution* in accordance with relevant laws and regulations to standardize its solid waste management.

Waste disposal is largely entrusted to qualified third-party organizations for standardized treatment. The Environmental Protection Department generally plans and determines solid waste disposal; the Procurement Center organizes relevant parties for bidding and bid evaluation processes; the production workshops across business units and subsidiaries take care of sorting, collecting and putting solid wastes into storage following relevant management requirements.



Hazardous Waste Incineration Project

This project, auxiliary to the Green Differentiated Spandex Intelligent Manufacturing Project, is expected to deliver multiple benefits:

Green Emission Reduction:
Effectively reduce environmental pollution by hazardous wastes

Waste-to-Resource Transformation:
Achieve well-integrated recycling of waste materials

Wastes to be treated mainly include solid waste from spandex refining, raw material packaging barrels, and hazardous wastes generated by the planned m-Phenylenediamine and p-Phenylenediamine projects of Ningdong Tayho Aramid Company. After completion, the facility is expected to process 650 kg of high-viscosity saline waste liquid and 40 kg of solid waste per hour, while producing 4 tons of 180 °C saturated steam per hour.



» Solid Waste Discharge Target (t) of Tayho in 2024

General Waste

Generated Amount 180,493

Processing Capacity 180,561



Hazardous Waste

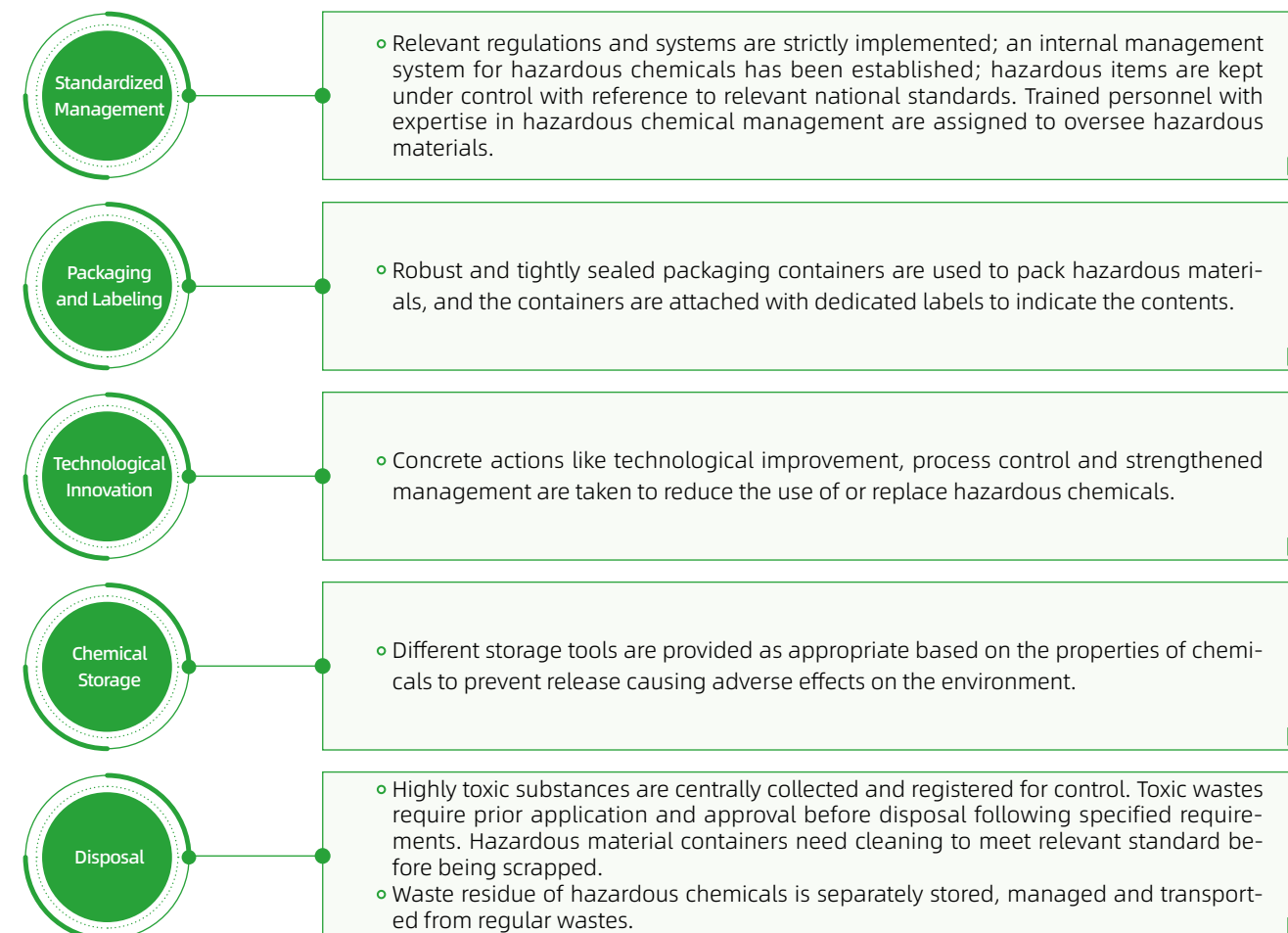
Generated Amount 5,078

Processing Capacity 5,078



Environmental Impact Management of Chemicals

Among raw materials used by the Group in production and operation, there are hazardous chemicals, including concentrated sulfuric acid and caustic soda (liquid alkali), as well as highly toxic chemicals such as m-Phenylenediamine. The Group attaches great importance to the management of hazardous chemicals, having established the *Safety Management System for Hazardous Articles* to proactively prevent and contain release of hazardous chemicals during production, storage, loading/unloading and use causing environmental pollution.





Noise Control

Mechanical equipment for production and moving vehicles within the factory area are primary sources of noise for the Group. For effective noise control, the Group has established *the Responsibility System for Prevention and Control of Noise Pollution*. On the one hand, low-noise equipment is procured to reduce noise at source; on the other hand, process optimization is conducted to improve production processes and the way of operation, which helps further reduce noise generation from machinery and vehicle operations. Through the foregoing measures, the Group ensures that noise within the boundaries of the factory is kept within limits provided in relevant national standard, creating a favorable environment and ambience for production.

Noise Reduction at Source

- Select low noise equipment is selected, and the main production equipment is equipped with good performance and high production efficiency, and the noise source is small

Noise Reduction at Source

- Take noise damping measures, such as installation of sound barriers, silencers and vibration dampers for major noise-generating equipment
- Conduct routine equipment maintenance to control noise

Noise Propagation Control

- Optimize the plan layout to minimize the impact of key noise sources on the factory area
- Green buffer zones around workshops, factory premises and roadsides to reduce noise transmission
- Close doors and windows, and install appropriate sound-absorbing material

Emission Monitoring

- Conduct quarterly noise emission inspections and tests

Ecosystem and Biodiversity Protection

As global concern for biodiversity increases, the Group stays committed to monitoring and proactively addressing potential effects of its daily operations and production processes on the ecosystem and biodiversity. In line with the *Opinions on Further Intensifying Biodiversity Conservation*, the *Soil Pollution Prevention and Control Law of the People's Republic of China*, the *Groundwater Management Regulations* and other relevant national laws, regulations and policies, the Group has laid down a Responsibility System for Eco-environmental Protection for fully implementing the Group's environmental protection responsibility and preventing occurrence of ecological and environmental emergencies.

Ecological Environmental Protection

With a strong sense of responsibility, the Group makes every effort to prevent any form of damage to marine and terrestrial ecosystems, while ensuring orderly advancement of all projects in an eco-friendly manner.

When planning and implementing investment projects, Tayho consistently considers it a priority to minimize negative environmental impact, and firmly upholds the "Three Simultaneities" principle to control environmental impact from the source. To assess effects of its operation on the surrounding eco-environment, the Group regularly conducts all-round eco-environmental monitoring at and within 5km reach of the factory boundaries, with respect to the surface water, groundwater, air quality and noise level. This is done to ensure compliance with national and local environmental standards.

For all production projects, relevant groundwater and soil pollution evaluation and testing are conducted. the Group develops a plan for independent monitoring of soil and groundwater each year, and the task is entrusted to a third party. During the reporting period, there was no significant groundwater or soil pollution.

Biodiversity Conservation

No operating site or production base of the Group is located in any ecologically sensitive and vulnerable areas subject to global or national biodiversity protection. All required local environmental permits have been procured. the Group will remain highly responsible for the ecological environment, and avoid building any project in relevant areas.

Rational Resource Allocation

Governance

In resource utilization, the Group strives to reduce waste and protect the environment through conservation and efficient use, having secured reasonable utilization of resources in multiple dimensions.

Energy Management

For better energy management, reasonable use of energies, less energy consumption, higher energy efficiency and greater financial benefits, and to facilitate green, low-carbon and sustainable development, *Tayho has formulated the Energy Management Measures of Tayho Advanced Materials Group Co.,Ltd.* and the *Comprehensive Energy Solutions of Tayho Advanced Materials Group Co.,Ltd.* It is expressly specified that business units, workshops and shift teams are the first responsible persons and must strictly implement the responsibility system for fulfillment of energy conservation targets. An incentive mechanism for energy conservation has been established. All these lead to scientifically-based and standardized practices in energy conservation.

As at the end of the reporting period, the Group and some of its subsidiaries have been certified with ISO 50001 Energy Management System.

Water Resource Management

To further act upon the water conservation initiative, Tayho implements rational allocation of resources following the principles of "Giving equal importance to both water resource development and water conservation, Prioritizing water conservation, Treating pollution control as the foundation,Emphasizing scientific water resource management and comprehensive utilization." , and effectively reduces unnecessary water consumption by application of relevant management systems.

The Group has been investing in water recycling projects. Up to date, it has realized reduction of water consumption and increase of water resource utilization by taking actions such as maintaining water consumption records, promoting water conservation technology, employing relevant devices or facilities to ensure cooling water recirculation and recycling, and so on.

Strategy

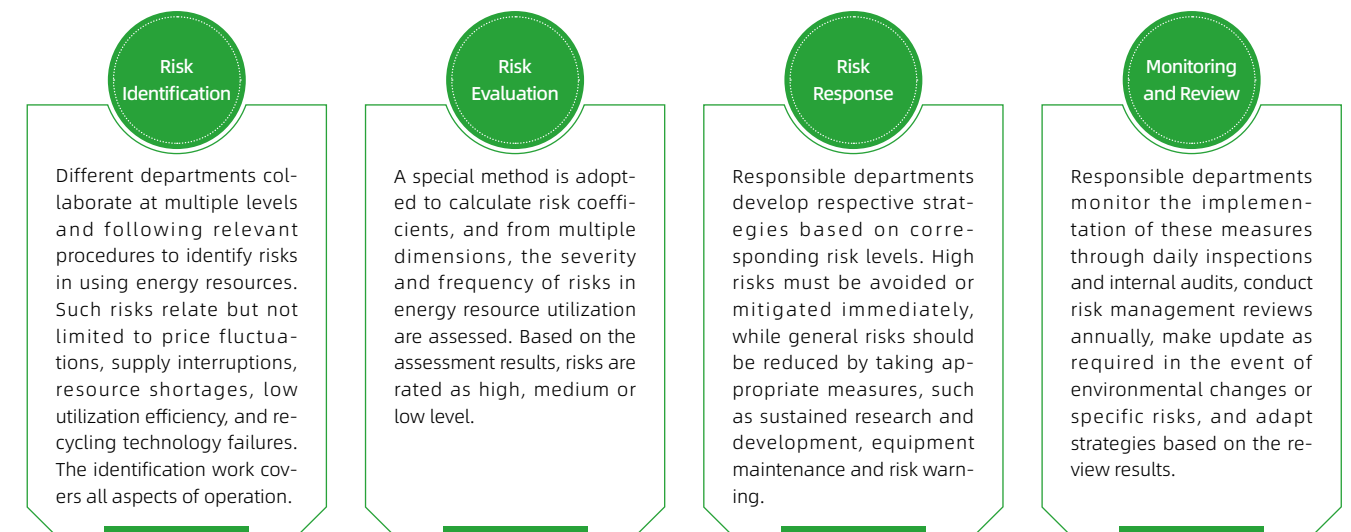
As resources are becoming short and the proposition of sustainable development prevails, efficient and sustainable resource management, and transformation toward circular economy are essential to the development of the Group. To achieve that, the Group pays a close eye on resource market trends, circular technologies and policy developments, while analyzing and synthesizing key issues to accurately identify and assess risks and opportunities. Based on the foregoing, it optimizes its resource allocation and starts new businesses to achieve efficient utilization and high-quality development, marching steady forward on the path leading to circular economy.

Risk Type	Description	Explanation of Financial Impact	Likelihood of Occurrence	Impact Size	Impact Duration	Impact on Value Chain	Countermeasures
Fluctuations in energy resource prices	<ul style="list-style-type: none"> Energy resources are core sources of power for production activities of the Group from raw material procurement, production and processing to product transportation. The fluctuation in energy resource prices with changes in the market supply-demand relations, policy adjustments and other variables directly relates to the Group's production cost. The price fluctuations are also liable to destabilize supply chains and disrupt normal execution of production plans. 	Cost increase	Medium	Medium	Mid-term	Upstream Operations	1.Pay close heed to government policies, and make early adjustments for adaptation to policy changes. 2.Research and develop production processes with low energy consumption and high efficiency to reduce consumption of energy resources during production.
Risk of recycling technology failure	In the application of waste-to-resource transformation technologies, such as the transformation process in temporary solid salt storage, drawbacks of inefficient resource recovery and resource waste due to technical limitations, equipment aging, improper operation or complex composition of raw materials may present themselves, or even lead to secondary pollution that requires additional investment in pollution control and is adverse to the project profitability and sustainability.	Cost increase Goodwill damage	Low	Medium	Short-term	Operations	1.Increase investment in the research and development of recycling technologies to achieve technological improvement and better applicability. 2.Enhance employee training on recycling technologies to promote their capabilities of applying technologies. 3.Establish risk assessment mechanisms to promptly identify and resolve problems in technology applications.

Opportunity Type	Description	Explanation of Financial Impact	Likelihood of Occurrence	Impact Size	Impact Duration	Impact on Value Chain	Countermeasures
Opportunities for circular economy	<ul style="list-style-type: none"> As resource efficiency becomes a focus, the government is likely to issue policies favorable to the development circular economy, such as preferential tax and project subsidization, which can help reduce the Group's project costs; Demands for waste-to-resource transformation in the downstream market provide a window for the Group to develop new businesses, increase income and boost market competitiveness; participation in circular economy may also help the Group build a positive image of a socially responsible enterprise and boost its brand value. 	Revenue increase Goodwill gain	Medium	High	Long-term	Operations Downstream	1.Develop efficient transformation technologies (e.g. for recycling of aramid production waste). 2.Develop appropriate strategies in response to dynamic policies for circular economy. 3.Step up the research, development and application of recycling technologies to secure a technologically leading position of the Group in the circular economy field.

Impact, Risk, and Opportunity Management

The Group understands that efficient energy resource management and possible energy conservation approaches are key to promoting its corporate profitability and sustainability. For this reason, the Group has included relevant considerations of resource utilization and circular economy into its risk control system, so as to ensure planning of the energy resource management system strictly aligns with its energy resource policies. The Group has also taken a series of measures to continuously optimize its energy resource performance, focusing on shaping core competitiveness of the enterprise with high energy efficiency and great sustainable development potential.



Goal Planning

Indicator	Energy Usage Intensity	Clean Energy Usage Rate	Water Resource Usage Intensity
Goals for 2024	0.40 ton standard coal/10,000 yuan of revenue	1%	4 Tons / 10,000 yuan of revenue
Achievement	0.38 ton standard coal/10,000 yuan of revenue	1%	3.8 Tons / 10,000 yuan of revenue
Medium-term Goal	0.30 ton standard coal/10,000 yuan of revenue	5%	3 Tons / 10,000 yuan of revenue
Long-term Goal	0.20 ton standard coal/10,000 yuan of revenue	20%	2 Tons / 10,000 yuan of revenue

Resource Management

Energy Utilization

Tayho has set up the Sustainability Assurance Center to take care of unified energy management for the Group. Specifically, the Center is responsible for reviewing and supervising the implementation of the energy management system, energy conservation plans, new energy utilization plans, energy conservation measures, energy consumption calculations, and reward and punishment measures for energy conservation, as well as for preparing carbon emission reports. On top of those, it also leads investigation into and analysis of energy incidents, and participates in technological renovation for higher energy efficiency.

Energy Metering

- Energy metering efforts are enhanced by improving energy metering management systems, processes and procedures, establishing an energy metering network, and keeping use and maintenance of energy metering instruments under strict control.

Energy Conservation Technologies

- International advanced technologies and equipment, such as clean production technology, continuous polymerization technology, fully automated spinning technology and winding technology, are adopted, having improved labor productivity and product quality, and reduced energy consumption in production.

Power-saving Renovations

- Variable frequency control is applied to all types of motors;
- Energy-efficient transformers are used in replacement of highly energy-consuming ones;
- Motors adopt improved motor-driven system regulation and improved process-driven speed regulation to optimize the operation and control of the motor systems.

Proper Lighting

- Energy-efficient lamps are selected based on actual needs, and mixed lighting is applied to satisfy different illumination requirements;
- Lighting lines are provided with voltage stabilizers and energy-saving devices to stabilize the voltage and reduce the voltage at lamps;
- Intelligent control devices, including sound control, light control and touch switches, are installed to control voltage, brightness and switching timing;
- Natural light is the first choice.

Equipment Power Saving

- The heat exchange between exhaust gas and fresh air is leveraged for cold (heat) recovery and reduction of the cooling (heating) load;
- Heating pipelines are made of efficiently molded heat-insulating material to reduce heat loss due to radiation;
- Proper maintenance and management of steam traps and thermal valves are carried out; new steam traps are used to keep the steam leakage rate below 2%; condensate water is recycled;
- Comprehensive analysis and evaluation of system design and operating parameters, heating quality, energy efficiency and other technical indicators are conducted from a holistic perspective of heat sources, heating system and heat users for optimizing the operation of the heating system and reducing energy consumption;
- Heat exchangers are regularly descaled to improve the heat exchange efficiency and reduce steam consumption;
- Filter unblocking, heat exchanger defrosting and condenser descaling of air conditioning equipment are conducted.

» Use of Energy Resources by Tayho in 2024

Direct Energy Consumption

Coal 57,300 t

Natural Gas 2.04 million m³



Note: The energy consumption figures above are provided on a consolidated basis.

Indirect Energy Consumption

Purchased Electricity 428.62 million KWH



Note: The energy consumption figures above are provided on a consolidated basis.

» Cascade Use of Steam Waste Heat - Steam Turbine Power Generation + Water Pump Linkage

Heat from pressurized high-temperature steam is used. The power of a single generating unit is 500 kW, and that of a water pump is also 500 kW. After being put into operation, the project will have an annual power generating capacity of about 3 million kWh, and the water pumps can save about 3 million kWh, realizing 20,000t less carbon dioxide emission a year.

» Cascade Utilization of Steam Waste Heat - Steam Waste Heat Recovery by Lithium Bromide Units

With the heat from steam condensate, the unit can achieve a cooling capacity of up to 1,000 kW; each year, it can save power of 1.3 million kWh, and reduce carbon dioxide emission by 8,000 t; the steam condensate temperature can be lowered to below 50°C .

Water Resource Utilization

Tayho implements rational allocation of water resources following the principles of “Giving equal importance to both water resource development and water conservation, Prioritizing water conservation, Treating pollution control as the foundation, Emphasizing scientific water resource management and comprehensive utilization.”

Water Consumption Metering

- Water meters of primary, secondary and tertiary levels are provided, and water consumption records are established

Water Conservation Technology

- Water conservation technology is adopted and promoted by introducing water-saving water dispensers to improve the water efficiency and realize water conservation
- Relevant devices or facilities are employed to ensure cooling water recirculation and recycling
- Pipelines causing hydraulic imbalance are provided with pressure-balancing devices that can be adjusted to reduce the pump heads

Atmosphere Cultivation

- Individuals and collectives with outstanding performance in water conservation of the Group are rewarded, so as to fully motivate and engage all employees in water-saving initiatives

Use of Water Resources by Tayho

	2022	2023	2024
Total Water Consumption	2,310,000 tons	2,400,000 tons	1,800,000 tons
Water consumption Intensity	615.98t/ RMB 1 million (revenue)	611.42t/ RMB 1 million (revenue)	458.09t/ RMB 1 million (revenue)

Note: The resource consumption figures above are provided on a consolidated basis.

Circular Economy

Tayho is actively committed to green development. In resource utilization, it has taken many operative measures, aiming to achieve a win-win situation in economic and environmental dimensions.

In raw materials management, the Group strives to reduce resource consumption by optimizing material selection processes, significantly improving raw material recycling rates and actively exploring innovative recycling technologies and patterns. Under the premise of meeting production needs, packaging materials are recycled as far as possible. Through optimization of packaging design and establishment of recycling channels, it is made possible to recycle packaging materials for repeated use in production cycles, so that maximized resource utilization and economic benefits are achieved.

In product waste management, the Group also spares no effort in recycling for reuse. During the reporting period, significant achievements were made in the recycling of meta-aramid waste, with an annual production of 300t meta-aramid; discarded para-aramid dope was properly recycled, yielding 100 tons of pulp annually; spandex waste was re-spun through dissolution technology, annually delivering 1,400t spandex. These operations not only reduce environmental burden of waste but also create considerable economic value.



Recycling of Packaging/Raw Materials

Commitment to Green Operations

Green Office

The Group actively promotes green office concept by strictly controlling office energy consumption and fostering a strong culture of environmental awareness. Employees are encouraged to make green lifestyles part of their daily routines by reducing paper waste, setting air conditioners to appropriate temperatures, and turning off electrical equipment when leaving the office. These actions align with the national low-carbon development strategy and play a part in facilitating sustainable development.



Green Office Tagline

Greening of the Park

Both the headquarters and production bases of the Group embrace the sustainable philosophy by rationally planning factory space to maximize green areas. Carefully designed combinations of trees, shrubs and grasses for greening of the surrounding areas comprise a scientific approach that beautifies the environment with enriched biodiversity. Besides, effective carbon dioxide absorption and oxygen release by the plants through photosynthesis also help reduce air pollution.

A pleasant factory environment nourishes a comfortable and harmonious working atmosphere, allowing employees to appreciate nature's beauty during breaks, and develop greater job satisfaction and happiness, thereby further promoting the sustainable development of Tayho.



Garden-like Factory Area



03

R&D Leads, Supply Succeeds, Service Builds

Our Philosophy

Tayho is committed to the mission of “Innovation Leads to a Better Life” and firmly pursues the path of sustainable development. In the field of high-performance fibers, the Group has achieved rapid growth and expansion through continuous innovation and technological breakthroughs. The growth has pushed the advancement of the textile industry, and more injected new momentum into the sustainable development of society as a whole.

Our Actions

- Innovation and R&D Prioritization
- Customer Experience Enhancement
- Responsible Supply Chain
- Properly Protecting Information Security
- Pursuit of Excellence in Quality

SDGs

9 产业、创新和基础设施

12 负责任消费和生产

17 促进目标实现的伙伴关系

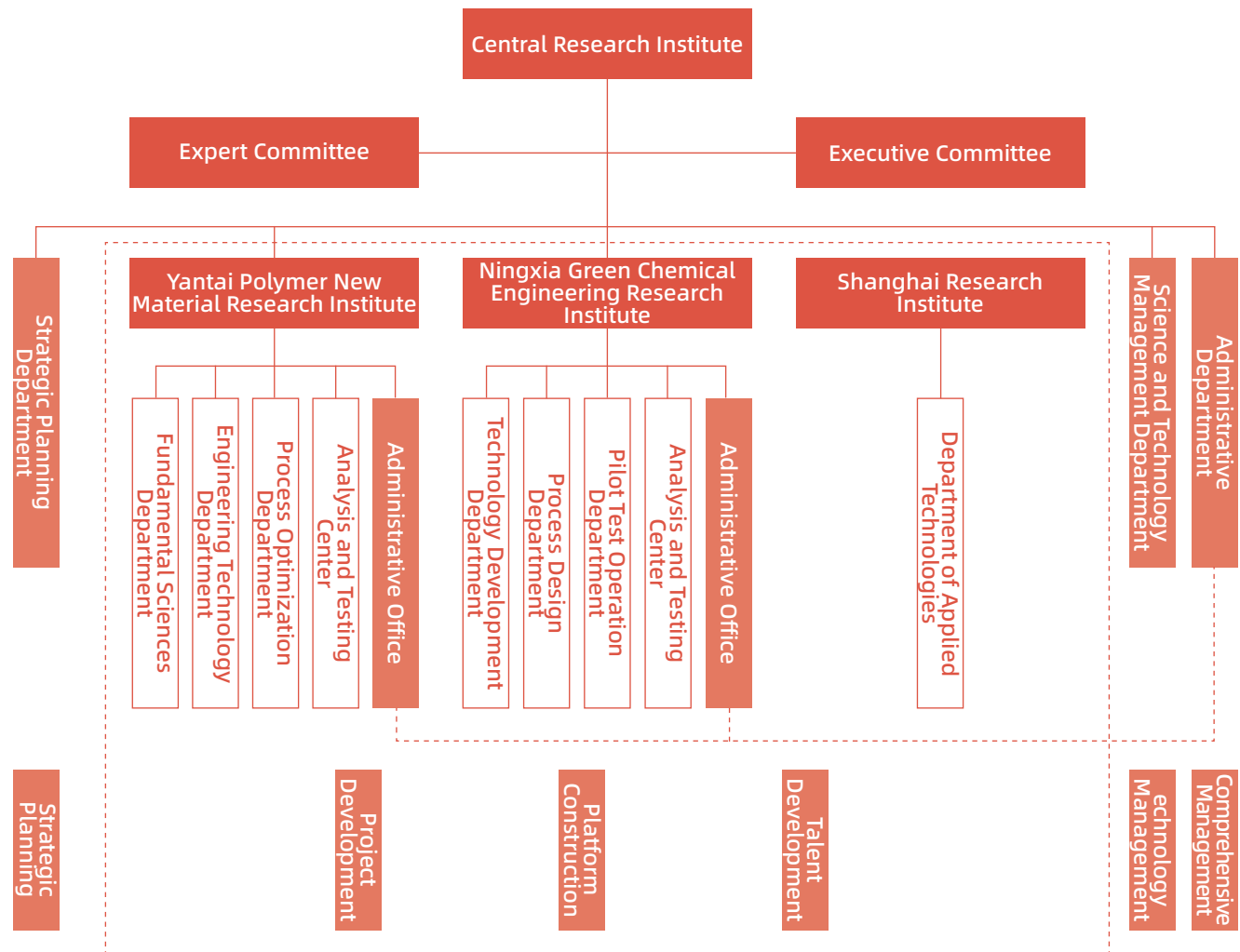
Innovation and R&D Prioritization

Governance

To enhance technology management, facilitate effective R&D and innovation, and establish a rigorous technical work order, the Group has developed a range of systems, including the *R&D Project Management System*, the *R&D Funds Management System*, the *Basic System for Technological Innovation Management*, and the *Technical Archives Management Measures*, in accordance with relevant national laws and regulations, intending to systematically standardize technical work in different links, promote R&D efficiency, successfully assure the quality of R&D and innovation, jointly maintain the Group's R&D order, and add great impetus to the Group's technological progress and innovative development, laying a solid foundation for the enterprise's sustained competitiveness.

The Group boasts an efficient and stable research management team that is technologically innovative with profound insights into the industry. It has established the Tayho Central Research Institute to serve as its technological innovation and R&D platform for conquering key technological challenges in the fields of green chemical engineering, high-performance fibers, advanced polymer materials, novel functional composite materials, and others.

Organizational Structure of the Research Institute



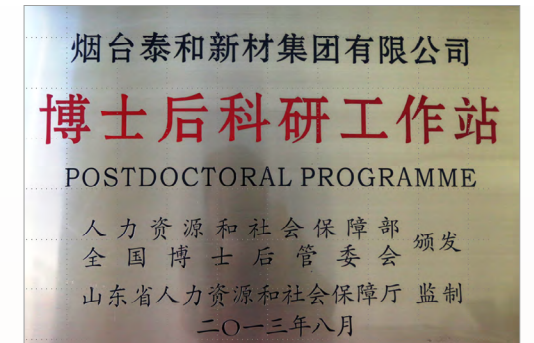
Scientific Research Innovation Platform

The Group is recognized as a national exemplary enterprise for sci-tech innovation reform, a national model enterprise for technological innovation, a national champion manufacturing enterprise dedicated to single product market segments, and a national model enterprise for intellectual properties. It operates multiple leading innovation platforms of its industry, including a nationally recognized enterprise technology center, a national aramid engineering and technology research center, a Shandong aramid industry technological innovation center and an postdoctoral research station.

As at the end of the reporting period, the Group had been certified with CNAS and CMA for nationally recognized laboratories, operated 7 high-tech enterprises, 2 champion manufacturing enterprises dedicated to single product market segments, 1“Little Giant” enterprise and 2 Specialized and Innovative SMEs. The Group has undertaken 32 national-level science and technology planning projects, 32 provincial and ministerial-level and 42 municipal and district-level science and technology planning projects.



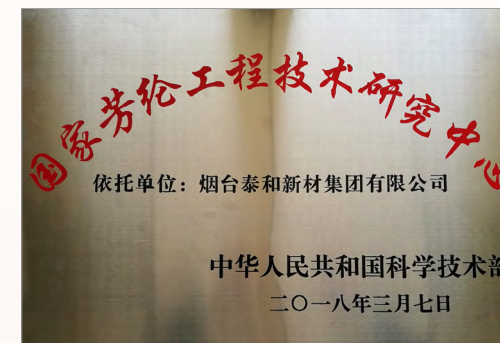
High-Tech Enterprise Certificate



Postdoctoral Research Station



National Enterprise Technology Center



National Aramid Engineering and Technology Research Center



CNAS Laboratory Accreditation Certificate

In 2024, 7 subsidiaries of Tayho successfully completed the national registration as sci-tech SMEs. They were approved to establish the following seven provincial and ministerial-level platforms, including Shandong Provincial Key Laboratory, Shandong New Materials-Leading Enterprise, Shandong Green Manufacturing Enterprise (Green Factory), Shandong Provincial Intelligent Manufacturing Sites, Shandong Synthetic Resin-based Special Paper Pilot Test Demonstration Base, Ningxia Technological Innovation Center, and Model Enterprise for Innovation in Ningxia Hui Autonomous Region. Additionally, the Group was received 5 provincial or ministerial -level science and technology advancement awards.



"Key Technology for the Production and Engineering of High-performance Differentiated Meta-aramid"
Special Award for Scientific and Technological Progress in Shandong Province



"Development and Industrialization of Personal Thermal Protective Textiles and Their Testing Instruments"
First Prize of the Award for Scientific and Technological Advancements from China National Textile and Apparel Council



"Key Technology for the Production and Large-scale Engineering of High-performance Para-aramid"
First Prize of the Ningxia Hui Autonomous Region Science and Technology Advancement Award



"Principles for Individual Protection in Typical Disaster and Accident Circumstances and Development and Application of High-Performance Protective Materials and Equipment"
First Prize of the Beijing Municipal Science and Technology Advancement Award

Incentives for R&D Innovation

To further encourage technological innovation and inspire employees' innovative potential, the Group has developed the *Technological Innovation Incentive System*, according to which special bonuses and project performance rewards are provided to motivate employees to actively participate in independent research and development, explore technological breakthroughs and seize market opportunities, contributing to enhancement of the Group's technological strengths and upgrade of its products, and injecting momentum into the Group's long-term development.

Key Performance

During the reporting period, the Group paid incentive funds totaling **2.37** million yuan, including:

425,000 yuan as patent rewards, mainly to employees for patent applications;

1.945 million yuan as project rewards, mainly to personnel of R&D projects.



The Ninth Entrepreneurship and Innovation Competition & "Tayho Cup" Professional Contest for New Materials

During the reporting period, the competition, initiated by Yantai Huang-Bohai New Area Human Resources and Social Security Bureau and undertaken by Tayho Advanced Materials Group Co., Ltd. and SDIC Sci-Tech Innovation Yantai Base, was concluded successfully.

The Professional Contest for New Materials, sponsored by the Group, attracted 34 participating projects from institutions, including Tiangong University, Beijing Institute of Technology, South China University of Technology, and East China University of Science and Technology, with 6 high-quality projects advancing to the final round. The projects involved a wide range of fields, including high-performance fibers, new energy battery separators, smart wears, and polymer engineering plastics.



Preliminary Round of the Innovation and Entrepreneurship Competition



Final Round of the Innovation and Entrepreneurship Competition





Strategy

In response to the increasingly personalized and diversified market demands, Tayho continuously enhances its R&D system by deeply analyzing technological developments, accurately grasping market dynamics and actively responding to steering policies. That aside, the Group is committed to cultivating a high-quality R&D team and continuously optimizing its innovation management mechanisms to provide strong momentum for its sustainable development.

Risk Type	Description	Explanation of Financial Impact	Likelihood of Occurrence	Impact Size	Impact Duration	Impact on Value Chain	Countermeasures
Risk of under-performance in new business expansion	The expansion, market introduction or validation of new businesses takes time. Failure of the Group to continuously develop and launch technologies and products that can gain market recognition may lead to underperformance in new business development and product expansion, thereby affecting the Group's business performance.	Revenue Decrease Cost increase	High	High	Mid-term	Upstream	1.Follow a user-oriented and market-driven approach; allocate financial resources, innovation resources, and talent resources appropriately to incremental businesses; continuously optimize systems and mechanisms; 2.Motivate backbone employees to participate in business innovation by implementing policies such as co-investment in new business initiatives and graduation incentives for entrepreneurship center projects, ensuring the rapid success of incremental businesses.
	As the Group expands and embarks on new business lines, there is a risk that the existing management mode and talent pool may become insufficient to meet the need of rapid growth, which could have negative effects on the Group's future operations.	Revenue Decrease	High	High	Mid-term	Upstream	1.Adjust the organizational structure, optimize management mechanisms, and implement strategic controls; 2.Improve risk control and management in all aspects; 3.Boost talent acquisition and professional talent training, optimize the compensation system and incentive policies, and enhance team cohesion.

Opportunity Type	Description	Explanation of Financial Impact	Likelihood of Occurrence	Impact Size	Impact Duration	Impact on Value Chain	Countermeasures
Market Opportunities	The emergence of new technologies often opens up entirely new market opportunities. The Group can leverage these opportunities to drive its business growth by enhancing production efficiency through technological innovation, accelerating market penetration and rapidly expanding market shares.	Revenue increase Market shares expansion	Medium	High	Mid-term	Upstream	1.Establish R&D innovation platforms such as laboratories and talent training bases, and actively promote a collaborative and shared innovation mechanism; 2.Implement innovation incentive mechanisms to encourage employees to actively participate in new technology development and application.

Impacts, Risks and Opportunities

To mitigate R&D innovation risks, the Group conducts regular risk and opportunity identification and assessments based on actual business conditions. It has developed the *Risk Control Matrix Summary Sheet* and the *R&D Project Risk Warning Form* for effective identification of risks in R&D processes, so as to monitor major risk events, and achieve risk reduction and technological innovation.

Process	Management Measures
Risk Identification	Identify risks that may hinder the progress of projects, such as technological, market, financial, and legal risks, by means of internal discussions, expert consultations, industry benchmarking or otherwise.
Risk Analysis	Rank identified risks and distinguish between internal and external risks and between primary and secondary risks based on quantitative and qualitative analysis in terms of severity, likelihood, and risk coefficients.
Risk Monitoring	Regular track the progress of R&D projects to dynamically monitor the project status and risks, so that potential issues can be identified early for optimization of response strategies to ensure efficient advancement of the projects.
Risk Management	Regularly review potential risks in previous projects, carefully analyze root causes, draw lessons, promote cross-departmental collaboration, and formulate risk prevention and control strategies to comprehensively enhance risk warning and response capabilities.

Indicators and Goals

Goals for 2024	Achievements in 2024
Technology investment ratio: 5.08%	Achieved
Successfully scaled up six pilot projects in six key areas	Achieved
Established Ningxia R&D Center	Achieved
Built 3 joint laboratories	Achieved
Secured approval for 8 municipal-level or higher projects	Achieved
Recruited 3 high-level talents this year, with a total of 9 in the past 3 years	Achieved
Implemented R&D incentives	Achieved

Key Indicators	Unit	2022	2023	2024
Investment in R&D	10,000 yuan	17,428.62	19,928.81	21,529.41
R&D Investment as a Percentage of Main Business Revenue	%	4.65	5.08	5.48
Number of New Product Development Projects	/	2	35	41

R&D Team				
Key Indicators	Unit	2022	2023	2024
Total R&D Team Members	Person	290	329	391
By Academic Qualification				
Below Bachelor's Degree	Person	141	128	131
Bachelor's Degree	Person	89	115	144
Master's Degree	Person	60	86	116
By Age				
Under 30 (Exclusive) Years Old	Person	74	121	94
30 (Inclusive) to 40 (Exclusive) Years Old	Person	122	129	179
40 (Inclusive) to 50 (Exclusive) Years Old	Person	79	64	93
50 (Inclusive) to 60 (Exclusive) Years Old	Person	15	15	25
By Gender				
Male	Person	229	243	280
Female	Person	61	86	111

Innovations				
Key Indicators	Unit	2022	2023	2024
Total Number of Authorized Patents	Item	194	264	366
Patents by Type				
Cumulative Number of Authorized Invention Patents	Item	77	122	197
Cumulative Number of Authorized Utility Model Patents	Item	117	142	166
Number of Valid Patents Per Million in Revenue	Case	0.051	0.067	0.093

Other Intellectual Property				
Cumulative Number of Software Copyrights	Item	21	19	27
Total Number of Trademarks	Item	27	45	138
Number of Software Copyrights Per Million in Revenue	Item	0.006	0.005	0.007
Total Number of Published Papers	Piece	138	147	146
Awards Received for Intellectual Property Protection	10,000 yuan	48.2	44.1	35.2

R&D Innovation Achievements

Industry-university-research Cooperation

Tayho takes the industry-university-research approach. Specifically, it pursues a “going out and bringing in” collaboration mode and actively fosters cooperation and sharing with universities and research institutes by jointly conducting fundamental research, engineering technology development, and applied technology research. By now, it has established 9 joint laboratories with universities such as Fudan University, Dalian University of Technology, and the Lanzhou Institute of Chemical Physics, Chinese Academy of Sciences, built 4 joint training bases in collaboration with universities like Tiangong University and Qingdao University, undertaken over 30 national science and technology planning projects and more than 20 horizontal projects in cooperation with universities including Fudan University, Donghua University and Tsinghua University.

In 2024, Tayho successively completed establishment of joint laboratories with Jiangnan University, Donghua University, Northwestern Polytechnical University and other domestically renowned universities, flexibly introduced 5 high-level experts and recruited over 100 full-time professionals of master's or higher degrees. Establishment of the joint laboratories and recruitment of the talents facilitated the transformation of research achievements and boosted breakthroughs and upgrades in key technologies.

Standard Development

The Group employs a standardization-driven development strategy. It actively participates in the formulation of national, industry, and group standards, having contributed to the development and revision of over 120 standards that cover multiple industrial sectors such as fibers, optical cables and rubber, and effectively drive technological advancements of downstream enterprises.

During the reporting period, Tayho has achieved a run of breakthroughs in standardization efforts and received 3 relevant honors, including the title of an Exemplary Unit for Standardization Efforts in the Rubber and Dipped Fabric Materials Industry, inclusion of its co-authored *Flame-retardant Sewing Thread* (T/CES 1047-2021) by the Ministry of Industry and Information Technology as a model project for application of standard groups in 2023, and award of the honorary certificate for its co-authored industry standard *Cotton Spandex Core-spun Colored Yarn* from the National Textile Standardization Technical Committee, Sub-Technical Committee for Cotton Textiles.

As at the end of the reporting period, the Group had participated in the development of 126 standards, and is participating in the development or revision more than 10 additional standards currently.



Participation of Tayho in Standard Development in 2024

S/N	Standard Number	Item	Type of Standard
1	GB/T 32151.47-2024	Requirements for greenhouse gas emission accounting and reporting - Part 47: Chemical fiber production enterprise	National Standard
2	FZ/T 12080-2024	Cotton-wrapped Polyester Elastic Dual-core Spandex Natural-colored Yarn	Industrial Standard
3	FZ/T 12041-2024	Aramid-colored Spun Yarn	Industrial Standard
4	FZ/T 13062-2024	Meta-aramid Dyed Fabric	Industrial Standard
5	T/YNIA022-2024	Flash-spun Nonwoven Fabric	Group Standard
6	T/ZGM002-2024	Wet-laid Nonwoven Fabric for Reverse Osmosis Membranes	Group Standard

Industry Engagement

The Group remains highly attentive to developments of the industry. It actively participates in industry exchange activities to have in-depth discussion and intellectual exchange with leading peers, experts and scholars, share its technological achievements and practical experience, and learn cutting-edge industry concepts and advanced technologies which can broaden its development vision and inject new vitality into its long-term growth.



Tayho attended the 2024 Knitting and Dyeing Technology Exchange Conference

On August 2, 2024, the 2024 Knitting and Dyeing Technology Exchange Conference initiated by China Knitting Industry Association and co-organized by Tayho Advanced Materials Group Co., Ltd. was held in Yantai, Shandong Province. With the theme of “Creating a Green Future, Leading a New Chapter in Dyeing”, the conference brought together industry leaders, experts and scholars to discuss new technologies, new models and new developments in textile dyeing. The event contributed fresh insights and wisdom to the green transformation and sustainable development of the textile and dyeing industry.



Greenness, Innovation, Future | The founding meeting of the National Industry-University Integrated Community for Green Chemical Engineering and Advanced Polymer Materials Industry successfully concluded

On October 25, 2024, the founding meeting of the National Industry-University Integrated Community for Green Chemical Engineering and Advanced Polymer Materials Industry was held in Lanzhou, Gansu Province. Themed by “Greenness, Innovation, Future”, the conference was steered and initiated by multiple organizations, aiming to deepen modern vocational education reform, promote industrial transformation and upgrading, and facilitate industry-education integration.

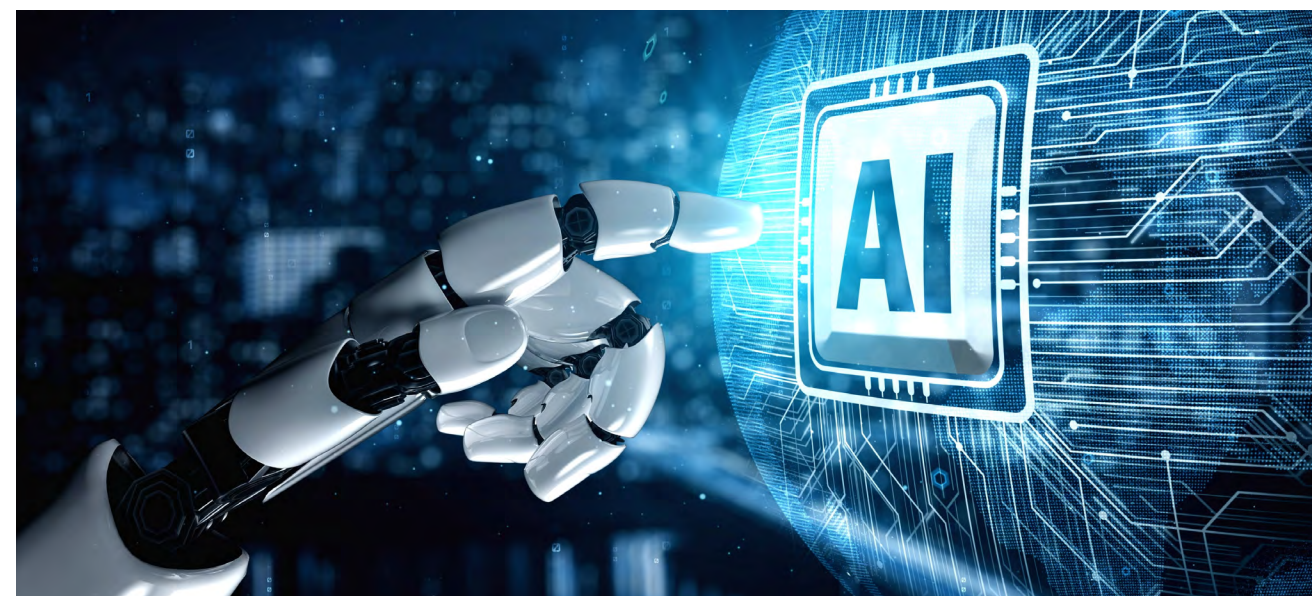


AI Assistance

R&D in traditional chemical engineering industries such as the polymer material industry faces several challenges, including long development cycles, high experimental costs, complex structure-performance relation, and dynamic market demands. During the reporting period, the Group introduced an AI-assisted chemical research system, having filled the gap of R&D tools for polymer materials and provided powerful technical support for overcoming research challenges and improving R&D efficiency.



Kickoff meeting for the AI-assisted chemical research system project



Protection of Intellectual Property Rights

The Group stays committed to “Intellectual Property-powered High-Quality Development” by continuously optimizing its intellectual property management system with a market-driven approach. The formulation and strict implementation of the *Patent Management Measures* and other regulations ensure that legal rights and interests in intellectual properties are effectively safeguarded and employees are fully motivated to make innovations, thereby further boosting the sustainable development of the Group.

Long-Term Intellectual Property Goals:

Promote the implementation of intellectual property strategies, boost development, protection and application of intellectual properties, enhance innovation vitality, safeguard innovation achievements, and facilitate effective industrialization of innovative results.

Intellectual Property Goals for the Coming 3-5 Year:

Achieve significantly improved effects of applying intellectual properties, a transformation rate of over 60% for patented technologies within 3-5 years, sales income contributed by products with intellectual property rights comprising more than 70% of the enterprise's total sales.

As at the end of the reporting period, the Group had 366 validly granted patents, having received the National Award for Excellence in Patents, the First Prize for Patents in Shandong Province, and the Gold Award for Patents from China National Textile and Apparel Council. It has established itself as an enterprise with intellectual property advantages. In addition, it has also passed the GB/T29490-2013 intellectual property management system certification.



Intellectual Property Management System Certification

Responsible Supply Chain

Governance

For standardization and higher efficiency of supplier management, Tayho has built a systematic supplier management system and comprehensively standardized efforts in supplier development, selection, management and maintenance by developing and implementing multiple systems and procedures including the *Supplier Management System*, the *Procurement Management System* and the *Control Procedures for External Suppliers*. All these have contributed to the formation of a stable and reliable quality supplier team for the Group, continuous optimization of its procurement processes, and practical improvement in procurement efficiency and reduction of procurement costs.

Supplier ESG management

To achieve sustainable development of supply chains and effectively fulfill its social responsibility, the Group has signed a *Letter of Commitment to Social Responsibility* with each supplier, clarifying the supplier's responsibilities and obligations in aspects of labor rights and interests protection, environmental protection and ethical business operation, among others. Suppliers are encouraged to apply for ISO management system certifications on environmental, occupational safety and health fronts, and to establish corresponding management systems.

By committing to building a fair, transparent and sustainable supply chain ecology, the Group secures that each link goes in line with its social responsibility, thereby contributing to the social harmony and stability. This helps enhance the Group's brand identity and market competitiveness, enabling the enterprise to achieve a win-win situation between corporate value and social benefits.

社会责任承诺书

我司作出如下承诺:

- (一) 遵守社会责任标准的所有规定及当地法律法规的规定, 包括:
 - 1) 禁止使用童工和强迫劳动, 不接受任何使用童工或强迫劳动的供应商或分包商。
 - 2) 尊重工人自由, 禁止任何形式的强迫劳动。
 - 3) 提供安全卫生的工作和生活条件, 确保员工的安全和健康。
 - 4) 推动劳资合作, 尊重员工的结社自由和集体谈判权。
 - 5) 提供平等和公平的工作环境, 禁止任何形式的歧视行为。
 - 6) 尊重员工的基本人权, 禁止任何形式的侮辱人格的行为。
 - 7) 合理安排生产计划, 合理安排工人的工作时间和休息休假。
 - 8) 提供合理的工资福利, 至少满足工人的基本需要和最低工资标准。
 - 9) 建立社会责任管理体系, 坚持并持续改进社会责任绩效。
 - 10) 及时、完整地向公司通报与其它供应商、分包商及下级供应商所发生的任何相关业务关系。
- (二) 接受社会责任的现场审核检查。并积极配合, 真实完整提供所需审核之信息;
- (三) 及时对违反社会责任标准的任何不符合事项采取纠正和补救行动。

Commitment to Social Responsibility

Whole-life-cycle Management of Suppliers

To ensure the stable quality and services of suppliers, the Group implements whole-life-cycle supplier management covering supplier registration, admission, evaluation, rating and elimination, and continues its efforts in advancing the construction of a supplier management system.

Whole-Life-Cycle Supplier Management Process of Tayho



Supplier Training

To promote suppliers' awareness of quality management, the Group carried out suppliers' quality management training during the reporting period. The training covered the use of SRM system, etc., helped the suppliers gain a deeper understanding of the Group's quality management culture, and further enhanced their ability to analyze quality anomalies and improve management.

Strategy

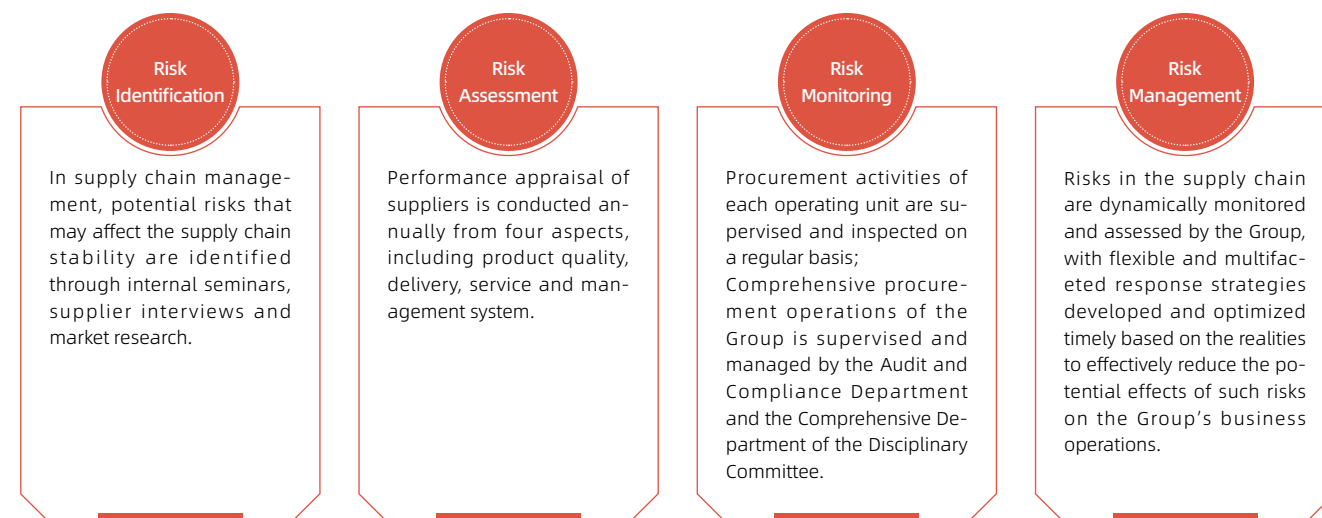
By comprehensively identifying business needs and potential risks in the supply chain structure, and optimizing the management process of each link in the supply chain, the Group has secured its stable and sustainable production and operation, further honed its competitive edge in the industry, and laid a solid foundation for its long-term development.

Risk Type	Description	Explanation of Financial Impact	Likelihood of Occurrence	Impact Size	Impact Duration	Impact on Value Chain	Countermeasures
Risk of raw material price fluctuation	Raw materials required for the Group's production are primarily downstream products of the coal chemical and petroleum industries. The prices of these products are affected by a variety of factors such as the international environment, commodity prices, environmental protection, and changes in market supply and demand. The potential fluctuations in prices of the raw materials may expose the Group to the risk of volatile profitability.	Cost increase	Medium	Medium	Short-term	Upstream	1.Establish long-term stable partnerships with major suppliers to ensure stable supply of raw materials for production; 2.Closely follow up fluctuations in the raw material market and implement effective cost control; 3.Proactively strategize raw material production and shape integrated competitive edge across the whole industry chain.

Opportunity Type	Description	Explanation of Financial Impact	Likelihood of Occurrence	Impact Size	Impact Duration	Impact on Value Chain	Countermeasures
Digital Transformation of the Supply Chain	The introduction of digital technology has boosted the collaboration and information sharing among all parties involved, and significantly enhanced the transparency and synergy efficiency of the supply chain. The technology can help the Group respond to market changes in a more agile manner, while significantly improving the accuracy and timeliness of decision-making.	Cost decrease	Medium	Medium	Long-term	Operations	Establish a digital procurement platform for full digital procurement, real-time information sharing and transparent display, so that upstream and downstream enterprises in the supply chain can seamless coordinate and effectively collaborate with each other.

Impacts, Risks, and Opportunities

To effectively reduce risks in and ensure the stable operation of the supply chain, the Group pursues effective management by taking appropriate actions, including identifying potential risks, evaluating their impacts, and monitoring the dynamic changes in real time.



Indicators and Goals

Key Indicators	Unit	2024
Number of Suppliers	/	610
Number of Domestic Suppliers	/	603
Number of Overseas Suppliers	/	7
Ratio of Expenditure on Procurement from Local Suppliers	%	31.2
Percentage of Local Suppliers	%	45.1

Supplier Audit

Key Indicators	Unit	2023	2024
Number of Suppliers Certified under Quality Management Systems	/	12	32
Number of Suppliers Certified under Environmental Management Systems	/	8	21
Number of Suppliers Certified under Occupational Health and Safety Management Systems	/	7	16
Number of Suppliers Suspended Due to Non-compliance	/	0	0
Number of Prospective Suppliers Rejected Due to Non-compliance	/	0	0

Responsible Supply Chain

Transparent Procurement

The Group attaches importance to cultivating employees' awareness of integrity in procurement and actively carries out education on integrity. To promote the awareness of integrity, it organizes purchasing personnel to watch warning education films, and to participate in conferences on cleanliness and self-discipline and thematic warning education conferences in relation to procurement activities. These initiatives have boosted the transparency and compliance of procurement processes, and more importantly, instilled a profound understanding in the procurement personnel of the importance of integrity that oblige them to consciously comply with the relevant regulations, thereby ensuring that procurement activities are consistently carried out in a just, fair and open manner.

Key Performance

During the reporting period, **100%** of the Group's purchasing position holders and **100%** of the suppliers signed the Integrity Agreement.

Empowering with Digitalization

In response to requirements of national policies and strictly following relevant laws and regulations, the Group has established a *Procurement Supply Chain Management System* and other regulations based on its realities to expressly provide the philosophy of "safe, timely, economical and green supply". The Group has established a unified digital procurement platform to fully implement digital procurement, strengthen digital procurement management and monitoring, further standardize procurement practices, and achieve both cost reduction and efficiency improvement as well as risk mitigation. In addition, procurement performance evaluation is regularly carried out by the Procurement Department to continuously optimize the performance appraisal system for procurement and supply chain management, and continuously promote professional and refined procurement management of the Group.





Pursuit of Excellence in Quality

Governance

Following the quality management policy of “Lean Management, Continuous Innovation, Customer First, Pursuit of Excellence”, the Group has formulated the *Management Handbook* and established an organizational management system based on its actual situation. Responsibilities of management officers at all levels are specified and the management system strictly implemented to ensure supply of premium products and services to customers.

In the quality management system, it is the responsibility of the General Manager to lead quality management work and determine management policies to be implemented. Functional departments are required to coordinate with each other in pursuit of refinement and efficiency, starting from such fundamental links as the quality management system and process standards. On the basis of the foregoing, the Group applies 6S management for production operation, standardized management (SOP) for on-site operation and consistency management for process documents, having formed a set of perfect product quality assurance mechanism.

Product Quality Assurance Mechanism

Leading Department	Responsibilities
Quality and Marketing Department	<ul style="list-style-type: none">Continuously improve management processes affecting quality, and avoid splitting of the quality system from process management.Enhance the applicability and effectiveness of the system and ensure its implementation through internal and external audits, management reviews.;Work with the technical department, the sales group, and the production department to promote the upgrading of internal control standards and shape key brand products based on consideration of both product standards and customer needs.
Technology Quality Department	<ul style="list-style-type: none">Refine and promote the implementation of processes and standards;Improve the accuracy of processes and standards, and boost the upgrading of internal control standards;Formulate and issue technical and process documents to ensure the consistent and exclusive implementation of manufacturing processes;Actively participate in the formulation and revision of product standards for the downstream market of the industry, and improve product quality in the industry through the release and implementation of the standards.

During the reporting period, the Group passed the IATF 16949:2016 and ISO 9001:2015 quality management system certifications.



IATF 16949:2016 Quality Management System Certification



ISO 9001:2015 Quality Management System Certification

Quality Management Training

Tayho is highly concerned about product quality and regularly organizes professional training to ensure product excellence. Training courses on IATF16949:2016 automotive industry quality management system standards and for internal auditors are offered on a weekly basis, aiming to continuously improve the quality awareness and professional skills of employees. These mandatory courses cover a comprehensive range of topics, revealing the Group’s continuous commitment and rigorous attitude to quality management.



Product Quality Training

Strategy

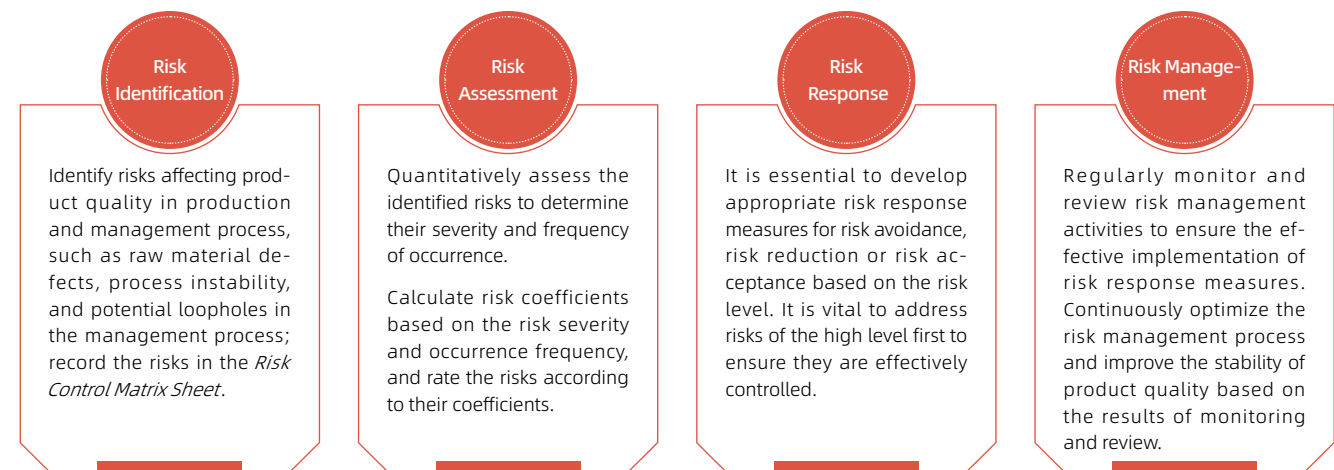
The Group consistently regards product quality as the core lifeline for its survival and development, and strictly follows national laws and regulations and high requirements of the industry norms. Based on its actual operating conditions, the Group has profoundly analyzed key factors affecting its product quality and safety from multiple dimensions, including potential risks, impact assessment and development opportunities, aiming to achieve strict control over and continuous improvement of product quality, and to ensure that its product quality meets the standard of excellence.

Risk Type	Description	Explanation of Financial Impact	Likelihood of Occurrence	Impact Size	Impact Duration	Impact on Value Chain	Countermeasures
Product Quality Risk	As the Group's primary products are chemical fibers and associated goods,, product quality is of paramount importance. Any quality issue, such as insufficient strength, unstable elasticity or poor abrasion resistance, may have significant implications for application, giving rise to customer dissatisfaction and complaints.This in turn, could have a negative impact on the Group's reputation.	Revenue decrease Goodwill damage	Medium	High	Short-term	Operations Downstream	1.Maintain quality control with reference to such quality management systems as IATF16949:2016 and ISO 9001 during production and operation, and continuously refine the product quality system to improve product quality; 2.Conducting regular quality training to promote quality risk awareness among relevant personnel and the level of risk control to ensure product quality; 3.Establish a clear and definite product recall procedure for timely and pro-actively recalling noncon-forming products, so as to prevent further escalation of the impact and protect the Group's image.
Product Safety Risk	Any product of the Group, if found to contain any chemical residue beyond relevant specified limit or be irritant to human skin after delivery out of the factory, is likely to be returned by the customer; such return will directly affect the Group's economic performance, as well as its operational efficiency and brand image.	Revenue decrease Goodwill damage	Low	High	Mid-term	Operations Downstream	

Opportunity Type	Description	Explanation of Financial Impact	Likelihood of Occurrence	Impact Size	Impact Duration	Impact on Value Chain	Countermeasures
Market Opportunities	The Group's products are utilised in a variety of fields, including aerospace, automotive, and protective equipment. In these sectors, there is an increasing demand for high-perfor-mance fibres of the high-est quality. The Group's commitment to providing high-quality products allows it to capitalise on opportunities to enhance its market recognition and increase the added value of its products.	Revenue increase Goodwill damage	High	High	Long-term	Operations	1.Optimize the production process and enhance the equipment to improve product quality; 2.Make timely improve-ment in terms of process, cost and quality according to customer demand.

Impacts, Risks, and Opportunities

To mitigate risks pertaining to product quality, the Group has formulated the *Risk Management and Control Procedure*, according to which all departments are required to conduct identification of risks and opportunities on a regular basis, and take appropriate measures to address identified risks and opportunities.



Indicators and Goals

Quality Risk Management

Key Indicators	Unit	2022	2023	2024
Number of Risk Assessments Conducted	Time	1	1	1

Product Quality Inspection

Key Indicators	Unit	2022	2023	2024
Product Percent of Pass	%	/	/	95.11
Number of Internal Quality Audits Within the Year	Time	13	15	16
Number of Times Third-Party Agencies were Engaged for Sampling	Time	0	0	0
Percentage of Products that are Required to be Withdrawn and Recalled for Health and Safety Reasons	%	0	0	0
Number of Products that Need to be Withdrawn and Recalled for Health and Safety Reasons	Case	0	0	0
Negative Public Opinion	Time	0	0	0

Key Indicators	Unit	2022	2023	2024
Number of Participants in Quality Culture Training	Person Time	8,321	8,505	9,220
Total Hours of Quality Culture Training	Hour	4,160	4,252	4,610
Sessions of Quality Culture Training	Time	12	12	12

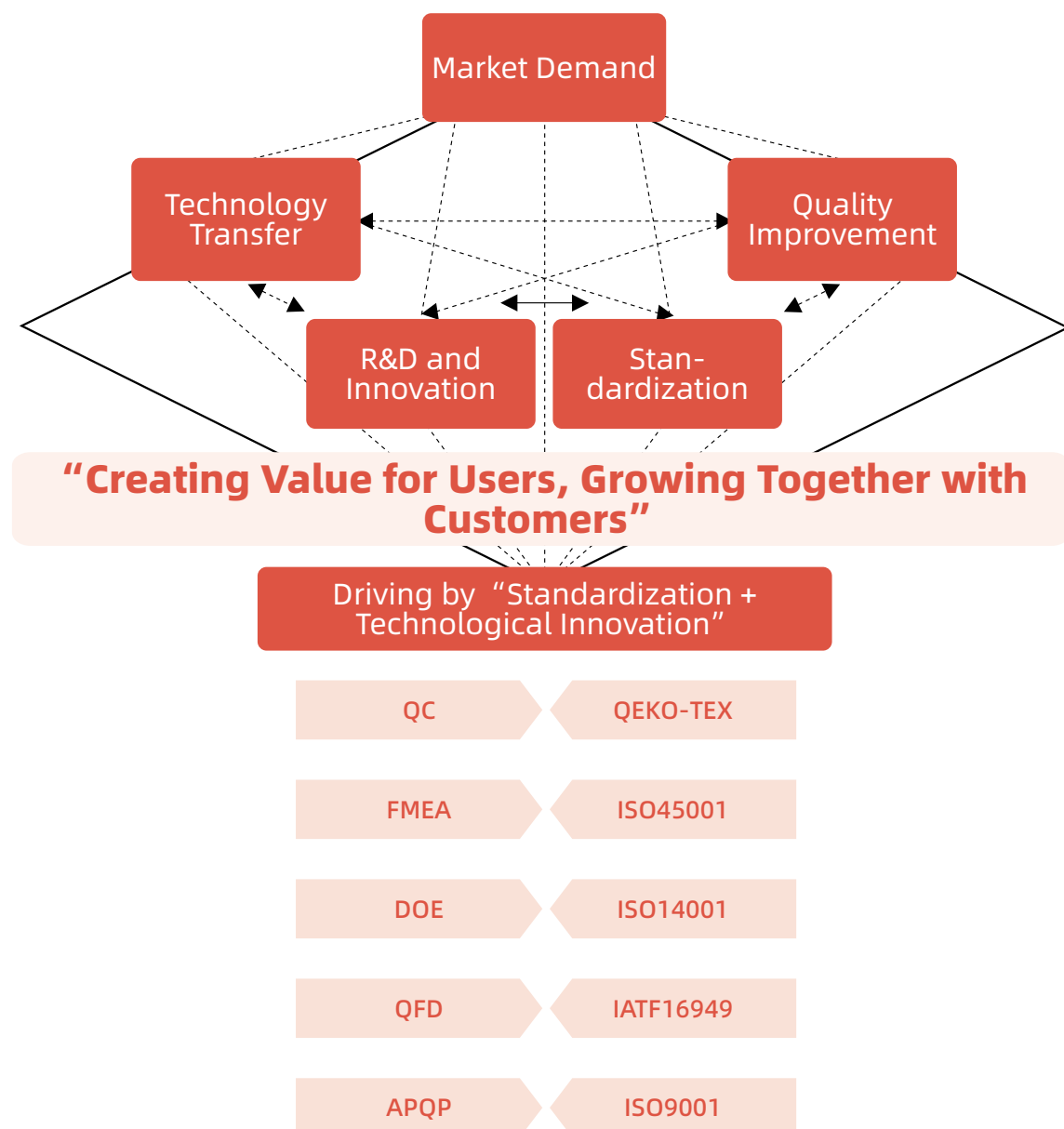
Product Quality Assurance

Product Quality Control

Following the core philosophy of “Lean Management, Continuous Innovation, Customer First, and Pursuit of Excellence”, Tayho regards product quality as its lifeline and remains consistently committed to quality improvement. To enhance the work quality of all employees, the Group has innovatively built a Standardization + Technological Innovation-driven Total Quality Management model.

By building the total quality management system driven by the synergy of standardization and technological innovation, the Group has formed a diamond model of competitive edge, through which process parameters can be quantitatively analyzed by applying Design of Experiments (DOE) methods, so as to accurately identify and control key factors affecting product quality, optimize production processes, and significantly improve product quality.

Diamond Model of "Standardization + technological innovation collaborative drive"(TQM Model)

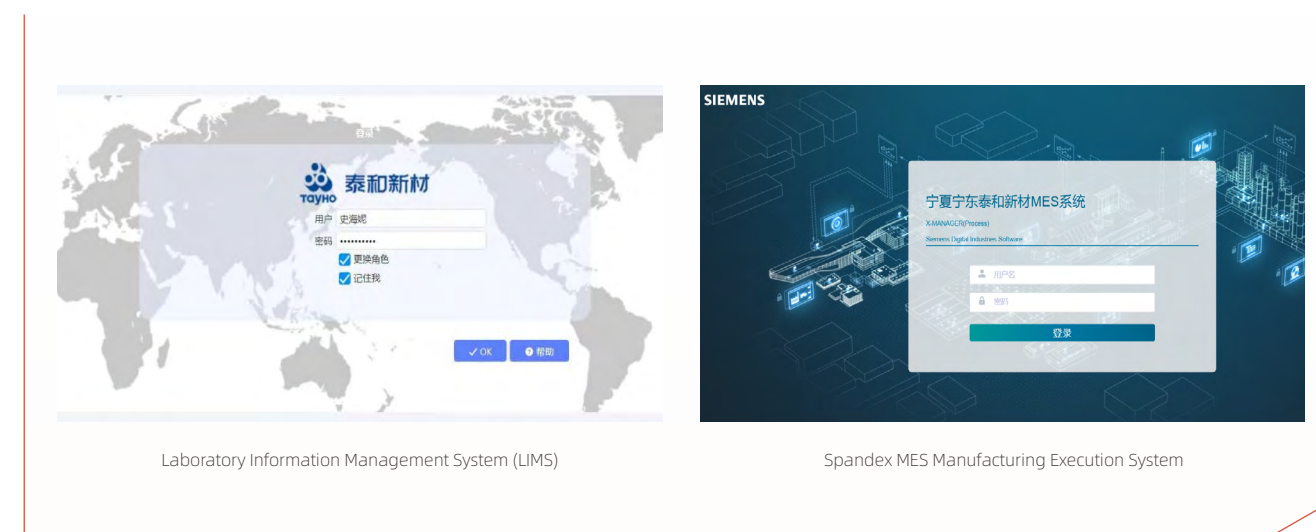


Production Equipment Management

Tayho pays more attention to daily supervision by organizing centralized equipment inspections, thorough checks and comprehensive assessments, so as to ensure the safety and proper functionality of the equipment. Additionally, increasing emphasis is placed on equipment maintenance to effectively extend the equipment service life and further reduce operational costs, thereby achieving a win-win situation in economic efficiency and equipment management.

Intelligent Manufacturing

The Group actively promotes digital transformation by introducing the Laboratory Information Management System (LIMS) and the Spandex Manufacturing Execution System (MES) to enhance overall quality management. This enables refined control over the entire production process from raw material procurement and production scheduling to product quality inspection, creating a fully intelligent and digitalized industrial park while ensuring sustainable development and high-quality growth of the Group.



Product Recall

The Group has established the *Product Recall System* in which recall scenarios and handling procedures are clearly defined. Relevant drills are regularly carried out to ensure early and effective recall of nonconforming products, and appropriate measures are set in place for inspection and disposal. By developing and improving a comprehensive traceability system, the Group is enabled to quickly recall defective products identified, safeguarding its reputation and enhancing product competitiveness in the market.

After-Sales Management

For better management of feedback on the quality of finished products, and timely and accurately addressing quality problems, the Group has formulated and strictly implemented the *Feedback Management Regulations for the Quality of Finished Products*, with technical support specialists in marketing sent to key markets for quick response and efficient elimination of quality problems, ensuring high customer satisfaction.

Customer Experience Enhancement

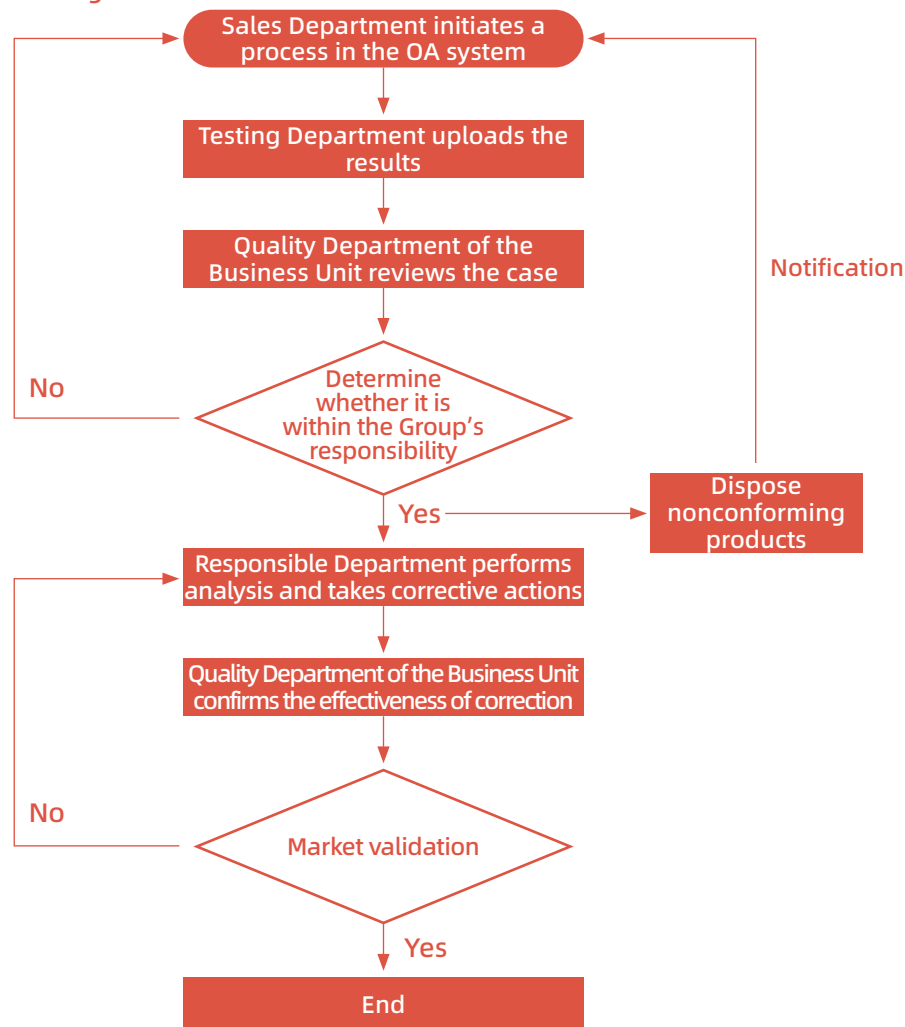
Customer Service System

The Group remains customer-centric, continuously optimizes its customer service management system, and improves team professionalism and service quality, aiming to grow alongside its customers for shared success. Furthermore, it actively develops diverse customer communication channels, including email, WeChat, phone calls, and video conferences, to ensure accurate and efficient communication and strengthen customer relations.

Customer Feedback Management

For more efficient customer feedback management and issues being addressed in a timely and standardized manner, the Group has formulated *Regulations on Customer Feedback Management* and a *Control Procedure for Customer Feedback and Satisfaction Survey*, specifying the feedback processing process and requirements, so that every piece of feedback can receive a professional and efficient response. This enhances customer satisfaction and provides institutional support for building long-term and stable customer relations.

Customer Feedback Handling Process



Customer Satisfaction Survey

To thoroughly implement the core requirements of the Group's quality management system and comprehensively assess customer satisfaction with the Group's products and services, the Group regularly conducts customer satisfaction surveys on a yearly basis. Systematically collecting customer feedback on product quality, technical content and service experience enables the Group to accurately identify customer needs and expectations. Based on survey results, in-depth analysis and summaries are conducted for continuously optimizing products and services, so as to ensure ongoing improvement in customer satisfaction.

Key Performance

During the reporting period, the Group achieved a customer satisfaction rate of **91.6%**.



Properly Protecting Information Security

Information Security Management

While strictly complying with the *Cybersecurity 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*, and other relevant laws and regulations, Tayho has established *Information Security Management Measures* and a *Network and Information Security Personnel Management System* based on its realities, and set up a dedicated Information Management Department. Following the principle of “whoever is in charge is responsible”, the Group has implemented a tiered responsibility system for information security to ensure security accountability across all levels of the information system and safeguard corporate information security.



Key Performance

During the reporting period, no violation regarding information security and privacy protection occurred.

Regular Security Governance

Data Security Protection Measures

By using the Sangfor Hyper-Converged Virtualization and VMware Virtualization data platforms, and Dell DD6400 as backup support for the data center, the Group has built a multi-layered data security protection system to effectively protect its information security, safeguard its reputation and provide a strong boost to its sustainable development.

Security Measures for Virtualization and Data Center



Information Security Training

Tayho is committed to improving employees' awareness of information security. The Group plans to conduct at least two Group-wide data security training sessions per year for all-staff participation. The training covers the latest cybersecurity dynamics and common social engineering attack techniques, among others. Real-world case analyses are also included in these training sessions to help employees better understand how to prevent data leaks in their daily work.



AEO Information Security Training

On March 5, 2024, Tayho conducted AEO information security training to enhance employees' understanding of AEO certification and its relevance to their job responsibilities. Participants included the Group's executives, customs affairs management personnel, and employees from the Procurement Center, the Audit department, the Security Management Department and the Information Management Department.



Emergency Incident Management

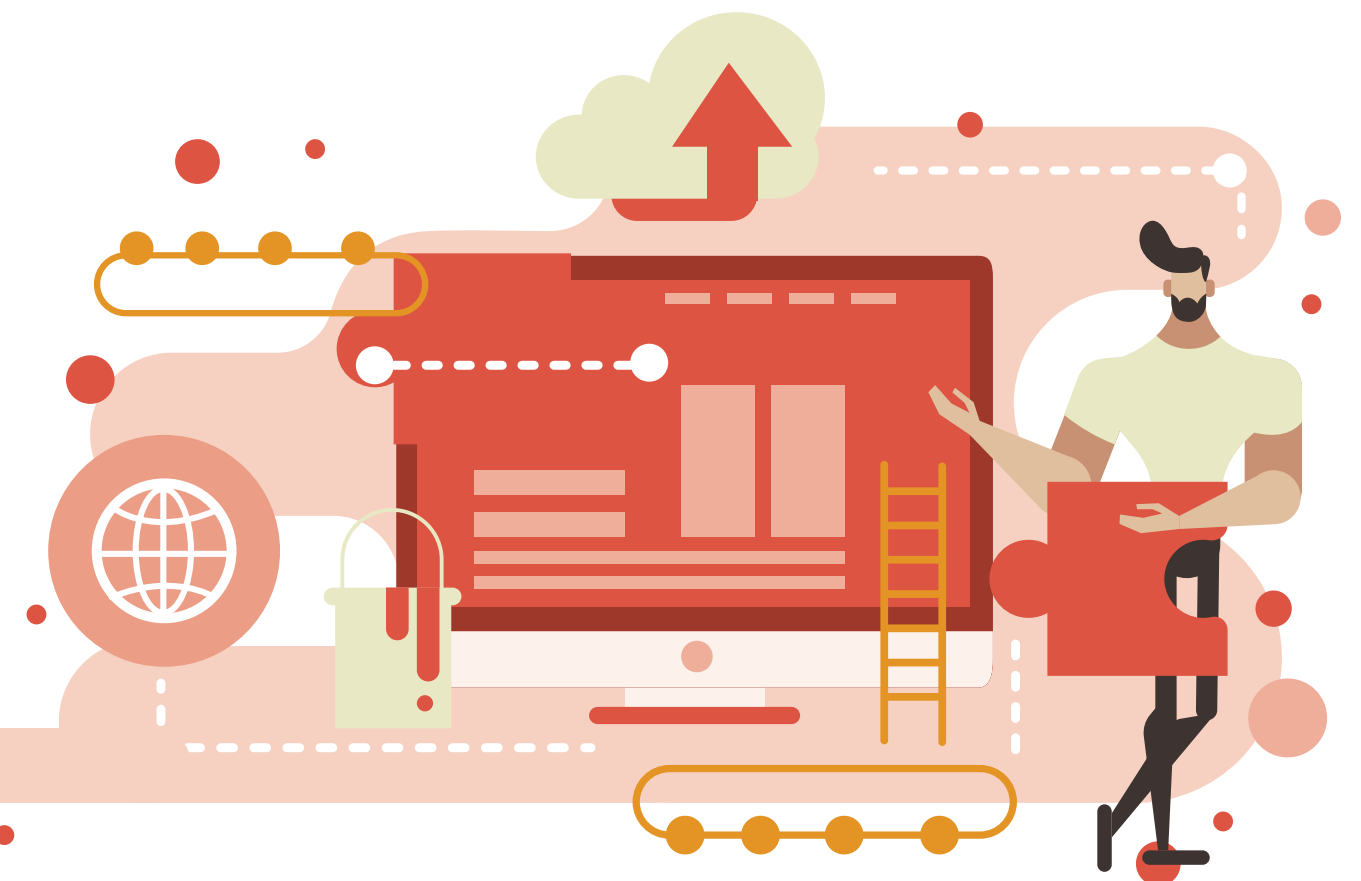
In accordance with the *Cybersecurity Law of the People's Republic of China*, the *Emergency Response Plan for Internet Security Incidents*, and other laws and regulations, the Group has established a comprehensive emergency response mechanism for information system incidents. An Emergency Response Team is also set up to take care of implementing emergency measures, to ensure the secure and stable operation of the information system, and minimize the effects of emergencies on the Group.

To strengthen its ability to respond to cyber attacks, test and refine the information security emergency response plan, the Group regularly conducts emergency drills, and improves its incident-handling mechanisms. Various information security challenges are effectively addressed to ensure its information security.



Cyber attack Defense Drill

From June to July 2024, the Group conducted a cyber attack defense drill by simulating attacks using multiple techniques, such as SQL injection, DDoS attacks, and social engineering attacks on a test system. To defend against the attacks, the Emergency Response Technical Support Team acted immediately by taking countermeasures, including blocking attack ports, patching system vulnerabilities and activating emergency protection strategies. The drill was carried out in simulated real-world cyber attack scenarios, the drill trained the emergency response team on practical skills, enhanced inter-departmental collaboration, and identified weaknesses in the emergency response plan for further optimization of the incident response process.



04

Employees as the Foundation, Public Welfare as the Mission

Our Philosophy

Tayho adheres to a people-oriented talent development approach. With great importance attached to talent cultivation, it also has a competitive compensation system and a clear career advancement path for its employees. Its active commitment to public welfare initiatives and rural revitalization has contributed to the development of a better society.

Our Actions

- Equal and Compliant Employment
- Occupational Health and Safety
- Ensuring the Democratic Life of Employees
- Giving Back to Society Through Concrete Actions
- Supporting Employee Growth

SDGs



Equal and Compliant Employment

Following the people-oriented talent development approach and in accordance with the *Company Law of the People's Republic of China*, the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, and other relevant laws and regulations, Tayho has formulated an *Employee Handbook*, a *Recruitment Management System*, and other management regulations to comprehensively regulate employee management processes, continuously optimize the compensation and benefits system, effectively protect employee rights, and enhance employee well-being. Together with its employees, the Group strives for steady and sustainable development.

Talent Recruitment

Compliant Recruitment

The Group upholds the principles of fairness and transparency, standardized procedures, controlled staffing, value alignment, conflict-of-interest avoidance, and merit-based hiring. Based on these principles, it has established a *Recruitment Management System*, continuously refining its employee recruitment and onboarding mechanisms. The Group organizes recruitment related training to improve the selection skills of the human resources team and hiring department managers, and ensure the effective and standardized recruitment procedures of the company.

During the reporting period, the Group had employment contracts established with all employees as required by law, maintaining a 100% labor contract signing rate and a 100% coverage rate for social security benefits (including five insurances and one fund).

Expanding Recruitment Channels

The Group utilizes a diversified recruitment strategy, leveraging campus recruitment, social hiring and internal promotions to attract talents.

In aspect of campus recruitment, the Group actively participates in university career fairs and promotional events related to its industry each year, engaging in face-to-face communication with graduates to precisely locate prospective candidates. It maintains relations with universities for campus recruitment by establishing scholarships to enhance its visibility on campus, collaborating with universities on joint training programs or launching Tayho Special Classes for customized talent acquisition.

During the reporting period, the Group attended 6 campus recruitment sessions, through which 69 fresh graduates were hired.

In terms of social recruitment, the company recruits talents through online recruitment and headhunting companies. During the reporting period, a total of 309 people were recruited by social recruitment.



On-campus Recruitment

Protection of Employees' Rights and Interests

Tayho firmly safeguards employees' legitimate rights and interests, and comprehensively standardizes its hiring and termination procedures, compensation and benefits, promotions and training, and work hours and leave policies in strict compliance with the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Civil Code of the People's Republic of China* and other relevant laws and regulations, striving to create a workplace that respects human rights and promotes equality and inclusivity.

Key Performance

During the reporting period, the labor contract signing rate remained at **100%**.

Diversity and Anti-Discrimination

Tayho honors diversity, equality and inclusivity, and respects individual differences. The Group firmly opposes all forms of discrimination and ensures equal treatment in recruitment, training, promotion and other key processes. Employees are never discriminated against due to their religious beliefs, gender identity or other personal characteristics.

Key Performance

During the reporting period, no labor discrimination event occurred in connection with the Group.

2024 Employee Composition	
Total Number of Employees	3,281
Employees of Minority Nationalities (Persons)	78
Disabled Employees (Persons)	4



Prohibition of Forced Labor and Child Labor

The Group has formulated an *Attendance and Leave Management Policy* to ensure that employment relationships are based on the free will of and equality between both parties. Forced labor in any form is strictly prohibited. An 8-hour workday, 5-day workweek policy is implemented to ensure employees have adequate rest. Employees are entitled to nationally mandated holidays in accordance with the law. Any overtime work required is subject to approval. Employees who work overtime as approved are entitled to compensation by means of in-lieu off-time or overtime pay according to national regulations.

The Provisions on the Prohibition of Child Labor and other relevant regulations are strictly observed in the Group. No child labor is used in any position. Upon recruitment and onboarding, employee identity will be verified to prevent the accidental hiring of underage workers.

Key Performance

During the reporting period, there were no incidents of child labor, forced labor or workplace harassment.

Concern for Women's Rights

Tayho is highly concerned about the benefits of female employees. It strictly abides by the *Law of the People's Republic of China on the Protection of Rights and Interests of Women*, the *Labor Contract Law of the People's Republic of China* and other relevant laws and regulations, fully enforcing policies on maternity leave and childbirth allowances to safeguard the rights and interests of female employees. The principles of equal pay for equal work and gender equality are consistently applied across the Group to ensure that female employees receive equal treatment in recruitment, promotions, training, compensation and benefits.

Additionally, the Group's labor union has established a Women's Committee to advocate for and protect female employees' legitimate rights and interests, fostering a respectful and supportive work environment.



To celebrate International Women's Day and enrich the cultural life of female employees, the Group organized special events that received enthusiastic participation and positive feedback from these employees.

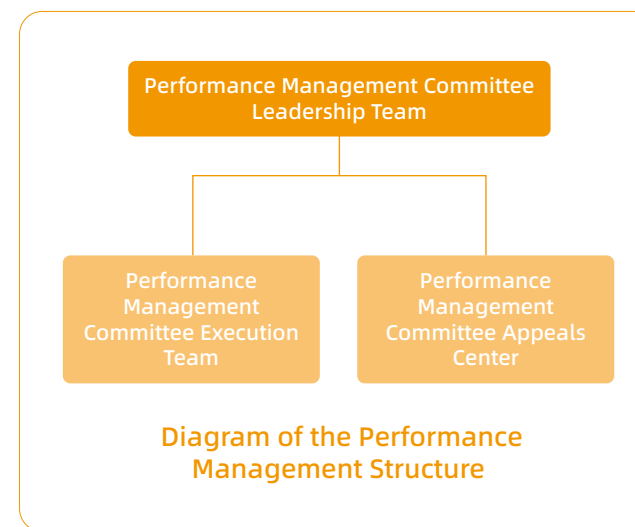


Key Performance	Unit	2023	2024
Proportion of Female Managers	%	20.67	21.51
Number of Employees on Maternity Leave	Person	39	55
Return Rate from Maternity Leave	%	100	100
Number of Employees Who Took Parental Leave	Person	14	114
Return Rate from Parental Leave	%	100	100

Employee Compensation and Benefits

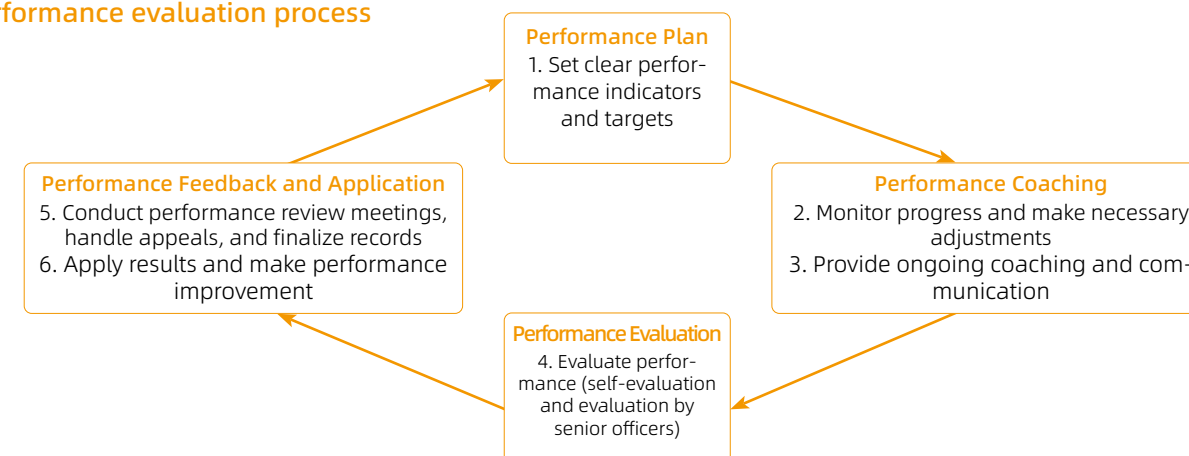
Compensation and Performance

To ensure a healthy and sustainable human resource approach, the Group follows the principles of external competitiveness, internal fairness, total payroll control, and salary confidentiality in terms of its compensation system. Based on these principles, the Group has developed and continuously updated its *Compensation Management System* and *Performance Management System*, with a competitive compensation and benefits system established. The salary of an employee comprises the base salary, performance bonus, profit-sharing bonus, year-end bonus, overtime pay, special achievement bonus, welfare benefits and allowances. Salaries are subject to adjustment based on annual performance evaluations and market salary standards, so as to ensure employees receive fair and competitive compensation. The Group has also set up a Performance Management Committee responsible for reviewing and approving performance management policies, and supervising and ensuring proper implementation of performance evaluations, so as to ensure effective performance management.



The Group has developed a comprehensive performance management system comprising four key components: i.e. performance planning, performance coaching, performance evaluation and performance feedback and application, encouraging employees to make continuous improvement and thereby promoting the Group's development.

Performance evaluation process



Performance Appeals

The Group has established a performance feedback and appeal mechanism. An employee disputing relevant performance evaluation results may appeal in writing to a leader above the immediate supervisor or the Human Resources Department within three (3) working days after the corresponding performance review meeting. Within five (5) working days after receipt, the Human Resources Department will call the Performance Management Committee leadership team or the affiliated department to address the appeal, so as to ensure the performance evaluation is fair and just.

Employee Benefits and Leaves

Tayho is committed to providing comprehensive employee benefits, including contributions to social security and housing provident fund for employees in strict observance of relevant labor laws and regulations, public holidays and leaves, and other benefits comprising its all-round benefits system.

Employees are also provided with dormitories, free shuttle buses, meal subsidies, high-temperature allowances, and other welfare benefits. By establishing the *Measures for the Administration of Benefits for Employees Dispatched to other Places*, the Group ensures that employees on assignment enjoy relocation allowances, housing subsidies, out-of-town work stipends and home leave. These measures aim to enhance job satisfaction and employee loyalty, while promoting the Group's sustainable

Tayho ' Employee Welfare System		
Monetary Benefits	Subsidies	Night shift subsidies, skill bonuses, tenure-based allowances Academic achievement bonuses, safety subsidies, meal allowances
	Temperature Allowances	High-temperature allowances, heating allowances
	Gift Bonuses	Wedding gifts, children's education stipends, Mid-Autumn Festival bonuses, senior citizen care benefits
Non-Monetary Benefits	Birthday Cake Vouchers	
	Festive Activities	Spring Festival, Women's Day, Dragon Boat Festival, Mid-Autumn Festival
Additional Employee Benefits		Up to 300,000 yuan interest-free loan for house purchase

Key Indicators	Unit	2022	2023	2024
Social Insurance Coverage Rate	%	100%	100%	100%
Per Capita Paid Annual Vacation Days	Day	9.9	7.1	7.7
Welfare Expenditure	10,000 yuan	3,257.07	2,702.93	2,899.47

Care for Employee Life

Tayho recognizes the importance of mental well-being beyond work. To enrich employees' life, the Group actively organizes various cultural and sports events. When it comes to a major holiday, the Group will extend its gratitude and greetings to the employees by distributing festive gifts and benefits.

Such care and support are also extended beyond the employees to their families. For example, taking into account the importance of children's education, the Group provides education stipends to share joy and blessings with employees.



Ensuring the Democratic Life of Employees

Democratic Governance

Democratic Governance

To establish harmonious and stable labor relations and protect employees' legitimate rights and interests, the Group has established a Trade Union Committee and developed the *Constitution of the Trade Union Committee* in accordance with the *Trade Union Law of the People's Republic of China* and the *Labor Law of the People's Republic of China*. The trade union plays a key role in safeguarding employee interests, mediating labor relations, and addressing employee concerns.

During the reporting period, the trade union have reviewed and voted on 6 proposals, including *Four Collective Agreements*, *Attendance and Leave Management Policy (Trial)* and *Salary Adjustment Plan for July-December 2024*.

Key Performance	Unit	2022	2023	2024
Number of Projects Approved by the Employee Congress/Labor Union	Case	10	11	6
Labor Union Membership Rate of In-service Employees	%	100	100	100

Employee Appeals

Tayho values open communication with employees, with focus on establishing diverse communication channels and a structured appeal process to advocate frank communication among employees and build an equal and free workplace. An employee appeal procedure is established. An employee feeling having been treated unfairly or dissatisfying with a disciplinary action may file an appeal with his/her immediate supervisor or the department head.

Speak to Tayho

...

This is a dedicated online appeal platform of the Group, allowing employees to submit an appeal through the OA system. The appeal submitted must describe the purpose. Any appeal will be replied within 3 working days after it reaches the corporate management.

Telephone Appeal

...

A dedicated appeal hotline is available for employees to report concerns. The Group assigns dedicated employees to provide response within the specified time limit.

Appeal to Immediate Supervisors

...

Employees may directly communicate any work-related concerns or dissatisfaction to their immediate supervisors.

Appeal to the Human Resources Department

...

Employees may submit appeals to the Human Resources Department regarding issues such as compensation, benefits, and performance evaluations.

Employee Satisfaction Survey

Each year, a questionnaire is distributed to each employee for a satisfaction survey. The survey covers various aspects, including the Group's management policies, the leadership of supervisors, work environment and facilities, employee welfare and leisure activities, training opportunities and effectiveness. Each survey indicator has a target value set as a benchmark for comparison with the survey results. If any indicator falls below the target value, an analysis is conducted, and appropriate corrective measures are implemented to foster an open and continuously improving work environment.

Key Performance

During the reporting period, the Group achieved an employee satisfaction rate of **89%**.



Supporting Employee Growth

Establishing Career Development Paths

To foster organizational vitality and guide employees in their career development, the Group implements a structured career development system, with *Production Sequence Skilled Talent Qualification Certification Management Measures (Trial)* and a *Dual-Track Promotion Management System* developed to support its high-quality growth.

Based on job roles, the Group offers two primary promotion tracks, i.e. management track and professional track. Employees are subject to promotion following the principles of “Incentivization; Competence and Integrity, Merit-based Performance; Fairness, Justness, Competitiveness and Merit-based Promotion”.

Employee Training and Development

Tayho places strong emphasis on employee training, aiming to enhance their professional skills and competencies. To standardize training management, the Group has developed a *Training Management System*, integrating internal and external training resources to facilitate growth shared by employees and the Group.



Types of Training

Training of Contents

Orientation Training

> This is intended for new employees, covering the corporate culture, product knowledge, regulations and workplace safety, and aiming to help them quickly integrate into the organization.

Training on General Ability

> This is intended for general employees, aiming to enhance their basic professional skills and essential work competencies.

Training on Professional Competency

> This is intended for general employees, aiming to help them develop the professional abilities required for their roles.

Management Proficiency

> This is designed for managers at all levels to enhance their leadership and decision making skills.

Specialized Training

> This relates to management systems, including the quality management system, customs regulations and other specialized knowledge.

External Training

> External training includes external skill enhancement programs, thematic lectures and workshops employees are encouraged to attend.



2024 Young Talent Program

On July 18, 2024, Tayho officially launched its 2024 Young Talent Program, a tailored training program for new employees entering the workforce. This program provides a comprehensive, structured and professional career onboarding experience, offering both theoretical knowledge and hands-on practice. The opening ceremony of the program had presence of the Group's leaders such as the Party Secretary and the Chairman of Board, and was attended by the new employees.



Training Evaluation

To continuously improve the training system, the Group conducts post training assessments by means of field observations, employee feedback surveys, learning action reports, and so on. This ensures training effectiveness and supports the ongoing optimization of employee development programs.

Training Instructors

To enhance training quality and form an inclusive training system, the Group adopts a dual approach by bringing in industry experts to provide cutting edge knowledge and building an in-house faculty. Internal instructors are selected, based on fairness, merit and expertise, from management personnel, business backbone and outstanding talents. Technical experts, and high performing employees. This internal training framework ensures a robust and sustainable talent pipeline for the Group's long term development.

Key Performance	Unit	2024
Employee Training Input	10,000 yuan	198.3
Number of Employee Training Sessions	Session	78
Total Number of Persons Trained	Person	3,281
Total Number of Persons Trained	Person-time	50,357
Employee Training Coverage	%	100
Total Hours of Employee Training	Hour	20,933
Average Training Hours Per Employee Per Year	Hour	6.38

Guarding Health and Safety

Governance

Tayho is highly concerned about occupational health and safety, upholding the “people first, prevention focused, responsibility driven, and safety guaranteed” principles in relevant management. To continuously refine safety protocols and ensure employee and work safety, the Group has revised and expanded its *Compilation of Work Safety Management Systems*, having achieved effective operation and optimization of safety management.

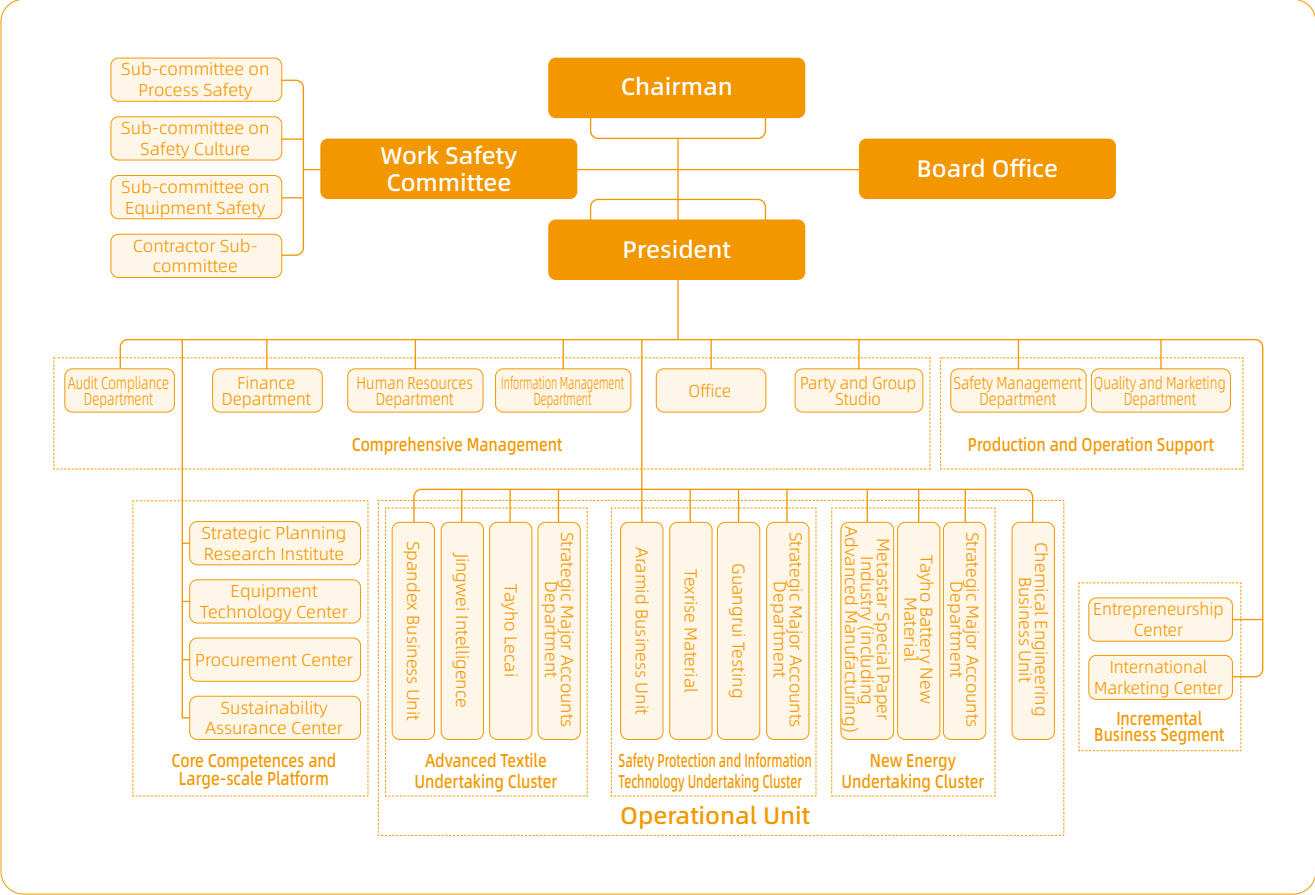
Key Performance

During the reporting period, the Group invested RMB **6.94** million in work safety initiatives.

For professional and efficient safety management, the Group has established a comprehensive safety management organization comprising two core parts, i.e. Work Safety Committee (WSC) and Safety Management Department. The WSC oversees four specialized sub-committees, each responsible for a specific area of safety, i.e. safety culture, process safety, MIQA (manufacturing, inspection, quality assurance), and contractor safety management. These teams provide strong organizational support for continuous safety improvement, ensuring effective execution of various safety measures.

Tayho continuously advances normalization of work safety to meet regulatory requirements. In September 2024, The Group successfully passed the field audit of work safety standardization led by the Department of Emergency Management of Shandong Province. Nonconformities identified during the audit were fully rectified within the specified timeframe.

Safety Organizational Chart



During the reporting period, both the Group and some of our subsidiaries became certified with ISO 45001 occupational health and safety management system.



ISO 45001:2018 Occupational Health and Safety Management System Certification



Passed HIGG Review



Safety Education and Training

Tayho conducts regular safety training. To set an example, senior executives of the Group are active participants in programs launched by the Emergency Management Bureau, the Chemical Industrial Park or other regulatory agencies, accurately communicating work requirements from senior authorities. That aside, the senior executives also undergo annual safety management training and certification exams to ensure continuous improvement in safety leadership, full play of their exemplary role and effective safety management.



Work safety training

Key Performance	Unit	2024
Safety Education and Training Sessions	Session	28
Total Safety Training Participants (Person Times)	Person-time	14,243
Coverage Rate of Safety Education and Training	%	100
Coverage Rate of Safety Risk Protection Training	%	100

Promotion of Work Safety Awareness

Tayho Advanced Materials prioritizes safety culture development and propagation. In the 23rd National Work Safety Month and the 33rd Fire Safety Month, the Group carried out 11 safety awareness promotion activities, including safety knowledge competitions, legal compliance training sessions, self and mutual rescue training sessions, accident case studies, safety video contests, etc.

IT-powered Work Safety

The Group has introduced a digital work safety management system to achieve full-process digital control and electronic documentation of specialized operations through digital safety monitoring. The intelligent monitoring system capable of end-to-end recording and analyzing abnormalities and automated alerting realizes automated control, production process digitalization, and improved safety management efficiency.

The Group has also deployed a personnel positioning system to track real-time employee locations and identify abnormal behaviors such as unauthorized area access and prolonged inactivity with immediate warnings issued. The dynamic monitoring of risks and potential hazards makes it possible to eradicate potential safety threats at the budding stage and thereby significantly improve the efficiency and accuracy of safety management, reinforcing the Group's commitment to employee well being.

Strategy

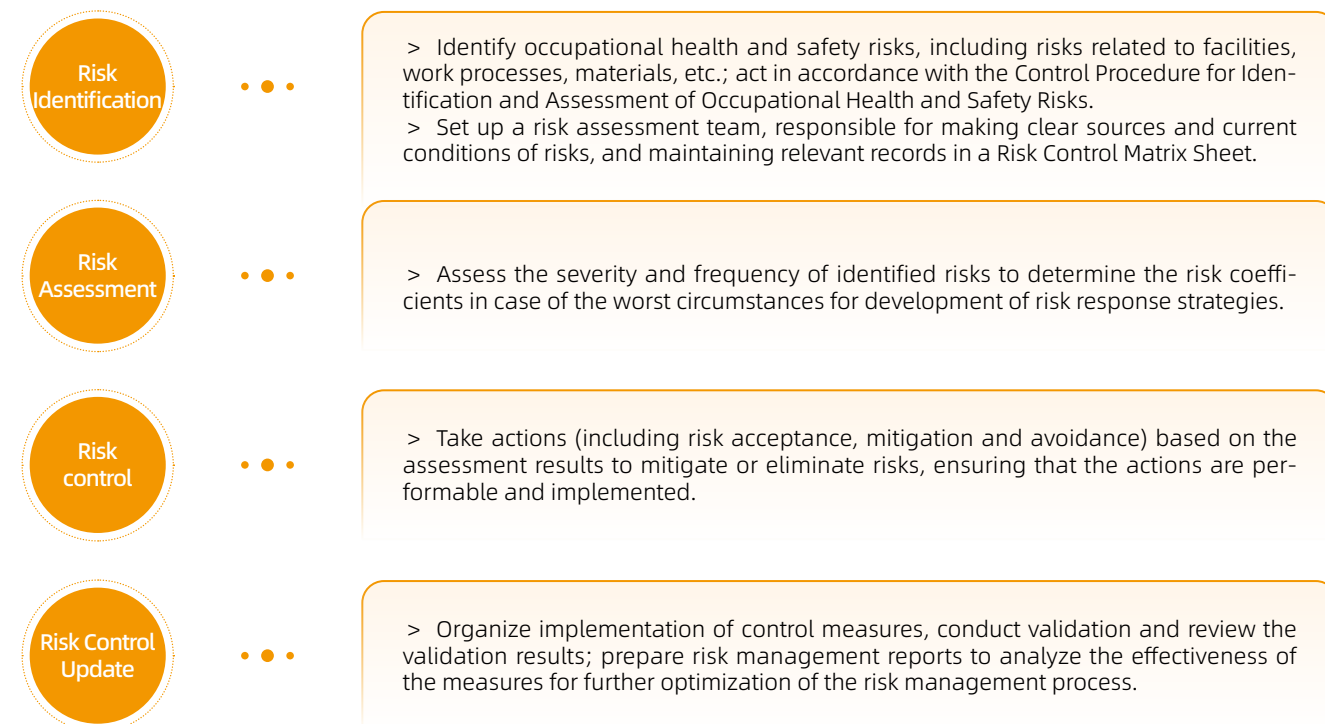
Tayho strictly complies with national occupational health and safety regulations. It works to comprehensively identify hazards and safety risks in production based on its actual situation, so as to develop targeted risk prevention and health strategies for protecting employees' work safety and promoting the Group's sustainable growth.

Risk Type	Description	Explanation of Financial Impact	Likelihood of Occurrence	Impact Size	Impact Duration	Impact on Value Chain	Countermeasures
Legal Risks	Failure to fully understand safety regulations and to effectively implement relevant measures could result in severe punishments such as significant fines and required correction within a specified time limit, which would disrupt the Group's normal operation, incur economic losses or even pose a serious threat to the Group's long term stability and sustainability.	Revenue decrease Cost increase	Medium	Medium	Long-term	Operations	1.The Safety Management Department is tasked with identification, collection and assessment and training of or on safety-related laws and regulations, regular legal compliance training, timely updating and revision of safety management policies to ensure compliant operation of the Group. 2.Carry out education on work safety laws and regulations.
Safety Accident Risks	The occurrence and exposure of a major accident involving severe injuries or death due to negligence in work safety management could damage market confidence, resulting in loss of market share, brand damage and impairment of the ability to secure financing and expand business. Such an incident could also disrupt operations, resulting in huge costs for rescue, compensation and remediation, adding to the financial burden of operating costs.	Revenue decrease Cost increase Goodwill damage	Medium	Medium	Short-term	Operations	1.Develop a <i>Compilation of Work Safety Management System</i> and establish a work safety responsibility system, with work safety responsibilities of each department specified. 2.Regularly conduct safety risk classification and control, hazard identification and mitigation actions. 3.Prepare emergency response plans, and conduct regular emergency response drills.

Opportunity Type	Description	Explanation of Financial Impact	Likelihood of Occurrence	Impact Size	Impact Duration	Impact on Value Chain	Countermeasures
Management Efficiency	Optimizing financial budgeting and management processes for occupational health and safety could not only improve overall operational efficiency but also significantly reduce the likelihood of accidents, thereby avoiding high financial expenditures associated with incidents.	Cost decrease	Medium	Medium	Long-term	Operations	Develop a digital work safety system for real-time risk monitoring and alerting, so as to enhance the efficiency of occupational health and safety management.

Impact, Risk, and Opportunity Management

To reduce potential hazards to safety and occupational health in production operations, the Group has formulated the *Risk Management Control Procedure*. It is the responsibility of the Safety and Environmental Protection Department to identify, evaluate and control safety risks throughout production and operations, as well as to lead other departments in relevant risk management work, so as to effectively address risks and opportunities concerning employee safety and health.



Indicators and Goals

During the reporting period, the Group announced its work safety policy and targets for 2024, focusing on target-oriented safety work, and continuously improving work safety management.

Annual Work Safety Targets and Indicators		Fulfillment of Targets in 2024
Result-Oriented Indicators	No safety accident of Group level or above;	Achieved
	Minor injury incident rate per twenty thousand working hours ≤ 0.45 ;	Achieved
	No new patient of occupational disease;	Achieved
	No administrative punishment, media exposure or other adverse events.	Achieved
Process Indicators	On-time hazard correction rate $\geq 95\%$	Achieved
	No major hazard	Achieved

Annual Work Safety Targets and Indicators		Fulfillment of Targets in 2024
Process Indicators	Percentage of licensed principals, work safety officers and special operators, 100%	Achieved
	Change management compliance $\geq 90\%$	Achieved
	Safety interlock utilization rate, 100%	Achieved
	Average conformity rate of high-risk operations $\geq 95\%$	Achieved
	Deployment and operational rate of safety and fire facilities $\geq 95\%$	Achieved
	On-time execution rate of safety training, 100%	Achieved
	Conformity rate of PPE use $\geq 92\%$	Achieved
	Compliance rate of occupational disease hazard detection $\geq 95\%$	Achieved
	“Three Simultaneities” processing compliance rate, 100%	Achieved
	Related party management compliance rate, 100%	Achieved
	Emergency drill plan fulfillment rate, 100%	Achieved
	External safety inspection compliance rate, 100%	Achieved

Key Performance	Unit	2024
Work-related death rate	%	0
Number of work-related deaths	Person	0
Including: Employees	Person	0
Contractor employee	Person	0
Total number of work-related injuries	Person	6
Including: Employees	Person	5
Contractor employee	Person	1
Percentage of special operators licensed	%	100
Investment in work-related injury insurance	10 ⁴ yuan	262.49
Coverage rate of work-related injury insurance for employees	%	100
Investment in work safety liability insurance	10 ⁴ yuan	3.5
Coverage rate of work safety liability insurance	%	100
Number of new cases of new occupational diseases	Case	0

Work Safety Practices

Hazard Identification

The Group implements a monthly routine safety inspection system that covers equipment, facilities, work environments and management systems. Based on the inspection records of identified issues, a detailed safety hazard identification and resolution ledger is maintained. For each identified risk, the Group immediately initiates corrective actions and continuously updates progress and effectiveness reports to enhance fundamental safety assurance and prevent work safety accidents. Additionally, the Group constantly improves its evaluation mechanism for safety rewards and penalties, ensuring continuous enhancement and optimization of safety management.

Key Performance

During the reporting period, the Group and its subsidiaries achieved a **100%** rectification of identified safety hazards.

Emergency Management

To effectively prevent and control major accidents and risks, the Group has established a comprehensive emergency management system, following the principles of “prevention first approach with an equal focus on preparedness and response, unified leadership and tiered response mechanism, scientific handling, integration of internal and external rescue resources, ensured personnel safety, avoidance of accident escalation, and environmental protection.” It has developed multiple management regulations, including *Emergency Rescue Plan for Accidents*, *Fire Safety Management System*, and *Special Equipment Safety Management Regulations*. That aside, regular plan drills are also carried out to enhance employees’ safety awareness and crisis response capabilities.



Comprehensive Ammonia Leak Emergency Drill

On June 25, 2024, Tayho successfully conducted a comprehensive emergency drill for ammonia leakage in the Polymer New Materials Industrial Park. The drill was set in a simulated ammonia leakage and personnel poisoning scenario, involving the entire crisis management process from incident detection to handling. Repeated emergency drills have helped the Group build an efficient emergency response team.



Safety Management for Related Parties

To enhance the safety management of external partners, the Group has developed a *Contractor Safety Management System*, a *Safety and Environmental Protection Agreement* and *Contractor Safety Management Assessment Guidelines*. These policies are intended to standardize the activities of contractors and suppliers on the Group’s premises, ensuring safe, healthy and environmentally responsible operations. Regular audits of contractors are also carried out for prompt identification and correction of nonconformities, thereby promoting improvement in contractors’ management capability and ensuring their safe operations.

Occupational Health Management

Tayho is committed to building a Robust Occupational Health and Safety Management System. It has developed an *Occupational Disease Hazard Management System*, with annual assessments conducted to identify occupational health hazards. The Group is highly concerned about employee health. It provides regular occupational health checkups, including pre-employment health checkups, periodic health examinations during employment, and post employment health screenings, to safeguard employees’ health benefits. Employee diagnosed with any condition prohibiting them from taking their jobs will be immediately transferred to other jobs and be provided with necessary follow-up care. Employees requiring medical review or monitoring will be offered timely examinations to minimize the risk of contracting occupational diseases and ensure continuous health protection.

Key Performance

During the reporting period, **2,188** employees underwent occupational health checkups, achieving **100%** coverage.

Measures

Specific Actions

- Hazard Warning**
 - > For jobs with occupational health risks, employees will be formally informed of hazards and consequences upon signing their employment contracts.
 - > Production workshops are provided with conspicuous bulletin boards, where occupational health and safety regulations and operating procedures are displayed.
 - > At work positions, warning signs and hazard explanations are prominently placed.
- Prevention and Control Education and Training/Awareness Campaign**
 - > Pre-job and regular on-job occupational health training sessions are provided to publicize occupational health knowledge and correct usage of protective equipment.
- Provision of Protective Equipment**
 - > Employees are provided with necessary safety gears, including helmets, safety harnesses, insulating protective equipment and gas masks.
 - > Protective equipment undergoes regular quality inspections, and will be replaced in a timely manner while it is worn or torn.
- Medical Office**
 - > The Group has an on-site medical office, staffed by licensed medical professionals to provide psychological health consultations for employees.
 - > Emotional and mental health counseling with focus on employees' emotional experience is provided to enhance their occupational psychological resilience.



安全生产培训



防治宣传教育培训



配备防护工具



医疗室

Key Performance	Unit	2024
Coverage Rate of Occupational Injury Insurance for Employees	%	100
Detection Rate of Occupational Disease Hazards	%	100

Chemical Use Management

Tayho has developed policies such as *Safety Management Regulations for Explosive Chemicals* and *Management Regulations for Controlled Chemicals*, clearly defining the management responsibilities and disposal requirements at each stage of hazardous chemicals' lifecycle, including procurement, transportation, use, storage and disposal. Relevant employees are trained to enhance their safety handling awareness and capabilities, so as to ensure safe and standardized management of hazardous chemicals.

Hazardous Chemicals Lifecycle Management Procedure

Purchasing

- > Review the qualifications of hazardous chemicals suppliers;
- > For chemicals that can be used to manufacture explosives or controlled substances, procure a purchase permit in advance and seek approval from local authorities;
- > Establish dedicated accounts for the procurement of precursor chemicals;
- > Procurement personnel must undergo specialized training to understand the physico-chemical properties of chemicals and the appropriate emergency response measures.

Transportation

- > Based on the characteristics of the chemicals, appropriate means and vehicles that meet safety requirements must be used.

Handling

- > Handling operations must follow safety standards and operating procedures, and be carried out under the supervision or guidance of on-site management personnel;
- > Handling workers must wear appropriate protective equipment, such as goggles, face masks, etc.

Storage

- > Hazardous chemical warehouses must have safety management systems, including management systems and records of routine inspections and material requisitions;
- > Chemicals should be classified and stored separately, with clear safety signage and "No Smoking" signs attached;
- > Firefighting, communication, fire prevention equipment, as well as toxic gas protection measures must be set in place.

Disposition

- > Packaging (boxes, paper bags, bottles, drums.) that have been used to pack highly toxic substances must be strictly controlled, centrally collected and recorded in a register, with dedicated persons assigned to take care of management;
- > The disposal of hazardous chemicals is subject to approved by relevant authorities before being disposed.

Giving Back to Society Through Concrete Actions

Social Public Undertakings

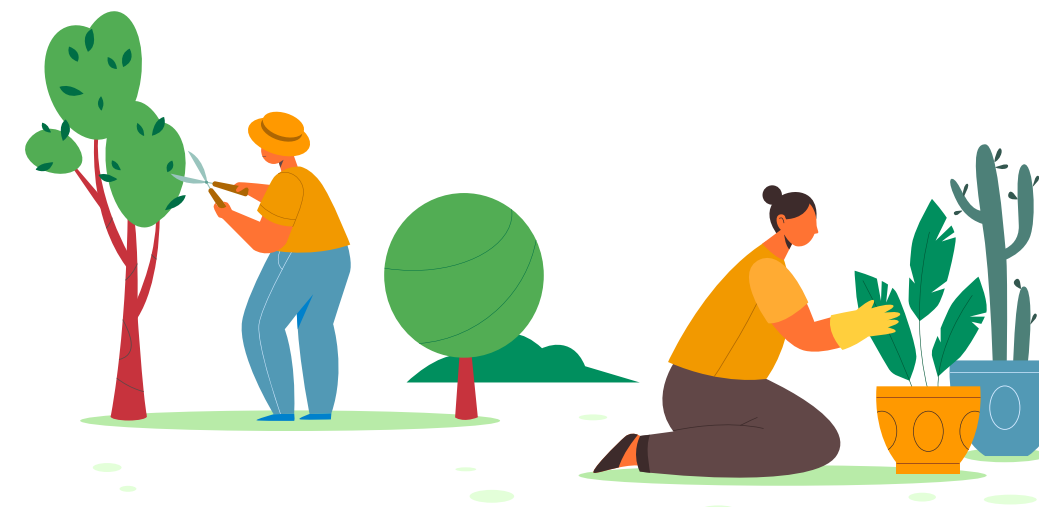
As a state-owned enterprise and active participant in social welfare programs, Tayho places great emphasis on its social responsibility and is committed to fulfilling its corporate mission while actively participating in various social welfare activities. It has developed External Donation Management Measures, ensuring the compliance and effectiveness of its donation activities. In addition to active involvement in youth science education, garbage collection, and other welfare initiatives, the Group also concerns itself with community development, working to improve the living conditions of local residents.

During the reporting period, the Group invested 55,000 yuan in supporting the construction of the military model exhibition area in the Yantai Huang Bohai New Area, donated 100,000 suits of children's printed clothing to Yantai Children's Charity Organization, and contributed funds and materials worth of 18,000 yuan to Yantai Economic and Technological Development Zone Fire Brigade. Together with Huacheng Neighborhood Committee in Fulaishan Subdistrict, it visited underprivileged families, offering 24,000 yuan as assistance funds. While striving for innovation-driven development of the industry, the Group plays an active part in serving the public and co-creating a better life for all.



Voluntary Tree Planting Activity

Upholding the idea of "Lucid waters and lush mountains are invaluable assets" for building a modern city where humans live with nature harmoniously, the Group organized a voluntary tree planting event on March 29, 2024, with the theme of "Plant Trees Together to Add New Green, Creating a Green and Beautiful Yellow Bohai Sea."





First Aid Science Popularization Activity

In August 2024, Tayho organized, in collaboration with Jiahe Community, an event of residents and teenagers visiting the Yantai Blue Sky Rescue Service Center Science Base. As part of community services, professional experts were invited to discuss self protection centering on campus, public security and natural disasters, and demonstrate first aid techniques, thereby enhancing the residents and teenagers' safety awareness and self rescue abilities.



Beach Cleanup Public Welfare Activity

On June 2, 2024, Tayho Lecai held, in cooperation with Aizhiyuan Public Welfare Service Center, the “World Ocean Day Beach Cleanup Public Welfare Activity”, advocating for sustainable living. The event enhanced the participants' awareness of ocean conservation and encouraged children to develop environmental protection consciousness, imparting the message that protection of the ocean where many lives breed beneath the blue waves requires the joint efforts of all.



Key Performance	Unit	2023	2024
Total Public Welfare Input	10,000 yuan	118	50.9
Number of Volunteers	Person-time	3	3
Number of Volunteer Activities	Time	63	65
Cumulative volunteer Engagement Duration	Hour	7	7

Contributing to Rural Revitalization

During the reporting period, Tayho actively responded to the call for rural revitalization by investing 312,000 yuan in supporting the rural revitalization efforts in Wushan County, Chongqing and Yejia Bo Village in Zhaowangzhuang Town, Laiyang City, as part of the collaboration between the Eastern and Western regions. The targeted assistance effectively boosted the local economic development, and demonstrated the performance of due responsibility by the Group as a state-owned enterprise, having contributed to rural prosperity and joint efforts in creating a better future.

During the reporting period, the Group invested **312,000** yuan in rural revitalization assistance.



Promoting All-round Rural Revitalization in Collaboration with Local Enterprises by Building a Pear Town

Tayho Party Committee worked in collaboration with the local government and town Party committees to plan construction of industrial support projects for rural revitalization. After repeated research at the preliminary stage, Tayho determined to create a Laiyang pear industry chain, leveraging the strong industrial foundation, abundant water resources and good water quality in Zhaowangzhuang Town, Laiyang City, in combination with construction of more supporting facilities, so as to promote the transformation and upgrade of the collective industries in Xuejiagou and Yejiabo villages from extensive to intensive development, thereby fueling the village economy.



Looking Forward

In an age defined by epochal transformations and the convergence of technological revolutions, sustainable development has emerged as a shared imperative for industries worldwide. As an innovator and practitioner in advanced materials, Tayho recognizes that sustainability transcends mere operational frameworks—it stands as the cornerstone of enduring corporate success. Looking ahead, we will deepen our commitment across Environmental, Social, and Governance (ESG) dimensions with heightened conviction and an inclusive mindset, ensuring our growth trajectory remains harmonized with the advancement of human civilization.

Environmental Stewardship as Our Foundation, drawing up Green Blueprints.

Looking ahead, Tayho will anchor our future in green development, relentlessly exploring the eco-conscious value creation of material science. By advancing cleaner production processes, establishing lifecycle carbon management systems, and driving green transformation across industrial chains, we are reshaping manufacturing paradigms. Our commitment to circular economy principles fuels the creation of eco-friendly material solutions, empowering industries to transcend resource limitations while pioneering novel pathways for sustainable development where industrial progress coexists in harmony with nature.

Social Commitment as Our Lifeline: Harnessing Collective Goodwill.

Talent development and value-sharing ethos remain strategic priorities. We are committed to cultivating talent ecosystems through multi-track career platforms, enabling every employee to align personal aspirations with evolving industry trends. In social responsibility initiatives, we focus on critical challenges including rural revitalization and disaster relief, leveraging material science innovations to empower public welfare. By forging sustainability alliances with supply chain partners, we deliver human-centered technological solutions that extend the benefits of corporate growth to broader communities.

Governance as Our Rudder: Consolidating Foundations for Centennial Growth.

Embarking on new frontiers, Tayho will advance modernization reforms in governance systems, establishing inclusive and future-oriented decision-making mechanisms. By refining ESG risk management frameworks and strengthening disclosure transparency, we aim to embed sustainability principles into strategic decision-making at all levels. We are cultivating an open, inclusive, and innovation-driven governance culture where regulatory compliance safeguards operational integrity, while stakeholder collaboration generates collective momentum—injecting perpetual vitality into our century-spanning enterprise.

At the vanguard of this transformative era, Tayho will navigate by the strategic compass of sustainable development—seeking green solutions through technological breakthroughs, channeling positive impact via responsible stewardship, and redefining corporate excellence via governance innovation. We pledge to contribute the ingenuity and leadership of China's advanced materials industry, dedicating our wisdom and commitment to advancing Chinese-style modernization.



APPENDIX

Indexes

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Research on Compilation of ESG Reports by Central SOE-Controlled Listed Companies - Indicator Index

Disclosed Content	Chapter and Page of Location and Others Descriptions
Basic Information of the enterprise and the report	About This Report
ESG Management	Sustainable Development Governance
ESG-related Risks and Opportunities	-
Communications with Stakeholders	Sustainable Development Governance
Materiality Assessment	Sustainable Development Governance

Environmental Indicators

Primary Level	Secondary Level	Tertiary Level	
Resource Consumption	Water Resource	E.1.1.1 Fresh Water Consumption	Water Resource Management
		E.1.1.2 Recycled Water Consumption	Water Resource Management
		E.1.1.3 Ratio of Recycled Water Consumption	Water Resource Management
		E.1.1.4 Water Resource Consumption Intensity	Water Resource Management
	Materials	/	/
	Energy	E.1.3.1 Fossil Energy Consumption	Energy Management
		E.1.3.4 Total Energy Consumption	Energy Management
		E.1.3.5 Energy Consumption Intensity	Energy Management
	Packaging Materials	/	/
Pollution Control	Wastewater	E.2.1.1 Up-to-standard Wastewater Discharge	Pollution Control
		E.2.1.2 Wastewater Management and Discharge Reduction Measures	Pollution Control
		E.2.1.3 Wastewater Discharges	Pollution Control
		E.2.1.4 Wastewater Pollutant Discharge Volume	Pollution Control
	Waste Gases	E.2.2.1 Up-to-standard Exhaust Gas Emissions	Pollution Control
		E.2.2.2 Exhaust Gas Pollutant Emissions	Pollution Control
	Solid Waste	E2.3.1 Legal Compliance of Solid Waste Disposal	Pollution Control
		E2.3.2 General Industrial Solid Waste Management	Pollution Control
		E2.3.3 Disposal Capacity of General Industrial Solid Wastes	Pollution Control
		E2.3.4 Hazardous Waste Management	Pollution Control
		E2.3.5 Disposal Capacity of Hazardous Wastes	Pollution Control

Climate Changes	Greenhouse Gas (GHG) Emissions	E.3.1.1 Sources and Types of Greenhouse Gases	Response to Climate Change
	Emission Reduction Management	E.3.2.1 Greenhouse Gas Emission Reduction Management	Response to Climate Change
		E.3.2.2 Greenhouse Gas Emission Reduction	Response to Climate Change
		E.3.1.3 Scope I Emission	Response to Climate Change
		E.3.1.4 Scope II Emission	Response to Climate Change
		E.3.1.6 Greenhouse Gas Emission Intensity	Response to Climate Change
Biodiversity	Climate Risk Management	E3.4.1 Climate Risk Management	Response to Climate Change
	Impact of Production, Services and Products on Biodiversity	E.4.1.1 Impact of Production, Services and Products on Biodiversity	Ecosystem and Biodiversity Protection
Resource and Environmental Management Systems and Measures	Formulation of Low-Carbon Development Goals and Strategic Initiatives	E5.1.1 Formulation of Low-carbon Development Goals and Strategic Initiatives	Response to Climate Change
	Resource Management Measures	E5.2.1 Water Resource Use Management	Water Resource Management
		E5.2.2 Materials Management	/
		E5.2.3 Energy Consumption and Conservation Management	Energy Management
	Statistical Monitoring, Evaluation, Reward and Punishment System for Energy Conservation and Carbon Reduction	E.5.3.1 Energy Conservation and Carbon Reduction Monitoring, Statistic Reporting and Evaluation System	Energy Management
	Green and Environmentally Responsible Initiatives and Measures	E5.4.1 Clean Production	Response to Climate Change
		E.5.4.2 Green Technological Renovation and Recycling	Rational Resource Allocation
		E5.4.4 Green Office Work and Operation	Commitment to Green Operations
	Green and Low Carbon Certification	E5.5.1 Environmental Management System Certification	Environmental Compliance Management
	Legal Compliance in the Environmental Area	E5.6.1 Environmental Emergency Response Plan	Environmental Compliance Management

Social Indicators

Primary Level	Secondary Level	Tertiary Level (to be filled)	
Employees' Rights and Interests	Employee Recruitment and Employment	S1.1.1 Enterprise Recruitment Policies and Execution	Equal and Compliant Employment
		S1.1.2 Employee Structure	Equal and Compliant Employment
		S1.1.3 Avoiding Use of Child Labor or Forced Labor	Equal and Compliant Employment
	Salary and Welfare	S1.2.1 Compensation Concept and Policy	Equal and Compliant Employment
		S1.2.2 Work Hours, Breaks and Holidays	Equal and Compliant Employment
		S1.2.3 Compensation and Benefit Security	Equal and Compliant Employment
		S1.2.4 Employee Democratic Governance	Equal and Compliant Employment
	Employee Health and Safety	S1.3.1 Employee Occupational Health and Safety Management	Guarding Health and Safety
		S1.3.2 Employee Safety Risk Prevention and Control	Guarding Health and Safety
		S1.3.3 Response to Safety Incidents and Work-Related Injuries	Guarding Health and Safety
		S1.3.4 Employee Care and Support	Equal and Compliant Employment
	Employee Development and Training	S1.4.1 Employee Incentive and Promotion Policy	Supporting Employee Growth
		S1.4.2 Employee Education and Training	Supporting Employee Growth
	Employee Satisfaction	S1.5.1 Employee Satisfaction Survey	Ensuring the Democratic Life of Employees
		S1.5.3 Employee Turnover	Equal and Compliant Employment
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		S2.1.2 Quality Management	Pursuit of Excellence in Quality
	Customer Service and Interests	S2.2.1 Customer Satisfaction	Customer Experience Enhancement
		S2.2.2 Customer Complaints and Handling	Customer Experience Enhancement
		S2.2.3 Customer Information and Privacy Protection	Properly Protecting Information Security
	Innovation-driven Development	S2.3.1 R&D and Innovation Management System	Innovation and R&D Prioritization
		S2.3.2 R&D Investment	Innovation and R&D Prioritization
		S2.3.3 Innovations	Innovation and R&D Prioritization
		S2.3.4 Protection of Intellectual Property Rights	Innovation and R&D Prioritization

Supply Chain Security and Management	Supplier Management	S3.1.1 Supplier Selection and Management	On-chain Value Creation
		S3.1.2 Number and Distribution of Suppliers	On-chain Value Creation
	Management of Supply Chain Links	S3.2.1 Supply Chain Management Policy and Measures	On-chain Value Creation
Social Contributions	Tax Contributions	/	/
	Joint Community Building	S4.2.1 Policies and Measures for Participation in Local Community Building	Giving Back to Society Through Concrete Actions
	Social Welfare Activities	S4.3.1 Policies and Measures for Participation in Social Welfare Activities	Giving Back to Society Through Concrete Actions
		S4.3.2 Investment in and Effectiveness of Participation in Social Welfare Activities	Giving Back to Society Through Concrete Actions
	Response to National Strategies	S4.4.2 Rural Revitalization and Regional Coordinated Development	Giving Back to Society Through Concrete Actions
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Primary Level	Secondary Level	Tertiary Level	Chapter of Location
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	Organizational Composition and Functions	G1.2.2 Organizational Structures and Functions of the Board of Directors, the Board of Supervisors and the Management	Optimization of Corporate Governance
		G1.2.3 Appointment Procedure and Composition of the Board of Directors, the Board of Supervisors and the Management	Optimization of Corporate Governance
	Compensation Management	/	/
Standardized Governance	Internal Control	G2.1.1 Internal Audit	Solidification of Risk Control
		G2.1.2 Internal Control Structure, Mechanism and Flow	Solidification of Risk Control
	Integrity Construction	G2.2.1 Integrity Building System and Specification	Adhering to Business Ethics
		G2.2.2 Integrity Building Measures and Effectiveness	Adhering to Business Ethics
Investor Relations Management and Shareholders' Rights and Interests	Fair Competition	/	/
	Investor Relations Management	G3.1.2 Investor Engagement	Intensify Control over Investor Relations
	Rights and Interests of Shareholders	G3.2.1 General Meeting of Shareholders	Optimization of Corporate Governance
		G2.2.2 Communication with Shareholders	Intensify Control over Investor Relations
Transparency of Information Disclosure	Creditors' Rights and Interests	G3.3.2 Performance of Contracts at the Bonds Market	Intensify Control over Investor Relations
	Information Disclosure System	G4.1.1 Financial Information Disclosure	Intensify Control over Investor Relations
Compliant Operation and Risk Management	Quality of Information Disclosure	/	/
		/	/
	Compliant Operation	G5.1.1 Compliant Operation System	Solidification of Risk Control
	Risk Management	G5.1.2 Compliance System Building	Solidification of Risk Control
		G5.2.1 Risk Identification and Warning	Solidification of Risk Control

Shenzhen Stock Exchange Self-Regulatory Guidelines for Listed Companies No. 17 - Sustainability Report (Trial)

Indicator Index

Dimension	S/N	Topics	Chapters
Environmental	1	Response to Climate Change	Response to Climate Change
	2	Pollutant Emissions	Environmental Compliance Management
	3	Waste Disposal	Environmental Compliance Management
	4	Ecosystem and Biodiversity Protection	Environmental Compliance Management
	5	Environmental Compliance Management	Environmental Compliance Management
	6	Energy Utilization	Rational Resource Allocation
	7	Water Resource Utilization	Rational Resource Allocation
	8	Circular Economy	Rational Resource Allocation
Social	9	Rural Revitalization	Giving Back to Society Through Concrete Actions
	10	Contribution to Society	Giving Back to Society Through Concrete Actions
	11	Innovation-driven	Innovation and R&D Prioritization
	12	Technology Ethics	/
	13	Supply Chain Security	On-chain Value Creation
	14	Equal Treatment of Small and Medium-Sized Enterprises	/
	15	Product and Service Safety and Quality	Pursuit of Excellence in Quality Customer Experience Enhancement
	16	Employees	Equal and Compliant Employment Ensuring the Democratic Life of Employees Supporting Employee Growth Guarding Health and Safety
	17	Data Security and Customer Privacy Protection	Properly Protecting Information Security
Sustainable Development Related Governance	18	Due Diligence	Analysis of Materiality Issues
	19	Communications with Stakeholders	Communications with Stakeholders
	20	Anti-commercial Bribery and Anti-corruption	Adhering to Business Ethics
	21	Anti-unfair Competition	Adhering to Business Ethics

Feedback Form

Dear readers,

Thank you for reading this report. We highly value and look forward to hearing your feedback on this report. Your comments and suggestions are crucial for us to continuously improve our information disclosure, management and practices in connection with ESG. We welcome and sincerely appreciate your valuable comments!

1.Your overall assessment of our performance in ESG:

☐ Very Good ☐ Good ☐ Average ☐ Below Average ☐ Poor

2. Your overall assessment of the report:

☐ Very Good ☐ Good ☐ Average ☐ Below Average ☐ Poor

3. How do you think we have communicated with stakeholders?

☐ Very Good ☐ Good ☐ Average ☐ Below Average ☐ Poor

4. How do you think we have fulfilled our product responsibilities?

☐ Very Good ☐ Good ☐ Average ☐ Below Average ☐ Poor

5. How do you think we have performed in terms of environmental, safety, and occupational health?

☐ Very Good ☐ Good ☐ Average ☐ Below Average ☐ Poor

6. How do you think we have fulfilled our employee responsibilities?

☐ Very Good ☐ Good ☐ Average ☐ Below Average ☐ Poor

7. How do you think we have performed in terms of ESG?

☐ Very Good ☐ Good ☐ Average ☐ Below Average ☐ Poor

8. Any comments or suggestions on our ESG performance and this report?

You can contact us through the following modes:

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