

**Sokan New Materials Group Co., Ltd.**  
**2024 Environmental, Social and  
Governance (ESG) Report**



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# Report Preparation Instructions

This report is the first Environmental, Social, and Governance (ESG) report of Sokan New Materials Group Co., Ltd. It aims to disclose to stakeholders the Company’s philosophy on ESG topics, the management approaches established, the work implemented, and the results achieved in its operations.

## Report Scope

The Report scope covers Sokan New Materials Group Co., Ltd. and its affiliated companies (hereinafter referred to as “Sokan” or “the Company”). Unless otherwise stated, the Report scope is consistent with the scope of the consolidated financial statements of Sokan (stock code: 688157.SH) for the same period.

Explanation of Abbreviations Used in the Report	
Abbreviation	Full Name
Sokan, the Company	Sokan New Materials Group Co., Ltd.
Songrun New Materials	Changsha Songrun New Materials Co., Ltd.
Gull Hash Chemistry	Dongguan Gull Hash Chemistry Co., Ltd.
Beichi Technology	Guangxi Beichi Automotive Technology Co., Ltd.
Huatu Chemical	Huatu Chemical (Jilin) Co., Ltd.
Sandi Digital Coating	Hunan Sandi Digital Coating Systems Co., Ltd.
Sokan Vietnam	Sokan New Materials (Vietnam) Co., Ltd.
Sokan USA	Sokan New Materials Americas LLC and Songjing Property Holdings LLC
Ningxiang Park	Ningxiang Park is the location of the Company’s headquarters, Songrun New Materials, and Hunan Sokan Advanced Surface Treatment and Functional Coating Research Institute Co., Ltd., and is also the Company’s main production and R&D base.

## Reporting Period

The reporting period of this report is from January 1, 2024, to December 31, 2024. Unless otherwise specified, all data in this report corresponds to this period.

## Basis for Report Preparation

This report has been prepared based on the *Guidelines No. 14 of the Shanghai Stock Exchange for Self-Regulation of Listed Companies—Sustainability Report (Trial)* (April 2024) (hereinafter referred to as the Guidelines), the *Rules Governing the Listing of Stocks on the STAR Market of the Shanghai Stock Exchange* (April 2024), and the *Guidelines No. 2 of the Shanghai Stock Exchange for Self-Regulation of Listed Companies on the STAR Market—Voluntary Information Disclosure* (January 2022).

## Data Explanation

The data and cases in this report are sourced from the Company’s official records of actual operations.

All financial data in this report is denominated in RMB. In case of any discrepancies between the financial data and the Company’s annual financial report, the latter shall prevail.

## How to Obtain the Report

This report is published in electronic format in both Chinese and English versions. In case of any discrepancies between the two versions, the Chinese version shall prevail.

The Chinese electronic version of this report can be viewed or downloaded on the website of the Shanghai Stock Exchange (hereinafter referred to as “SSE”) ([www.sse.com.cn](http://www.sse.com.cn)), or on the official website of Sokan New Materials Group Co., Ltd. ([www.sokan.com.cn](http://www.sokan.com.cn)). The English electronic version can be viewed or downloaded on the official website of Sokan New Materials Group Co., Ltd. ( [www.sokan.com.cn](http://www.sokan.com.cn)).

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## Principles for Report Preparation

### • Materiality

The Company has identified the material topics related to its operations that are of concern to each stakeholder, which are the focus of this report. While reporting on these material topics, this report also considers the characteristics of the industry and business operations of the Company. The process and results of the materiality analysis are detailed in the “Topic Materiality Assessment” section of this report.

### • Accuracy

This report strives to ensure the accuracy of the information. For quantitative information, the data scope, calculation basis, and assumptions have been stated to avoid misleading the report’s users due to any calculation errors. Detailed quantitative information and notes can be found in the *ESG Data Table and Notes* section of this report. The Board of Directors guarantees the content of the report, affirming that there are no false records, misleading statements, or material omissions.

### • Balance

The content of this report reflects objective facts, providing unbiased disclosure of both positive and negative information related to the Company. During the reporting period, the Company did not identify any significant negative incidents that should have been disclosed but were not.

### • Clarity

This report is published in Simplified Chinese and English. In case of any inconsistencies between the Chinese and English versions, the Chinese version shall prevail. The report includes tables, model diagrams, and other information as supplementary to the text, aimed at helping stakeholders better understand the content of this report. To facilitate stakeholders’ access to information, the report provides a table of contents and a Benchmark Index Table for ESG standards.

### • Quantification and Consistency

This report discloses key quantitative performance indicators and, where possible, historical data. This report maintains consistency in the statistical and disclosure methods of the same indicator across different reporting periods. Any changes in the statistical or disclosure methods will be fully explained in this report’s notes to enable stakeholders to conduct meaningful analysis and assess the development trends of the Company’s ESG performance.

### • Completeness

The scope of disclosure in this report is consistent with the scope of the Company’s consolidated financial statements.

### • Timeliness

This report is an annual report, covering the period from January 1, 2024, to December 31, 2024. It is published simultaneously with the Company’s 2024 annual report, providing timely information for stakeholders’ decision-making.

### • Verifiability

The cases and data in this report are sourced from the Company’s actual operational original records or financial reports. The sources and calculation processes of the disclosed quantitative data are traceable and can support external verification and audit work.

# Chairman's Message

Advocating “prosperity and growth, striving for great achievements”, the Company, as a modern enterprise driven by innovation, has always integrated the concept of sustainable development into its overarching strategy. We firmly believe—and actively uphold—that only by working together with our customers, employees, and society to build an industrial ecosystem, continually innovating, and striving for further technological breakthroughs in the field of new functional coating materials, can we realize a collaborative, mutually beneficial, and shared development model. In 2024, we advanced the integration of ESG practices into our operations by establishing a sound ESG management system, embracing the philosophy of green development, and deepening stakeholder collaboration, in an effort to achieve symbiotic success in both economic returns and social value.

## Strengthen the foundations of governance and safeguard the baseline for development

We have always regarded the enhancement of governance efficiency as a core safeguard for sustainable development. We have established a sound and standardized governance structure in which the roles and responsibilities of the Shareholders' Meeting, Board of Directors, Board of Supervisors, and Senior Management are clearly defined, operating in a coordinated, efficient, transparent, and regulated manner. Meanwhile, we attach great importance to the timeliness and transparency of information disclosure, maintaining positive interaction with investors through diversified communication channels, and continuously improving the standard of corporate governance. We have continued to strengthen our risk prevention and control capabilities by building an internal control system that covers the entire business process, strictly enforcing codes of professional integrity, and regularly conducting compliance training and supervision to effectively protect the rights and interests of investors.

## Protect the ecological environment and practise the philosophy of “carbon peaking and carbon neutrality”

Tackling climate change and protecting the ecological environment are inescapable responsibilities endowed by the era to enterprises. We embed the philosophy of green development throughout the entire production and operational process, reducing greenhouse gas emissions through the development of environmentally friendly materials and the implementation of energy-saving and carbon-reduction measures. We strictly comply with national environmental protection laws and regulations, strengthen the control of pollutant discharge, and promote the reduction and resourceful treatment of waste. Looking ahead, the Company will continue to deepen its green transformation and steadily advance towards carbon neutrality, contributing our corporate strength to global climate governance.

## Join hands with partners to build a responsible ecosystem

We consistently uphold our core value of “customer centricity”, and have established a rigorous quality management system and continuously increasing investment in R&D to drive technological upgrades and product iteration, thereby delivering safe and reliable products and services to our customers. At the same time, we have strengthened our data security protection mechanisms to effectively safeguard customer privacy. In supply chain management, the Company adheres to the principle of shared responsibility. While ensuring supply chain security, we work with our partners to jointly enhance standards in environmental protection, workplace safety, and professional integrity, striving together to build a sustainable industrial value chain.

## Care for employee development and give back to society

We uphold the people-oriented philosophy, providing employees with a fair employment environment, a competitive compensation and benefits system, and well-structured career development pathways to fully protect their lawful rights and interests. Through a robust health and safety management system and diverse training programmes, we are committed to enhancing employees' professional capabilities and overall competencies, supporting their growth alongside the Company's development. In the field of social welfare, the Company actively fulfills its corporate citizenship responsibilities by continuously promoting rural revitalization initiatives and delivering positive social impact through concrete actions.

## Look ahead and struggle forward with determination

Looking ahead, Sokan will advance ESG practices to higher standards and embed the concept of sustainable development deeply into the Company's DNA. We firmly believe that only by transforming a sense of responsibility into conscious action can we navigate the evolving era with stability and forge lasting progress, creating enduring value for society, the environment, and all stakeholders.

Ling Yunjian

Chairman of the Board of Sokan



# About Sokan

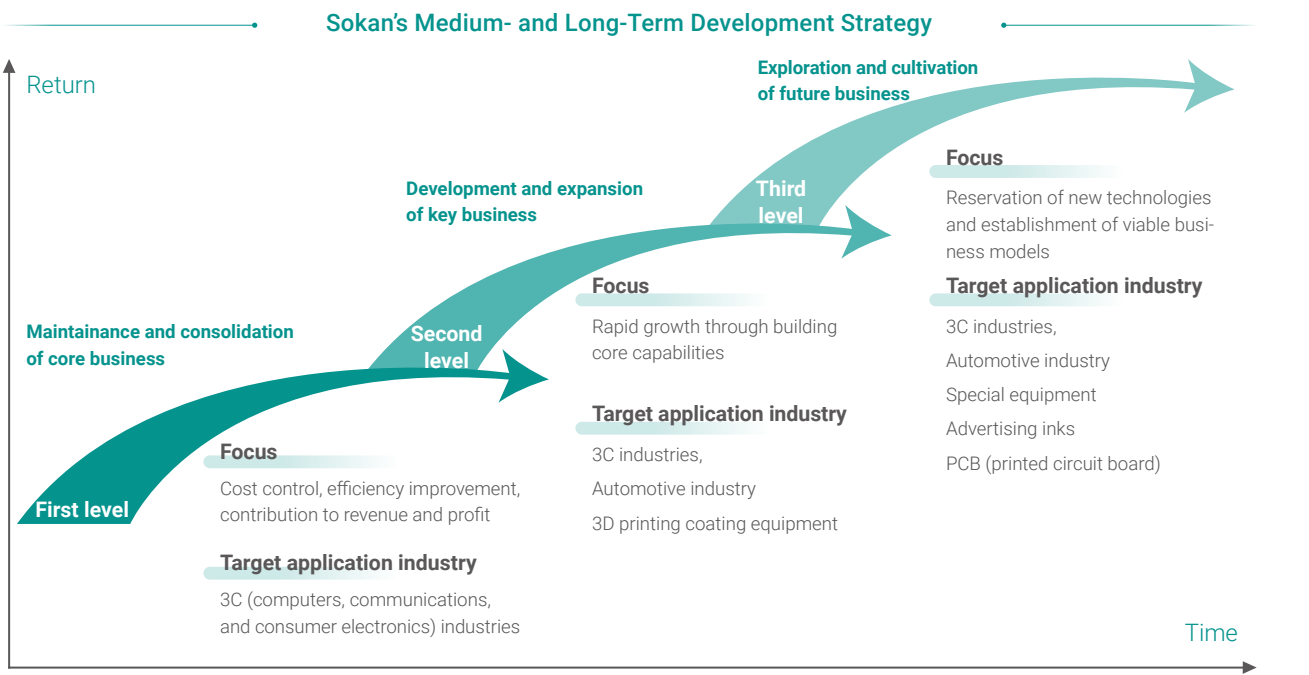
## 1.1 Company overview

Sokan (688157.SH), established in 2009, is an internationally leading enterprise in the new functional coating material industry. With the markets of high-end consumer electronics, passenger cars, and special equipment as its targets, the Company adopts an “interactive” independent R&D model and a “customized flexible manufacturing” approach to provide customers with multi-category systematic solutions for coatings, inks, adhesives and other materials. The Company was listed in June 2020 and is the first A-share listed enterprise on the STAR Market of the Shanghai Stock Exchange with advanced new functional coating materials as its core business.

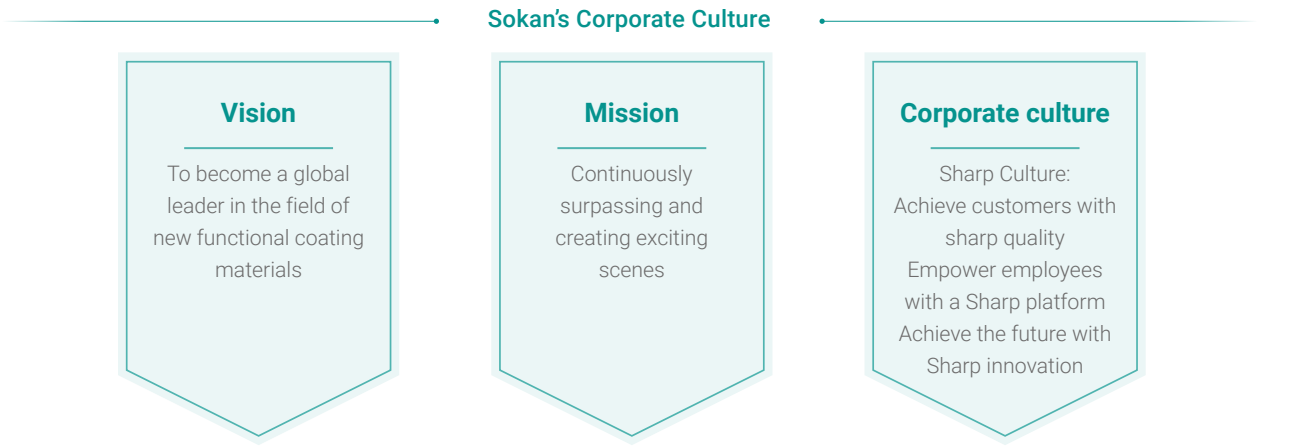
Company Profile of Sokan	
Chinese name	松井新材料集团股份有限公司
English name	SOKAN NEW MATERIALS GROUP CO.,LTD.
Stock listing location and market	STAR Market of the Shanghai Stock Exchange
Listing date	June 9, 2020
Stock abbreviation	松井股份
Stock code	688157.SH
Company headquarters location	No. 777, Sanhuan North Road, Economic and Technological Development Zone, Ningxiang City, Hunan Province



The Company has consistently adhered to its “single focus + multiple fields” development strategy known as the “three verticals and three horizontals”. On the horizontal product system, it has built a multi-category, integrated platform of advanced functional coating materials encompassing coatings, inks, and adhesives. In terms of the vertical business layout, the Company actively expands its presence across three key business sectors—high-end consumer electronics, passenger cars, and special equipment—striving for leadership through technological excellence and aiming to become a global leader in the field of new functional coating materials.



“Prosperity and growth, striving for great achievements”, Sokan’s corporate philosophy is closely aligned with its name. The Company firmly believes that only by setting high aspirations, building a symbiotic and prosperous ecosystem, and continuously innovating to create exceptional platforms and develop cutting-edge technologies, can it achieve greater success. Over more than a decade of development, the Company has accumulated numerous outstanding cultural elements, which have been refined into the distinctive “Sharp Culture”. This culture serves as the guiding principle for the Company’s daily business operations and management. It not only reflects the enterprising and unstoppable character traits of the Company’s employees, but also forms the fundamental guarantee for the Company’s sustainable development.



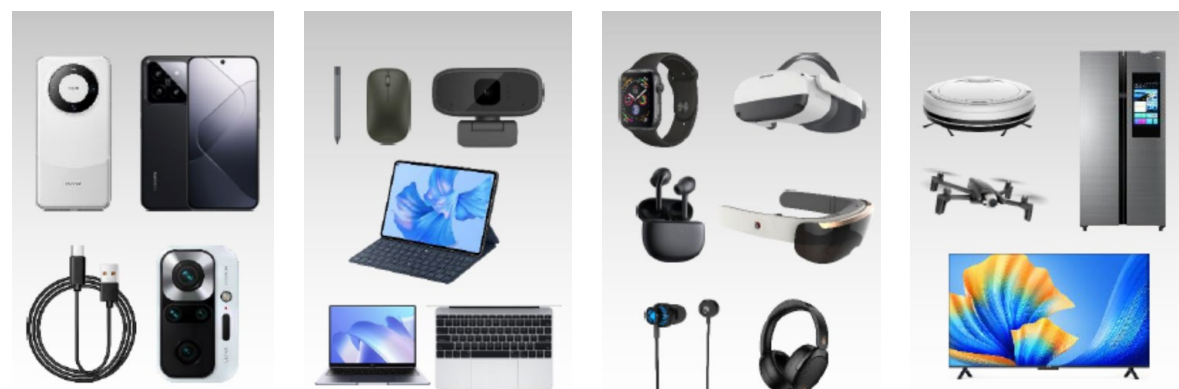
## 1.2 Main business and products

In the field of high-end consumer electronics, the Company focuses on its target market and has established partnerships with numerous globally renowned downstream terminal customers. Currently, the core terminal customers that have been served by the Company or incorporated into the Company's customer system include major North American consumer electronics customers such as Microsoft, Google, HP, Amazon, Meta, Logitech, domestic H customers, Honor, Xiaomi, VIVO, OPPO, and many other internationally well-known terminal brands. The Company's self-developed products, including tactile coatings, PVD coatings, water-based coatings, appearance coatings, and other functional coatings and ink products, are industry-leading or at an advanced level. Among them, the water-based series coatings, water-based screen printing inks, and water-based spray inks offer lower VOC emissions, making them more environmentally friendly and in line with national development strategies and industry trends.

In the field of passenger cars, the Company leverages its technological advantages and brand influence accumulated in the field of high-end consumer electronics to achieve dual breakthroughs in both technology and market through a differentiated competitive strategy. The core customers that have been served by the Company or incorporated into the Company's customer system include: BYD, North American T companies, NIO, Li Auto, Geely, GAC, SAIC-GM-Wuling, XPeng Motors, FAW Hongqi, Valeo, Yanfeng, Minth Group, XIN QUAN AutoMotive, and other well-known domestic and international automobile manufacturers and automotive parts suppliers. The Company's self-developed PVD coatings for automotive parts and anti-fog coatings for automotive headlamps are industry-leading. Among them, the automotive PVD coatings based on vacuum ion sputtering plating technology are pollution-free and can replace water electroplating (chromium) products with high environmental impact, making them more environmentally friendly and widely recognized in the downstream market.

In the field of coatings for special equipment such as rail transportation, aerospace, and marine equipment, the Company is focusing on cutting-edge technologies related to surface treatment, functional coatings, adhesives, and other relevant areas as its R&D direction. The Company is actively carrying out technical research and application studies. In the aerospace field, the Company continues to advance its collaboration with downstream customers, with its airworthiness certification currently in a critical stage.

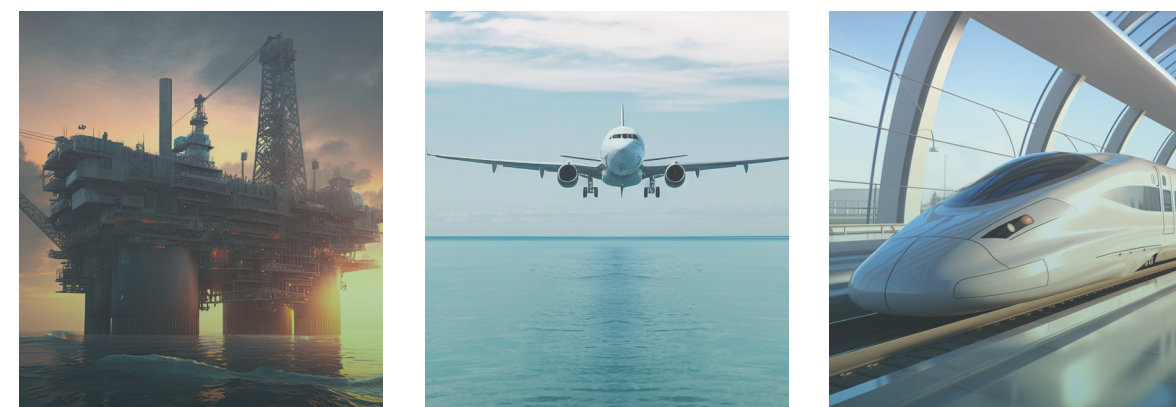
### Consumer electronics coating solutions



### Passenger car coating solutions



### Special equipment coating solutions



The Company continues to build a global, multi-dimensional service network, establishing R&D, production, sales, and technical service facilities in regions where key terminal brands and major manufacturers are located. In the domestic market, the Company has established technical and marketing service centers in cities such as Beijing and Shanghai, enabling it to provide timely services for terminal brand customers and major manufacturers. Overseas, the Company has set up operations in the United States and Vietnam, creating a dual-hub structure that serves the North American and Southeast Asian markets. This global positioning ensures the Company's ability to respond swiftly to the demands of downstream market customers such as terminals and manufacturers.

## 1.3 Key Performance for 2024

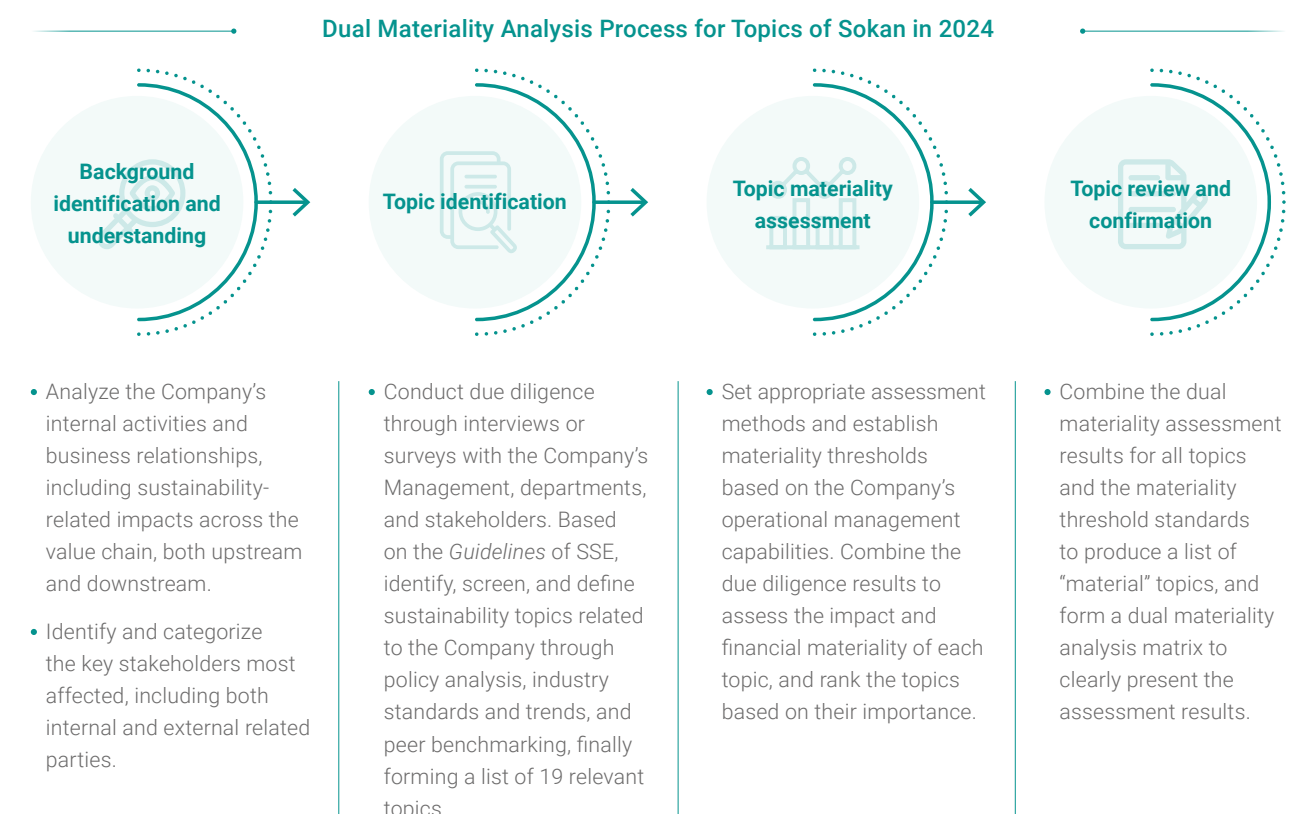


## Topic Materiality Assessment

### 2.1 Dual materiality analysis process

The identification of material topics is a crucial component of the Company's ESG management, helping the Company focus on key areas and clarify the ESG strategic planning and priorities. In 2024, Sokan strictly followed the relevant requirements for "Topic Materiality Analysis" outlined in the *Guidelines of SSE*, while also referring to the *Guidelines No. 4 of the Shanghai Stock Exchange for Self-Regulation of Listed Companies—Sustainability Report Preparation* to conduct a "Dual Materiality Identification and Analysis" for sustainability topics.

The Company, taking into account the characteristics of the industry it is in and its own business operations, identifies the short-term, medium-term, and long-term financial impacts of the topics on the Company, as well as the actual and potential economic, social, and environmental impacts of the Company's performance in each topic. The specific analysis process is illustrated in the diagram below.











2.2 Communication with stakeholders and due diligence

Effective Communication with stakeholders is an important foundation for the Company’s ESG management. Sokan, based on the characteristics of the industry it is in and its own business operations, identifies and classifies six key stakeholders: Shareholders and investors, government and regulatory agencies, customers, suppliers and partners, employees, and community and the public.

The Company values the demands and expectations of its stakeholders and maintains regular communication with key stakeholders. Through regular communication, surveys, and other channels, the Company gathers opinions and expectations regarding its sustainable development and engages in targeted discussions and responses. During the reporting period, the Company proactively communicated progress on key topics with stakeholders and received feedback to enhance management practices and sustainable value.

Sokan's Methods for Communication with Stakeholders and Key Topics of Concern			
Key Stakeholders	Key Topics of Concern		Communication and Response
 Shareholders and investors	<ul style="list-style-type: none"><li>Protection of the rights and interests of investors</li><li>Corporate governance</li><li>Business ethics</li></ul>	<ul style="list-style-type: none"><li>Risk control and compliant operations</li><li>R&amp;D and innovation</li><li>Quality management of products and services</li></ul>	<ul style="list-style-type: none"><li>Financial reports or announcements</li><li>Shareholders' meetings</li><li>Performance briefings</li><li>Roadshows and reverse roadshows</li><li>Broker strategy meetings</li><li>Analyst communication meetings</li><li>On-site research communications</li><li>Shanghai Stock Exchange e-interaction</li><li>Investor hotline</li><li>Investor Relations WeChat public account</li></ul>
 Government and regulatory agencies	<ul style="list-style-type: none"><li>Environmental compliance management</li><li>Emissions management</li><li>Energy usage</li><li>Usage of water resources</li></ul>	<ul style="list-style-type: none"><li>Climate change tackling</li><li>Quality management of products and services</li><li>Chemical safety management</li><li>Corporate governance</li><li>Business ethics</li></ul>	<ul style="list-style-type: none"><li>Information disclosure</li><li>Filing or approval</li><li>Regular reporting</li><li>Meetings or exchange visits</li><li>Standard policy communication</li><li>Special inspections</li></ul>
 Customers	<ul style="list-style-type: none"><li>R&amp;D and innovation</li><li>Quality management of products and services</li><li>Data security and customer privacy protection</li><li>Business ethics</li></ul>		<ul style="list-style-type: none"><li>Industry forums and exhibitions</li><li>Audit and factory inspections</li><li>Strategic cooperation</li><li>Interactive R&amp;D</li><li>Customer communication and complaint channels</li><li>Customer satisfaction surveys</li><li>Whistleblowing and supervision channels</li></ul>
 Suppliers and partners	<ul style="list-style-type: none"><li>Supply chain management</li><li>Quality management of products and services</li><li>R&amp;D and innovation</li><li>Business ethics</li></ul>		<ul style="list-style-type: none"><li>Supply chain assessment and audits</li><li>Supplier conferences</li><li>Industry-university-research collaboration projects</li><li>Exchange visits</li><li>Strategic cooperation projects</li><li>Industry conference communications</li><li>Whistleblowing and supervision channels</li></ul>

Key Stakeholders	Key Topics of Concern		Communication and Response	
 Employees	<ul style="list-style-type: none"><li>Rights, interests and benefits of employees</li><li>Employee training and development</li><li>Occupational health and safety</li></ul>	<ul style="list-style-type: none"><li>Chemical safety management</li><li>Risk control and compliant operations</li><li>Business ethics</li></ul>	<ul style="list-style-type: none"><li>Professional title evaluation</li><li>Company website and intranet</li><li>Management meetings and employee meetings</li></ul>	<ul style="list-style-type: none"><li>Employee care activities</li><li>Internal and external training</li><li>Whistleblowing and supervision channels</li></ul>
 Community and the public	<ul style="list-style-type: none"><li>Energy usage</li><li>Usage of water resources</li><li>Emissions management</li></ul>	<ul style="list-style-type: none"><li>Climate change tackling</li><li>Contributions to the society and rural revitalization</li></ul>	<ul style="list-style-type: none"><li>Environmental information disclosure</li><li>Community public welfare projects</li></ul>	<ul style="list-style-type: none"><li>Volunteer activities</li><li>Company website</li></ul>

For the 19 identified topics, the Company conducted due diligence to identify and assess the impact of each topic on the economy, environment, and society in the short term (0-2 years), medium term (3-5 years), and long term (6-10 years), as well as ensuing risks and opportunities for the Company’s daily operations and business decisions. In this report, the Company responds in detail on how to control these impacts, mitigate risks, and seize opportunities.

Sokan's Topic List for 2024 and Impacts Definition				
No.	Category	Topic	Impact Period	Affected Stakeholders
1	Environment	Climate change tackling	Short-, Medium-, and Long-term	<ul style="list-style-type: none"><li>Customers</li><li>Government and regulatory agencies</li><li>Community and the public</li></ul>
2		Environmental Compliance Management	Short- and Medium-term	<ul style="list-style-type: none"><li>Government and regulatory agencies</li><li>Community and the public</li></ul>
3		Energy usage	Short-, Medium-, and Long-term	
4		Usage of water resources	Short- and Medium-term	
5		Emissions management	Short- and Medium-term	
6		Circular economy	Medium- and Long-term	
7	Social	Supply chain management	Short-, Medium-, and Long-term	<ul style="list-style-type: none"><li>Government and regulatory agencies</li><li>Customers</li><li>Suppliers and partners</li></ul>
8		Quality management of products and services		
9		R&D and innovation		
10		Rights, interests and benefits of employees	Medium- and Long-term	<ul style="list-style-type: none"><li>Employees</li></ul>
11		Employee training and development		
12		Occupational health and safety		
13		Contributions to the society and rural revitalization		<ul style="list-style-type: none"><li>Employees</li><li>Community and the public</li></ul>

No.	Category	Topic	Impact Period	Affected Stakeholders
14	Social	Data security and customer privacy protection	Short-, Medium-, and Long-term	• Employees • Suppliers and partners
15		Chemical safety management	Short-, Medium-, and Long-term	• Customers
16	Governance	Corporate governance	Short-, Medium-, and Long-term	• Government and regulatory agencies • Shareholders and investors
17		Protection of the rights and interests of investors	Medium term	• Shareholders and investors
18		Risk control and compliant operations	Medium- and Long-term	• Government and regulatory agencies • Shareholders and investors
19		Business ethics	Short-, Medium-, and Long-term	• Employees • Customers • Suppliers and partners

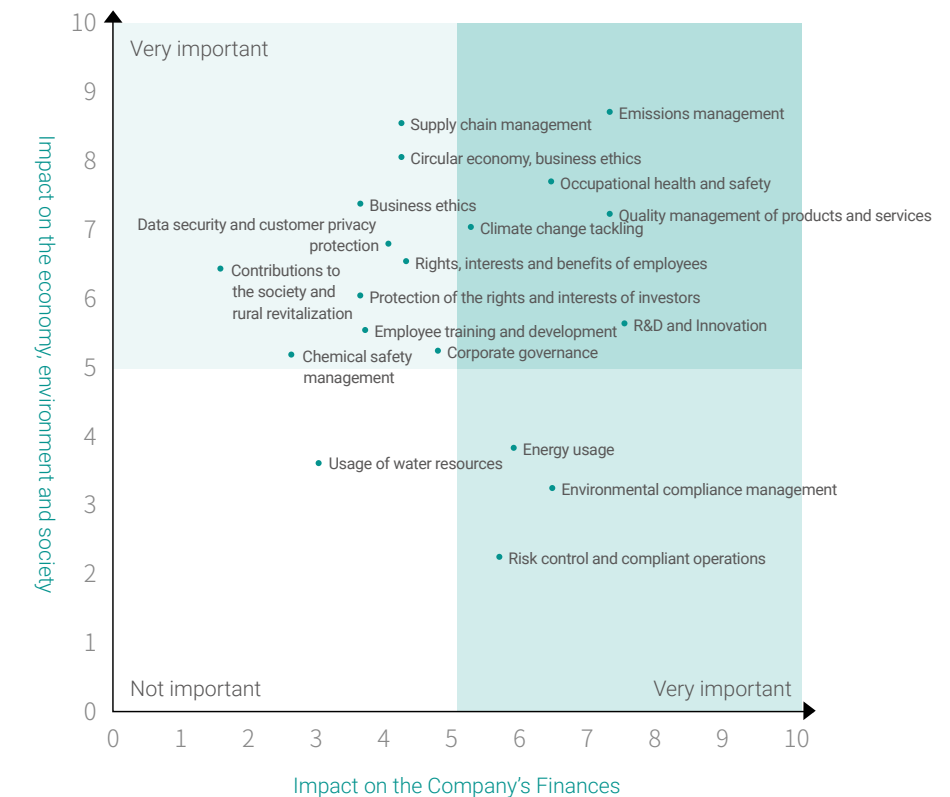
## 2.3 Conclusion of topic materiality analysis

Based on the identified topic list, Sokan invited key stakeholders and external experts to assess the materiality of the topics from the dual perspectives of impact materiality and financial materiality. The final results were presented in a matrix format, showing the degree of materiality of each topic.

In 2024, Sokan identified 19 topics of materiality. Among these, 5 topics have dual materiality, 3 topics have only financial materiality, 10 topics have only impact materiality, and 1 topic has neither financial materiality nor impact materiality.



• Matrix of Sokan's Materiality of Topics in 2024 •



Topics with both financial materiality and impact materiality

Topics with financial materiality but no impact materiality

Topics with impact materiality but no financial materiality

Topics with neither financial materiality nor impact materiality

• Sokan's List of Topics with Dual Materiality in 2024 •

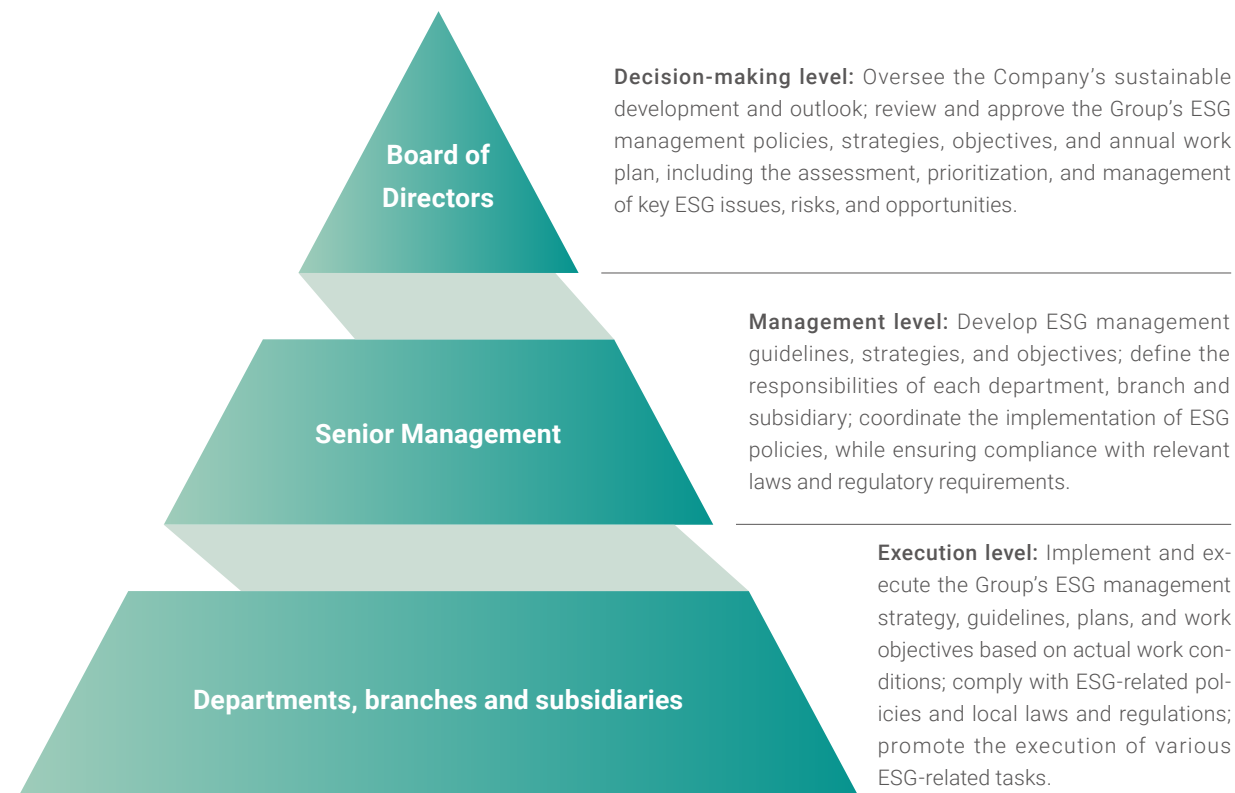
Topics with both financial materiality and impact materiality	Topics with financial materiality but no impact materiality	Topics with impact materiality but no financial materiality	Topics with neither financial materiality nor impact materiality
<ul style="list-style-type: none"> <li>Emissions management</li> <li>Occupational health and safety</li> <li>Quality management of products and services</li> <li>R&amp;D and Innovation</li> <li>Climate change tackling</li> </ul>	<ul style="list-style-type: none"> <li>Energy usage</li> <li>Environmental compliance management</li> <li>Risk control and compliant operations</li> </ul>	<ul style="list-style-type: none"> <li>Supply chain management</li> <li>Circular economy</li> <li>Business ethics</li> <li>Data security and customer privacy protection</li> <li>Contributions to the society and rural revitalization</li> <li>Protection of the rights and interests of investors</li> <li>Rights, interests and benefits of employees</li> <li>Employee training and development</li> <li>Corporate governance</li> <li>Chemical safety management</li> </ul>	<ul style="list-style-type: none"> <li>Usage of water resources</li> </ul>



## 2.4 ESG management

Sokan places great emphasis on ESG management and operations. In accordance with external requirements such as *the Guidelines*, the Company has established a top-down ESG management structure of “Decision-Making - Management - Execution”, integrating ESG principles into various business operations. The Board of Directors, as the highest decision-making body for ESG management, is fully responsible for overseeing the Company’s ESG matters. The Senior Management is responsible for coordinating and managing all ESG matters, while each department and subsidiary is tasked with implementing and executing ESG initiatives under the coordination of the Senior Management. The collaboration across all levels ensures the efficient operation of ESG matters within the Company.

### ESG Management Structure and Responsibilities at Each Level of Sokan in 2024



## Resource Symbiosis Based on Low-Carbon Development

### 3.1 Climate change tackling

The Company’s current greenhouse gas emissions primarily come from direct emissions (fuel and diesel used by owned vehicles) and indirect emissions (purchased electricity and steam). Following the “Governance - Strategies - Impacts, Risks, and Opportunities Management - Indicators and Targets” climate information disclosure framework specified in SSE’s *Guidelines*, the Company has established and continuously improved its climate change management system, strengthening its capacity to address climate change.

#### Governance

To strengthen climate change management, the Company has developed the *Greenhouse Gas Control Management System* and the *Energy Resource Management System* to regulate the control and monitoring of greenhouse gas and energy emissions. Additionally, the Company’s EHS (Environmental, Health, and Safety) Department is responsible for identifying and assessing climate change-related risks and opportunities, formulating climate change-tackling strategies focusing on energy conservation, emission reduction, and low-carbon products, and implementing relevant measures.

#### Strategy

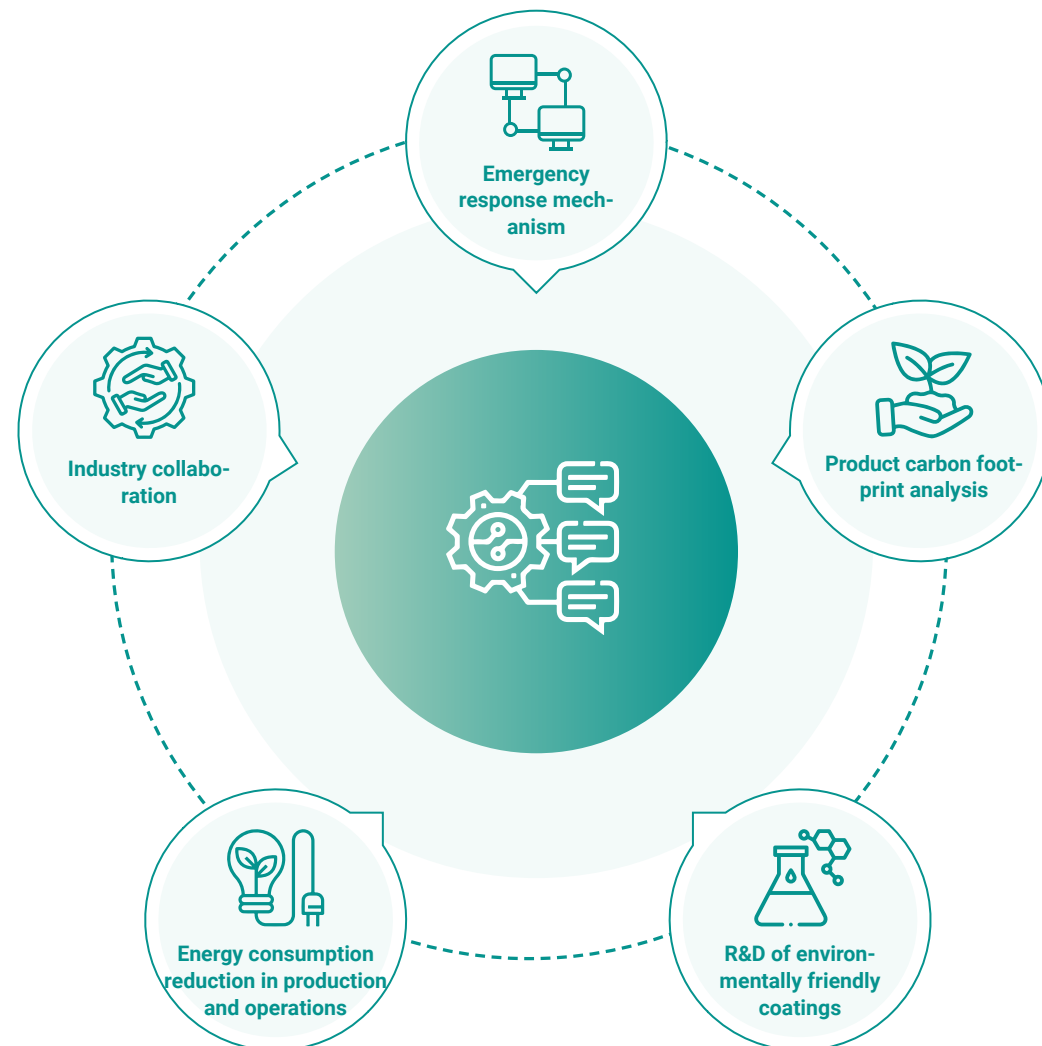
To systematically tackle the challenges of climate change, the Company combines industry trends and business characteristics, conducts regular climate risk and opportunity identification and assessment through cross-departmental collaboration and expert consultation, and incorporates the results into its strategic decision-making system.

### Analysis of Sokan’s Response to Climate Risks and Opportunities

Risk		Risk Description	Impact Scope	Financial Impact
Physical risks	Acute physical risks	Extreme weather incidents (such as floods and extreme heat) may cause damage to factory equipment and raw material storage facilities, and disrupt supply chain logistics.	Short term	• Decreased operating revenue
	Chronic physical risks	The Company may face risks to normal production and operations due to chronic climate disasters such as rising temperatures and sea levels.	Long term	• Increased operating costs
Transition risks	Policy and legal risks	Investment is required to upgrade environmental protection equipment to meet VOCs emission limits; failure to meet VOCs emission standards may result in regulatory penalties.	Short- and Medium-term	• Increased procurement costs • Increased non-operating expenses
	Market risks	The growing demand for low-carbon coatings is squeezing the market for traditional solvent-based products. If the Company fails to introduce bio-based inks or low-VOCs coatings, it may be replaced by competitors.	Short-, Medium- and Long-term	• Decreased operating revenue
	Reputation risks	If the Company or its suppliers use high-carbon emission materials, it could trigger a brand trust crisis.	Short- and Medium-term	• Decreased operating revenue

Opportunity	Opportunity Description	Impact Scope	Financial Impact
Energy source opportunities	With the growth in capacity of clean energy technologies such as photovoltaics and biomass energy and the gradual maturation of low-cost technological routes, adopting clean energy in the long term can reduce traditional energy expenses.	Long term	<ul style="list-style-type: none"> <li>Reduced operating costs</li> </ul>
Market opportunities	The carbon peaking and carbon neutrality goals are driving a surge in demand for coatings in wind power and new energy vehicles. Early layout of a low-carbon product line can seize market opportunities.	Short-, Medium- and Long-term	<ul style="list-style-type: none"> <li>Increased operating revenue</li> </ul>
Adaptability opportunities	Real-time monitoring of climate risks in raw material sourcing locations enhances supply chain resilience; collaborating with research institutions to develop climate-adaptive resin materials can reduce the long-term physical risk impact.	Medium-and Long-term	<ul style="list-style-type: none"> <li>Increased operating revenue</li> <li>Reduced operating costs</li> </ul>

#### Sokan's Climate Change Tackling Strategy



## Impacts, risks, and opportunities management

To fully tackle climate change risks and effectively seize opportunities, the Company has established a climate change tackling system that balances mitigation and adaptation. The system strengthens management at the production and operational levels, continuously improving the Company's climate change management capabilities.

#### Sokan's Main Measures for Climate Change Tackling



##### Emergency response mechanism

- Closely monitor meteorological forecasts and early warning information to stay informed about the dynamics and impact range of extreme weather incidents such as typhoons and floods. Preemptively inspect production facilities and emergency supplies to ensure the stability and safety of production facilities, minimizing the impact of extreme weather on production facilities.
- In the event of a disaster, initiate the emergency response mechanism, promptly activate the preliminary disposal plan, report to the relevant local departments, and proceed with handling the situation.



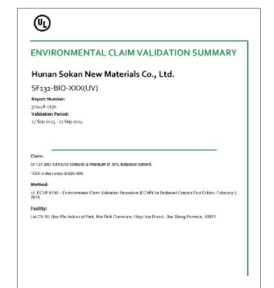
##### Product carbon footprint analysis

- Actively build a green materials platform and green product evaluation standards. Based on product carbon footprint analysis using lifecycle assessment, evaluate the carbon footprint of products throughout their lifecycle, from raw materials, resin synthesis, solvents, monomers, pigments, and transportation, to final product packaging and storage. Special focus will be given to controlling the carbon footprint of critical elements, such as raw materials, resins, and solvents, which are most sensitive to carbon footprint.



##### R&D of environmentally friendly coatings

- Develop water-based material products. The low VOCs properties of water-based materials can reduce greenhouse gas emissions.
- Develop bio-based material products, which can reduce carbon emissions generated during the production process of chemical raw materials used in traditional solvent-based coatings. The Company has seven bio-based coatings certified by UL for bio-based content.



UL Certificate for Bio-based Content Validation



##### Energy conservation and consumption reduction in production and operations

- Reduce energy consumption and carbon emissions by implementing intelligent control of high-energy consumption equipment and regulating employees' daily electricity usage.



##### Industry collaboration

- Collaborate with research institutions, universities, and others to develop low-carbon products and strengthen the industry's collective ability to tackle climate change.



Sokan Collaborates with South China Agricultural University to Develop Bio-based Light-curing Coatings

The Company has collaborated with South China Agricultural University on the research and industrialization of the project "Key Technologies for the Green Conversion of Vegetable Oils and High-value Applications". The Company has adopted an efficient chemical conversion method using bio-based tung oil acid, soy oil acid, and other modified grafts to develop bio-based light-curing coatings, providing solutions for sustainable, green, and low-carbon economic development in the Guangdong, Hunan, and Jiangxi regions. This project was awarded the Second Prize of Guangdong Provincial Science and Technology Progress Award in 2023.



Certificate of Science and Technology Progress Award of Guangdong Province

Indicators and targets

To ensure the effective implementation of climate change management measures, the Company regularly tracks greenhouse gas emission indicators and continuously optimizes the management mechanisms based on progress. In 2024, based on the current development status, the Company has set a goal for greenhouse gas emissions in Scope 1 and Scope 2 to increase by no more than 30% compared to 2023.

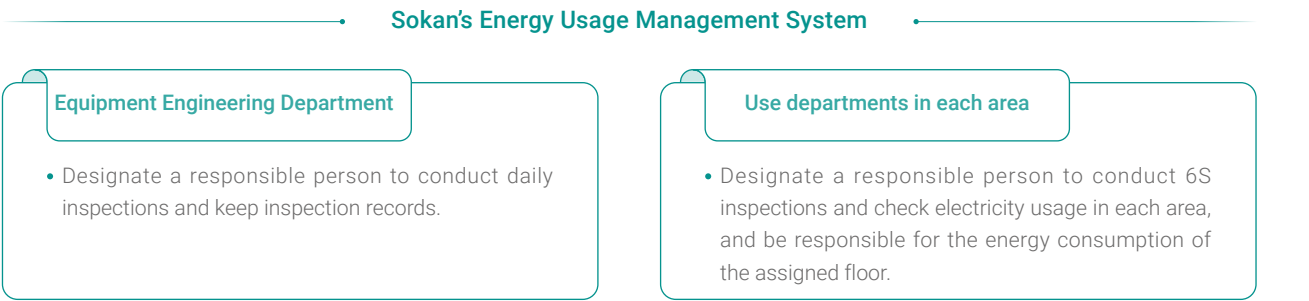
Sokan's Climate Change Tackling Indicators		
Indicator	Unit	Progress in 2024
Greenhouse gas emissions (Scope 1 and Scope 2)	tCO <sub>2</sub> e	8,713.34(Achieved the goal)

3.2 Energy usage

The Company is a low-energy consumption enterprise, with the main types of energy used being purchased electricity and purchased steam. The Company complies with laws and regulations such as the *Energy Conservation Law of the People's Republic of China*, establishes awareness of energy conservation, and promotes energy-saving and consumption-reduction measures, in an effort to jointly build a green enterprise.

Governance

The Company places great emphasis on energy management and has established management systems such as the *Energy Resource Management System* and the *Energy Consumption Management System for the Science and Technology Innovation Building* to standardize the management of energy use. The Company has improved its energy management system, clarified the responsibilities of each department, and achieved systematic management of energy-saving and consumption-reduction efforts.

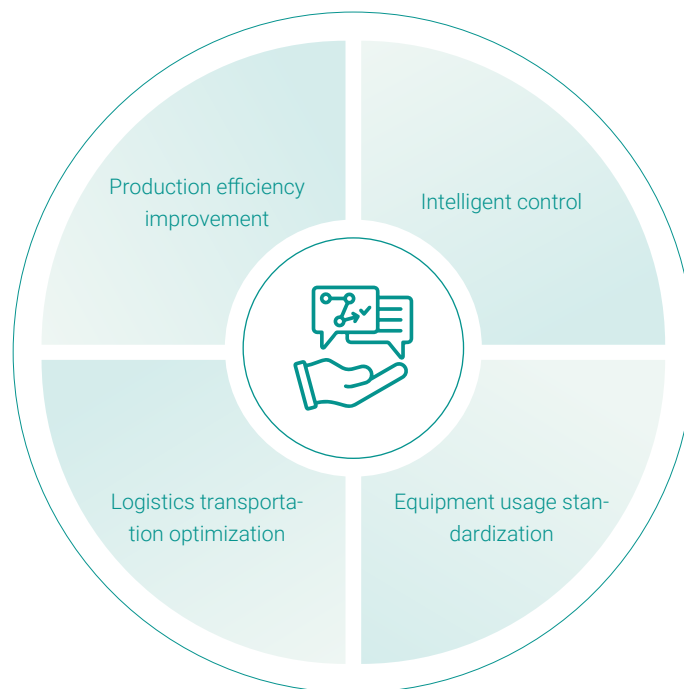


Strategy

The Company constantly focuses on the far-reaching impact of energy management on society and is fully aware that energy conservation in enterprises contributes to the achievement of the national carbon peaking and carbon neutrality goals. At the same time, the Company reviews energy consumption, summarizes energy-saving and emission-reduction experience, identifies risks and opportunities related to energy usage, and develops corresponding response strategies.

Analysis of Risks and Opportunities Related to Sokan's Energy Usage			
Risk	Risk Description	Impact Scope	Financial Impact
Policy and legal risks	The government's regulatory efforts on energy use are continually strengthened, and related regulations are becoming more stringent. If the Company fails to adapt to these changes in a timely manner, it may face fines or other forms of penalties.	Medium- and Long-term	<ul style="list-style-type: none"><li>Increased non-operating expenses</li><li>Decreased operating revenue</li></ul>
Opportunity	Opportunity Description	Impact Scope	Financial Impact
Energy source opportunities	By adopting clean energy technologies, the Company can reduce traditional energy consumption costs, mitigate the risks of traditional energy price fluctuations, and also benefit from clean energy subsidies.	Medium- and Long-term	<ul style="list-style-type: none"><li>Reduced operating costs</li></ul>

### Sokan's Energy Usage Response Strategy



## Impacts, risks, and opportunities management

The Company uses an intelligent system to monitor and automatically control the energy consumption of high-energy equipment, strictly setting start-stop conditions for equipment and regulating employee energy usage behaviors. Besides, the Company optimizes logistics transportation route planning and improves product yield through advanced manufacturing technologies to achieve indirect energy savings, ensuring that energy-saving and consumption-reduction measures cover all business and operational processes.

### Sokan's Main Measures for Energy Usage in 2024

#### Intelligent control

- Install building automation modules for air conditioning systems and set timers to turn off the system.
- Launch an AI-based comprehensive IoT management platform for Ningxiang Park to monitor energy consumption in real time.

#### Equipment usage standardization

- Set air conditioning temperatures to no lower than 26°C in summer and no higher than 20°C in winter.
- Use sensor-based escalators that run when people are present and automatically stop when no one is around.
- Reduce the brightness of underground parking lights during non-working hours.

#### Logistics transportation optimization

- Plan logistics transportation routes systematically to reduce unnecessary gasoline and diesel consumption caused by inefficient route planning.

#### Production efficiency improvement

- Use advanced intelligent manufacturing technologies to improve production efficiency while ensuring product quality, and reduce energy consumption per unit during the production process.

In addition, the Company has established a comprehensive reward and punishment system to encourage employees to practice energy-saving and consumption-reduction behaviors. The *Employee Reward and Punishment System* has been implemented, which includes regular checks on the status of equipment shutdowns and electricity usage, as well as reporting and punishment of deliberate wasteful behaviors.

## Indicators and targets

The Company's overall target is to reduce unnecessary energy consumption. The Company has established energy usage indicators to monitor the progress and results of its energy-saving and consumption-reduction actions.

### Indicators Related to Sokan's Energy Usage

Indicator	Unit	2024
Total energy consumption	Tons of standard coal	1,997.90





### 3.3 Usage of water resources

The water resources used by the Company mainly come from municipal water supply systems for office and production purposes. The Company strictly complies with laws and regulations such as the *Water Law of the People's Republic of China*, the *Water Pollution Prevention and Control Law of the People's Republic of China*, and the *Regulation on the Administration of the License for Water Drawing and the Levy of Water Resource Fees*. It has established internal systems such as the *Runoff, Leakage, and Drip Control System* and the *Rainwater Management System* to regulate water resource usage.

The Company uses water-saving equipment and designs, promotes water-saving initiatives, and continually strengthens employees' awareness of water conservation to reduce the consumption of water resources in business and operational activities.

#### Sokan's Main Measures for Usage of Water Resources in 2024

##### Water-saving equipment usage

- Renovate the drip irrigation system in greenbelt areas to improve irrigation efficiency and reduce water waste from drip irrigation.

##### Water-saving advocacy

- Post water conservation slogans next to faucets in office buildings, employee dormitories, and other areas.

The Company sets water resource usage goals to encourage employees to implement water-saving measures and enhance the Company's water resource usage capabilities.

#### Sokan's Targets for Usage of Water Resources in 2024

Indicator	Unit	Annual Target	Achievement Status
Average monthly municipal water usage (Ningxiang Park)	Tons	≤12,000	9,427 (Achieved the goal)



## Protection of Green Mountains and Clear Water through Green and Complaint Operations

### 4.1 Environmental compliance management

The Company places great importance on environmental compliance management and has established a database of environmental regulations. It monitors changes in laws and regulations such as the *Air Pollution Prevention and Control Law*, the *Water Pollution Prevention and Control Law*, and the *Solid Waste Pollution Prevention and Control Law* in real time, with a particular focus on updates regarding VOCs limits and hazardous waste lists. In 2024, the Company did not experience any significant administrative penalties from environmental or related departments, nor was it held criminally accountable due to environmental incidents.

#### Governance

The Company has developed internal systems and procedures such as the *Environmental Factors Identification and Evaluation Control Procedure*, the *Environmental Protection Operation Control Procedure*, and the *Environmental Management Material Control Standards*. It has established a management structure, clarified the responsibilities of each relevant department, and ensured the orderly implementation of the Company's environmental compliance management efforts.

#### Sokan's Environmental Compliance Management Structure

##### EHS Management Committee

- Establish the Company's environmental management organizational structure, set environmental management policies, goals, and medium- to long-term plans, approve environmental management proposals submitted by the EHS management departments, and ensure funding investment.
- Hold quarterly meetings on environmental compliance work and organize monthly environmental compliance inspections across the Company.

##### EHS Department

- Establish and improve the Company's environmental compliance management system, and be responsible for the daily inspections of the system's operations.
- Plan and organize environmental compliance training for EHS personnel before they take the job and during the job process, and for emergency response teams.
- Investigate and handle environmental-related accidents or emergencies within the Company.

The Company continues to advance the establishment and certification of its environmental management system, actively promoting internal system improvements through external evaluations and audit certifications. During the reporting period, Sokan and Songrun New Materials were certified under the ISO 14001:2015 Environmental Management System, with the certification valid until September 2025.



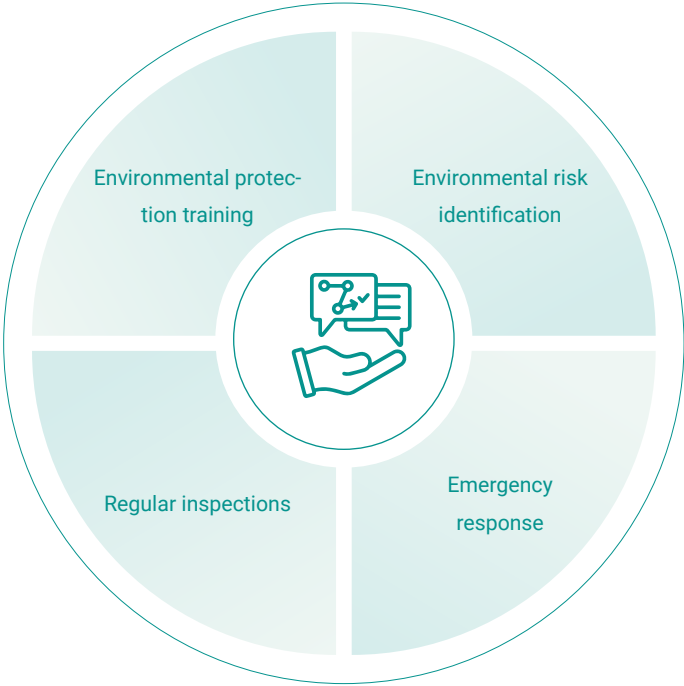
Strategy

The Company, led by the EHS Department, conducts the identification of environmental compliance-related. Based on the identification results, the Company develops response strategies to reduce the likelihood of environmental risk incidents.

Analysis of Risks and Opportunities Related to Sokan's Environmental Compliance Management

Risk	Risk Description	Impact Scope	Financial Impact
Policy and legal risks	If the Company fails to comply with relevant environmental laws and regulations, it may face fines and legal liabilities.	Short- and Medium-term	• Increased non-operating expenses
Opportunity	Opportunity Description	Impact Scope	Financial Impact
Reputation opportunity	Effective environmental management can enhance brand image, earning the trust and support of customers.	Medium- and Long-term	• Increased operating revenue

Sokan's Environmental Compliance Management Response Strategy



Impacts, risks, and opportunities management

The Company identifies environmental risks such as the generation of hazardous waste, the emission of organic exhaust gases, and potential chemical spills, and confirms environmental hazards, related hazardous substances, and the expected environmental harm they may cause. To address environmental risks, the Company has developed the *Emergency Plan for Sudden Environmental Incidents*, established an emergency leadership team, and regularly conducts environmental management-related meetings, inspections, and training. These efforts aim to reduce the probability of environmental risk incidents and ensure effective emergency handling of such incidents.

Sokan's Identification of and Response to Major Environmental Risks

Major Environmental Risks	Environmental Risk Substances	Environmental Harm	Emergency Measures
Generation of hazardous waste	Hazardous waste	Pollution of air, water bodies, soil, etc.	The hazardous waste storage warehouse has a cement-hardened floor, with corrosion and seepage prevention treatment, and is equipped with diversion ditches and buffer pools.
Emission of organic waste gases	Organic waste gases		Regular inspections and maintenance

### Sokan's Main Measures for Environmental Compliance Management in 2024

#### Emergency response

- Establish an emergency leadership team, and develop the *Emergency Plan for Sudden Environmental Incidents* based on actual risks, which has been filed with the competent environmental departments.
- Conduct three emergency drills to continuously improve all employees' emergency response capabilities for crisis incidents.

#### Regular inspections

- Hold four specialized meetings on environmental compliance work, analyze the Company's environmental compliance management situation, and study significant policy measures for the Company's environmental compliance management.
- Organize a company-wide environmental compliance inspection once a month. For any identified issues and risks, coordinate and supervise the relevant departments to promptly implement corrective actions.

#### Environmental protection training

- Organize one environmental protection training for all employees, with the training content including environmental laws and regulations, industry standards, operation and maintenance of pollution control equipment during production, hazardous waste classification and handling methods, and emergency handling of environmental incidents.

## Indicators and targets

The Company has established environmental compliance management targets, while strengthening the supervision and control of responsible departments over environmental compliance, and making every effort to prevent environmental pollution incidents.

### Sokan's Indicators and Targets for Environmental Compliance Management

Indicator	Unit	Annual Target	Achievement Status
Number of environmental pollution incidents	Times	0	0 (Achieved the goal)
Pass rate of environmental compliance testing	%	100	100 (Achieved the goal)

## 4.2 Emissions management

The air pollutants generated by the Company mainly include volatile organic compounds (VOCs), toluene, xylene, particulate matter, etc. The types of wastewater are primarily domestic sewage, with water pollutants mainly including chemical oxygen demand (COD), ammonia nitrogen, suspended solids (SS), etc. The waste primarily includes solvent-contaminated waste, domestic garbage, and paint-cleaning solvents.

The Company places great emphasis on the management of pollutants and waste, strictly complying with laws and regulations such as the *Solid Waste 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 *Water Pollution Prevention and Control Law of the People's Republic of China*, ensuring the legal and compliant discharge of pollutants and treatment of waste. During the reporting period, the Company's pollutant discharge and waste disposal did not result in any significant administrative penalties or criminal liabilities.

## Governance

The Company has developed internal systems such as the *Waste Gas Management System*, *Wastewater Management System*, and *Solid Waste Management System* to achieve full-chain compliance management of emissions, from source control to end treatment. The Company's emissions management structure is aligned with its environmental compliance management structure, ensuring the effective implementation of emissions management measures.

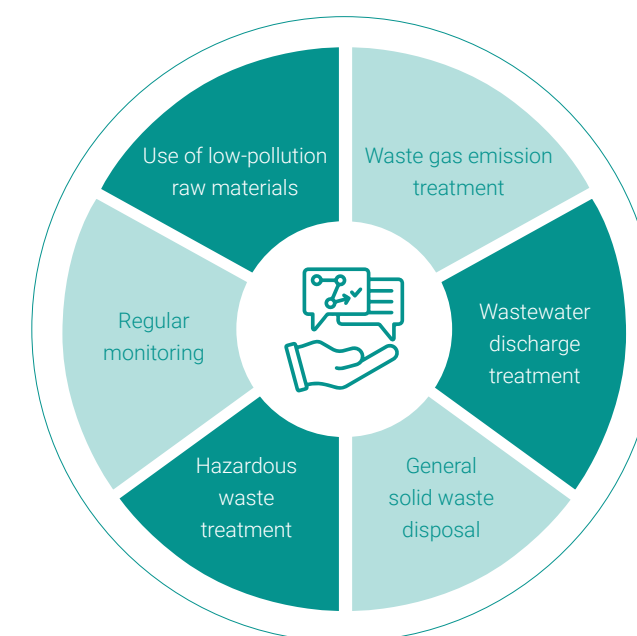
## Strategy

The Company deeply recognizes its environmental protection responsibilities. Non-compliant pollutant discharge could harm the health of local residents. Therefore, the Company actively identifies risks related to emissions and develops response strategies.

### Analysis of Risks Related to Sokan's Emissions Management

Risk	Risk Description	Impact Scope	Financial Impact
Policy and legal risks	Violating <i>pollutant</i> discharge or waste disposal regulations may lead to regulatory penalties.	Short- and Medium-term	• Increased non-operating expenses
Reputation risks	If the Company is publicly exposed for violating emission regulations, it may lead to a decline in reputation.	Short-, Medium- and Long-term	• Decreased operating revenue

### Sokan's Emissions Management Response Strategy





## Impacts, risks, and opportunities management

The Company manages emissions throughout the entire product lifecycle. In the product development phase, it uses low-pollution raw materials to reduce pollutant generation at the source. In the production phase, it employs closed production processes to minimize pollutant leakage. In the emissions disposal phase, advanced treatment processes are used to reduce the concentration of emissions, ensuring the compliance of pollutant discharge with standards and the proper treatment of waste.

### Sokan's Measures for Emissions Management in 2024

#### Use of low-pollution raw materials

- Use water-based resins, high-solid-content coatings, and other low-VOC raw materials to reduce the use of benzene-series compounds, thereby reducing pollutant generation at the source.

#### Waste gas emission treatment

- Replace workshop exhaust hoods with enclosed exhaust hoods to improve exhaust gas collection efficiency, reduce harmful gas concentrations in the workshop, and decrease pollutant discharge.
- Install negative pressure gas collection systems in the mixing, spraying, and filling stages to ensure VOCs collection efficiency. Use the "Adsorption Concentration + RCO Incineration" high-efficiency treatment technology to ensure that emission concentrations are below national limits.

#### Wastewater discharge treatment

- Have kitchen wastewater initially treated by an oil separator, and domestic wastewater treated by a septic tank before being discharged into the Wastewater Treatment Plant in Ningxiang Economic and Technological Development Zone.

#### General solid waste disposal

- Deliver waste to the Waste Treatment Plant in Ningxiang Park for recycling and disposal.

#### Hazardous waste treatment

- Set up a leak-proof hazardous waste temporary storage area, clearly label the types of hazardous waste, and establish a hazardous waste management ledger.
- Entrust a qualified unit to dispose of and treat hazardous waste.

#### Regular monitoring

- Every month, entrust a third-party qualified professional organization to monitor the Company's rainwater, waste gas, and noise emissions, and to provide a testing report. Ensure that emission standards comply with the *Emission Standards for Atmospheric Pollutants in the Coating, Ink, and Adhesive Industries* (GB37824-2019). Upload the testing results to the national pollutant discharge permit management information platform - enterprise end and the national pollution source monitoring information management and sharing platform in a timely manner.

## Indicators and targets

The Company has established goals and indicators for emissions and monitors the progress and results of emissions management to verify the effectiveness of pollution prevention measures, and continuously ensure the compliant discharge of all pollutants and waste.

### Relevant Indicators and Targets for Sokan's Emissions Management

Indicator	Unit	Annual Target	Achievement Status
Hazardous waste compliance disposal rate	%	100	100 (Achieved the goal)

## 4.3 Circular economy

Sokan deeply integrates the concept of circular economy into the entire production and operational process and is committed to building a sustainable development model focused on efficient resource usage and waste reduction. The Company has established a classification recycling mechanism covering all production stages, strengthening its capacity for the resourceful usage of waste. It also enhances product lifecycle management, improving recyclability and environmental compatibility from the design end.

### Sokan's Main Recycling Measures in 2024

- Extract carbon black from waste tires and reuse it in ink manufacturing; in 2024, 300 kilograms of carbon black extracted from waste tires were used.
- Introduce solvent distillation equipment, which can distill and purify solvents from cleaning agents for recycling and reuse.

The Company has set quantitative targets around the circular economy, establishing the proportion of carbon black extracted from waste tires as the core indicator for recycling. A regular monitoring and evaluation mechanism has been established to continuously improve resource usage efficiency and waste reduction, contributing to the construction of a green production system.

### Sokan's Recycling-related Targets and Indicators

Indicator	Unit	Annual Target	Achievement Status
Proportion of carbon black extracted from waste tires used	%	20	25 (Achieved the goal)

# Innovation-driven Quality and Safety Management

## 5.1 Quality management of products and services

The Company consistently upholds its core value of "customer centricity" and continuously improves customer satisfaction through high-quality products and services. The Company strictly adheres to national standards such as GB/T 1723-1993 Determination of Viscosity of Coatings, and GB/T 1740-2007 *Determination of Resistance to Heat and Humidity of Paint Film*, and requirements from ISO 9001 Quality Management System, IATF 16949 Automotive Quality Management System, EN/AS9100 Aerospace Quality Management System, and QC080000 Hazardous Substance Management System. This ensures that quality control in the entire production and manufacturing process complies with the standards and management system requirements. During the reporting period, the Company did not experience any major safety or quality incidents related to products or services.

### Governance

The Company has developed internal systems such as the *Continuous Improvement Control Procedures*, *Non-conforming Product Control Procedures*, *Customer Complaint*, *Quality-based Return*, *Quality Claim Handling Procedures*, and the *Customer Satisfaction Measurement Control Procedures*. These systems comprehensively ensure product and customer service quality from the perspectives of product quality control, non-conforming product recall, complaint handling, and satisfaction management. The Company has established a top-down quality management structure for products and services, clarifying the responsibilities and boundaries at each level, forming a full-loop system from strategic decision-making to execution.

#### Sokan's Quality Management Structure for Products and Services

##### Quality Management Committee

- Strictly implement national and departmental quality laws, regulations, and standards to ensure compliance management.
- Decide on the Company's quality policies, goals, and development plans, and improve system reviews.
- Standardize process construction, promote advanced quality management tools, and establish an information platform.
- Plan, review, and approve the Company's major quality improvements and other significant quality activities, and coordinate the Quality Management Department for implementation.

##### Quality Management Department

- Lead ISO/IATF/AS system certification maintenance, promote process standardization and manage internal audits.
- Be responsible for formulating quality targets and management plans, inspecting and supervising the formulation and implementation of targets, indicators and management plans in each unit, and reporting progress to the Quality Management Committee.
- Establish raw material/process and finished product testing mechanisms, and conduct hazardous substance identification, and data traceability analysis.
- Implement closed-loop management of customer complaints and non-conforming products, and promote continuous improvement of the Group's quality management level.

The Company conducts international quality management system certification to identify gaps in its quality management system, and continuously improves its quality management system to achieve comprehensive management of its product quality. Sokan has passed the ISO 9001 Quality Management System Certification, IATF 16949 Automotive Quality Management System Certification, EN/AS9100 Aerospace Quality Management System Certification, and QC080000 Hazardous Substance Management System Certification, with all relevant certificates actively maintained.



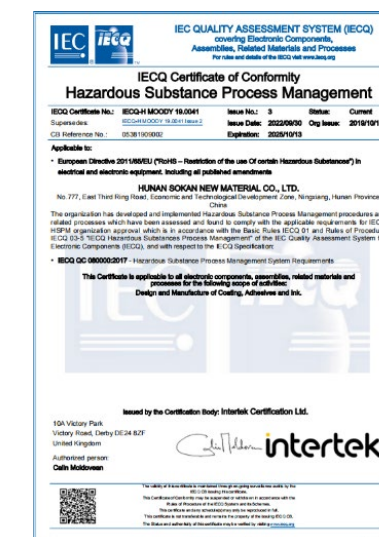
Sokan's ISO 9001:2015 Quality Management System Certification



Sokan's IATF 16949:2016 Automotive Quality Management System Certification



Sokan's EN/AS9100 Aerospace Quality Management System Certification



Sokan's QC080000 Hazardous Substance Management System Certification

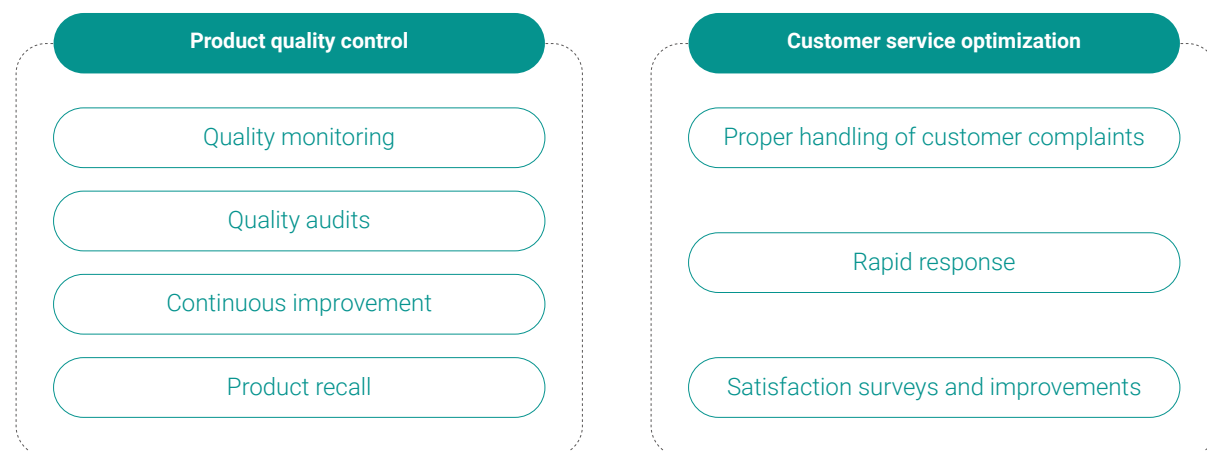
## Strategy

The Company deeply understands that product and service quality helps ensure customer production stability, enhance customer satisfaction, and contribute to the production efficiency of the supply chain. Therefore, the Company identifies related risks and opportunities to provide a basis for formulating the response strategy for quality management of products and services.

### Analysis of Risks and Opportunities Related to Sokan's Quality Management of Products and Services

Risk	Risk Description	Impact Scope	Financial Impact
Responsibility risks	If product quality issues or safety hazards arise, the Company may need to conduct large-scale product recalls and face compensation.	Short- and Medium-term	<ul style="list-style-type: none"> <li>Decreased operating revenue</li> <li>Increased operating costs</li> </ul>
Reputation risks	If product quality issues occur frequently, it may reduce customer trust in the Company, leading to customer loss.	Short-, Medium-, and Long-term	<ul style="list-style-type: none"> <li>Decreased operating revenue</li> </ul>
Opportunity	Opportunity Description	Impact Scope	Financial Impact
Market opportunity	Establish a market reputation for high-quality products and services to attract more customers.	Short-, Medium-, and Long-term	<ul style="list-style-type: none"> <li>Increased operating revenue</li> </ul>

### Sokan's Response Strategy for Quality Management of Products and Services



## Impacts, risks, and opportunities management

### > Product quality management

The Company ensures product quality through measures such as quality monitoring and measurement, quality audits, and continuous improvement. If customers receive non-conforming products, the Company will handle the situation according to the product recall process to ensure the stability of customer production. This, in turn, enhances customer trust and loyalty, driving market expansion and reputation building.

### Sokan's Main Measures for Product Quality Management in 2024

#### Quality monitoring

- Verify and confirm the raw and auxiliary materials according to the *Material Receipt Management Regulations*, and perform testing according to the quality inspection plan to ensure the quality of raw and auxiliary materials. Handle non-conforming products according to the *Non-Conforming Product Control Procedures*.
- Implement the production process in strict accordance with the *Production Process Control Procedures*. Supervise and randomly inspect operators' standardization in process execution, record making, and operation by process engineers in the Production Technology Department.
- Conduct performance testing for finished products according to the *APQP Control Procedures* and specific requirements of the testing outline.

#### Quality audits

- Apply a process-based approach to audit the entire quality management system, with key processes audited annually and key projects audited selectively.
- Conduct product audits by randomly sampling products from the warehouse according to the implementation plan. Take testing outlines or finished product inspection plans, as well as packaging specifications, and applicable technical specifications and standards as the basis for product audits to determine product defect levels.

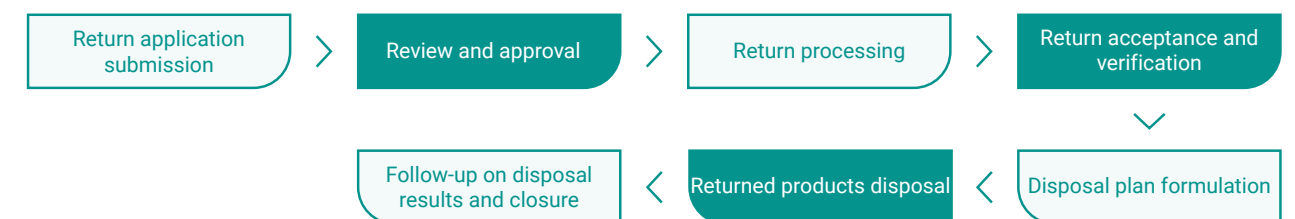
#### Continuous improvement

- Perform data statistics and analysis on the completion of the previous year's operational plan and targets, identify issues and risks, and select key projects for continuous improvement in the current year.
- Determine the direction for continuous improvement following the guidelines of minimizing product scrap, rework, and repairs, and well responding to customer complaints.

#### Supplier quality control

- Sign a *Supplementary Quality Agreement* with suppliers, requiring them to establish and obtain quality system certification, with comprehensive product quality and safety control processes in place.

### Sokan's Product Recall Process



### > Customer service optimization

The Company leverages its rapid response advantage to actively collaborate with customers on R&D and production. Through satisfaction surveys, it understands customer demands and ensures continuous improvement, optimizing customer service effectiveness and enhancing customer loyalty.



### Sokan's Main Customer Service Measures in 2024

#### Rapid response

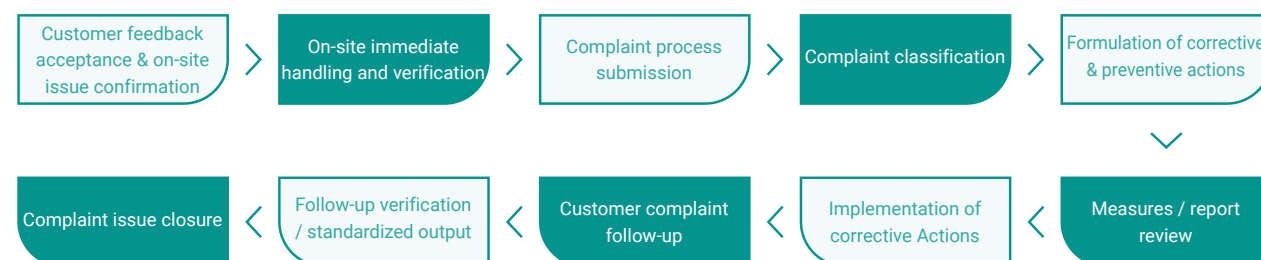
- Provide on-site technical services to customers, facilitating direct communication of technical solutions to improve R&D and production efficiency.
- Lease nearby warehouses for fast inventory turnover, ensuring timely replenishment of raw materials for customers.
- Establish prototyping centers in East China and South China to provide localized sampling and quickly respond to customer needs.

#### Satisfaction surveys and improvements

- Regularly conduct customer satisfaction surveys, with survey results composed of performance data on relevant internal processes such as on-time delivery rates and quality complaint rates, and address customer dissatisfaction and make targeted improvements in service.

The Company values customer feedback and has established a customer complaint handling process and formed a rapid response team to address urgent customer issues, ensuring that customer demands are effectively responded to.

### Sokan's Customer Complaint Handling Process



## Indicators and targets

To achieve the strategic target of “becoming a quality benchmark in the coating materials industry”, Sokan, oriented at customer value, comprehensively manages quality risk prevention capabilities by monitoring core indicators such as customer satisfaction and the completion rate of corrective actions as planned, the Company comprehensively manages quality risk prevention capabilities. This provides internal momentum for building brand trust based on the dual-driving forces of “technology + quality”.

### Targets and Indicators Related to Sokan's Quality Management of Products and Services

Indicator	Unit	Annual Target	Achievement Status
Manufacturing customers' satisfaction	Point	≥80	88.61 (Achieved the goal)
Terminal customers' satisfaction	Point	≥80	81.40 (Achieved the goal)
Completion rate of corrective actions as planned	%	≥90	92 (Achieved the goal)

## 5.2 R&D and innovation

The Company is primarily involved in the R&D and innovation of new functional coating products for coating, inks, and adhesives. It complies with laws and regulations such as the *Law of the People's Republic of China on Scientific and Technological Progress*, and the *Regulation on Computers Software Protection*, as well as national standards such as GB 30981, GB 24409 and GB 38507, and customer-required standards like the *Restriction on the Use of Certain Hazardous Substances in Electrical and Electronic Equipment* (“RoHS”), and the *Registration, Evaluation, Authorisation and Restriction of Chemicals* (“REACH”). While ensuring the legality and compliance of the product development process, the Company actively innovates to become a global leader in the field of new functional coating materials.

## Governance

The Company has established internal systems such as the *APQP Control Procedures*, *Product Design and Development Control Procedures*, *Design and 5M1E Change Control Procedures*, *R&D Process Management System*, and *R&D Investment Accounting Management System*. Vertically, a top-down R&D and innovation management structure has been built, while horizontally, product-oriented application R&D centers for coatings, inks, and adhesives have been established, fully implementing the R&D and innovation strategy.

### Sokan's R&D and Innovation Management Structure

#### Technical Management Committee

- Implement the Group's strategy for new technologies and new products, and promote R&D management.
- Review the annual new product development plans submitted by the Group's R&D institutions.
- Be responsible for initiating and reviewing new product R&D projects within the Group, and guiding the resolution of technical challenges during the new product development process.
- Organize and hold the Group's technical joint meetings and other meetings of the technical committee.

### Central Research Institute

- Collect and analyze relevant development technology information from both domestic and international sources.
- Develop the Company's medium- and long-term (3-5 years) and annual technology and product plans.
- Be responsible for new product formulations, processes, packaging design, and preparation of product material lists and other technical materials.

### Coatings/inks/adhesives application R&D centers

- Be responsible for the medium- and long-term (3-5 years) and annual technology and product plans for the areas under their jurisdiction.
- Be responsible for managing the entire process of new product development projects.
- Be responsible for patent searches, preparation of application materials, and subsequent management for R&D of new products.

## Strategy

The Company develops new products through R&D and innovation to meet customer demands and fulfill investors' expectations for the Company's growth potential, bringing positive impacts to stakeholders. At the same time, the Company identifies R&D risks and innovation opportunities, and by implementing R&D and innovation strategies, it creates differentiated competitive advantages and sustained innovation momentum.

### Analysis of Risks and Opportunities Related to Sokan's R&D and Innovation

Risk	Risk Description	Impact Scope	Financial Impact
Market risk	<ul style="list-style-type: none"> <li>• The downstream application fields are rapidly changing. If the Company is unable to provide product solution capabilities, innovate in a timely manner, master relevant technologies, and launch differentiated innovative products to continuously meet customer demands, the Company's market competitiveness and sustained profitability will be weakened.</li> <li>• The Company's core technical personnel are all key participants in existing patents, non-patent technologies, research projects, etc. If these personnel leave the Company, resulting in a loss of technical staff, it will adversely affect the progress of ongoing projects and the confidentiality of existing intellectual property.</li> </ul>	Short-, Medium-, and Long-term	<ul style="list-style-type: none"> <li>• Decreased operating revenue</li> <li>• Increased operating costs</li> </ul>
Opportunity	Opportunity Description	Impact Scope	Financial Impact
Market opportunity	<ul style="list-style-type: none"> <li>• The market scale of downstream fields such as new energy vehicles and high-end consumer electronics is growing increasingly, and these industries are rapidly updating and iterating, continuously placing new demands on coatings and ink products.</li> </ul>	Short-, Medium-, and Long-term	<ul style="list-style-type: none"> <li>• Increased operating revenue</li> </ul>

The Company adheres to the R&D concept of "demand-oriented, forward-looking planning, highlighting characteristics, and proactive iteration", and considers it as the guiding principle throughout the entire process of technology research and product development. By establishing a regular communication mechanism integrating R&D, marketing, and supply

chain, the Company closely monitors customer demands and market trends. With forward-thinking strategic planning, the Company reasonably plans, makes early deployments, and advances in an orderly manner. At the same time, the Company uses new technologies and innovative approaches to proactively iterate on products, thereby stimulating R&D and innovation with distinctive "Sokan characteristics".

### Sokan's R&D and Innovation Response Strategy



### Sokan's Honours Related to R&D and Innovation



## Impacts, risks, and opportunities management

To achieve the strategic goal of “becoming a global leader in the field of new functional coating materials”, the Company has built an innovative culture, implemented a comprehensive R&D team-building mechanism, and deepened the reserve of forward-looking technological R&D. The Company has made breakthrough progress in several key areas, providing innovative coating solutions for industries such as high-end consumer electronics and new energy vehicles.

### Sokan's Main Measures for R&D and Innovation in 2024

#### Innovation culture development

- In February, the Group's first technical annual meeting was held, where technical personnel from different business areas of the Company conducted 32 technical presentations and displayed over 20 research achievement posters. Thirty-one technical talents with outstanding contributions and excellent performance at the annual meeting were honoured.
- In May, the 2024 Science and Technology Workers' Day & First Craftsmanship Day event was held. Holiday gifts were provided to science and technology workers from the Central Research Institute, various application R&D centers, Gull Hash Chemistry Park, Ningxiang Park, and other locations, enhancing the cohesion of the scientific and technological workforce.
- The Company participated in the China International New Materials, New Processes, and Colour (CMF) Exhibition and the China Coatings Exhibition, where a set of CMF trends was launched and roadshow promotions were conducted for the design and engineering departments of customers.
- The Research Institute conducted more than 20 internal training sessions, each lasting 1-2 hours, with over 50 participants per session. Throughout the year, more than 20 employees participated in external training, including 20 technical professional training sessions and one project management training session.

#### R&D team development

- A dual-incentive mechanism was established for basic R&D and mass production outcomes through methods such as phased completion rewards for innovative R&D projects and patent awards to encourage patent application.
- The talent development mechanism was continuously improved, aiming to build a strong career development platform for employees. Through the internal title evaluation system, 12 outstanding R&D personnel stood out and successfully received promotions.

#### R&D facility optimization

- A Global R&D Center was built and officially launched in Ningxiang Park. The center includes research laboratories with multi-technology integration and multi-product platforms, equipped with internationally advanced instruments and equipment. It covers the entire R&D chain, including formulation development, colour design, pilot testing, inspection and analysis, and process validation, effectively enhancing the efficiency of the Company's R&D projects.

#### R&D reserves enhancement

- The Company has a rich pipeline of ongoing projects, covering fields such as high-end consumer electronics, passenger vehicles, and special equipment. The Company is conducting forward-looking R&D for various new functional coating products, including water-based coatings, special resins, inks, and adhesives.



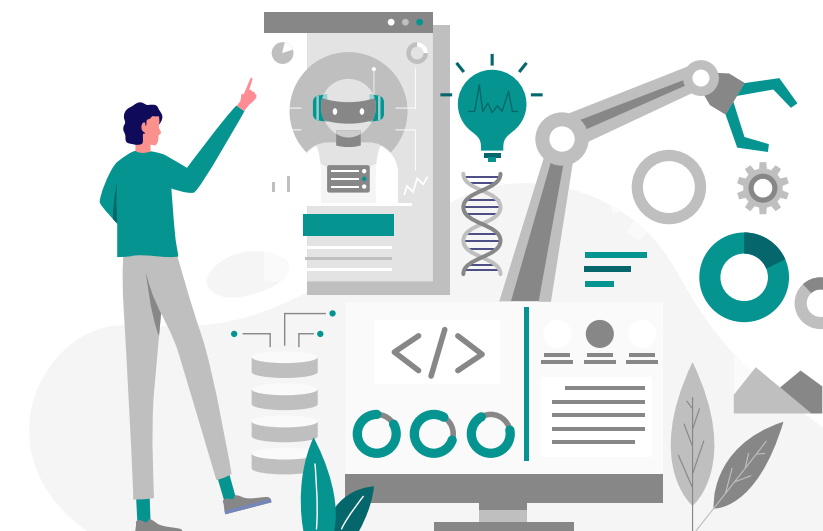
Launch Ceremony of Sokan's Global R&D Center



First Technical Annual Meeting



Science and Technology Workers' Day & First Craftsman Day Event





Sokan's Main R&D and Innovation Achievements in 2024

Inks

- **Systematic Solution for Power Battery Insulation Coating Material:** In terms of performance, while ensuring high insulation performance, the solution also provides excellent aging resistance in complex operating environments. This effectively prevents risks such as battery shell rust, leakage, or breakdown short circuits, thereby further enhancing the battery's safety and reliability. In terms of implementation process, compared to traditional coating processes, digital coating technology can significantly improve the production efficiency of power battery insulation coatings, with better environmental performance. In terms of cost control, by optimizing the coating process, material consumption and energy waste can be reduced, creating significant economic benefits for the enterprise.
- **Sintered Ink:** A special ink that achieves curing and adhesion through sintering. Based on addressing industry pain points, new production processes are adopted to reduce production steps (such as pre-sintering lines), shorten overall production time, lower unit energy consumption, and improve production efficiency and yield. This product has a wide sintering temperature range and an appropriate expansion coefficient, making it suitable for use in automotive glass, home appliances, aerospace, and other fields. It enhances aesthetics while providing protective performance.
- **AF Products:** Traditional AF products have extremely stringent requirements for wear resistance, weather resistance, and construction performance. The Company's new AF products not only surpass international benchmark performance standards but also significantly optimize construction processes.
- **Integrated Circuit Chip-related Inks:** This kind of chips mainly includes PCB solder mask inks (solder mask photoresist) and PCB character inks (marking inks), which adopt the digital inkjet printing technology. Compared to traditional screen printing, the digital inkjet printing technology has obvious advantages in simplifying processes, improving efficiency, saving materials and production costs, and environmental protection. At the same time, the digital inkjet printing technology offers excellent viscosity stability, jet stability, superior hardness, solder resistance, and other performance advantages.

Coatings

- **Excimer Coating Materials:** An innovative solution that integrates raw materials with excimer curing technology, achieving excellent CMF performance and pioneering in the industry.
- **Imprinted Coating Materials:** These coating materials can achieve a triple breakthrough in new materials, new processes, and new colours, which not only provide unique textured three-dimensional beauty but also offer differentiated features such as a silky touch.
- **Automotive Exterior Transparent PVD Technology:** Wave-Transparent PVD Technology for Automotive Exterior: ensuring efficient radar signal penetration and delay-free transmission. It supports real-time perception and precise operation of vehicle intelligent driving systems. Additionally, it offers highly realistic metallic aesthetics, greatly enhancing the luxury quality and visual appeal of automobiles. It is also a truly green process, effectively solving the environmental pollution and energy consumption issues associated with traditional processes.
- **Light-Transparent PVD Technology for Automotive Exterior:** This technology performs excellently and stably in terms of light transmittance, high-pressure water impact resistance, weather resistance, water resistance, corrosion resistance, and stone impact resistance. It has also pioneered the application of "family-style facial makeup" design in automotive aesthetic trends.

Indicators and targets

To achieve the strategic vision of technological innovation, the Company sets its overall target as enhancing core competitiveness and maintaining technological leadership. It establishes and tracks quantitative indicators such as the

proportion of R&D investment to operating income and the proportion of R&D personnel. The Company's application R&D centers also set specific targets. For example, the Ink Application R&D Center has established success rate indicators for new product R&D projects and upgraded R&D projects, effectively ensuring the efficiency of technological breakthroughs and the ability to transform innovative results, thereby laying the foundation for building market competitiveness through innovation.

Indicators Related to Sokan's R&D and Innovation

Indicator	Unit	Progress in 2024
R&D investment as a proportion of operating revenue	%	14.14
Proportion of R&D Personnel	%	32.56

5.3 Data security and customer privacy protection

The data security and privacy protection processes within the Company primarily include the technical, operational, and management secrets, as well as production and financial data of the Company itself, its customers, suppliers, and other partners.

The Company strictly adheres to laws and regulations such as the *Cybersecurity Law of the People's Republic of China*, the *Tort Law of the People's Republic of China*, and the *Personal Information Protection Law of the People's Republic of China*, along with related requirements. The Company has established internal procedures such as the *Information Classification Management Procedures*, *Information Security Risk Management Procedures*, and *PII Privacy Handling Control Procedures*, to comprehensively manage information security and privacy protection for the Company and its partners. At the same time, the Company has established a top-down information security and privacy protection management structure to ensure that information security efforts align with the Company's business development needs.

Sokan's Data Security and Customer Privacy Protection Management Structure

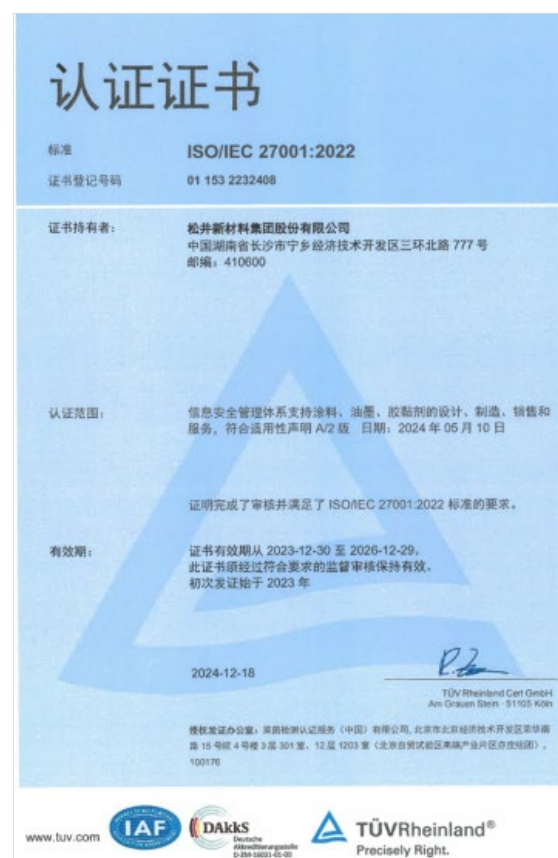
Information Security Management Group

- Be responsible for organizing the classification management of various types of information.
- Be responsible for reviewing the acquisition of personally identifiable information (PII), overseeing the use of PII privacy information, and approving the removal of PII privacy information.

IT Group

- Be responsible for identifying the privacy requirements of employees, suppliers, and customers, and providing technical support for obtaining, using, managing, and exiting privacy contracts or agreements, while monitoring and reviewing privacy compliance and requirements during the PII processing.

The Company has established an information security management system that covers four key dimensions: Organizational, personnel, physical, and technological security, through the implementation of information security management system standard certification. This system strengthens risk control capabilities in areas such as data leakage prevention and secure coding, enhancing business continuity and customer trust. The Ningxiang Park of the Company has obtained ISO/IEC 27001 Information Security Management System Certification, valid until December 2026.



ISO/IEC 27001: 2022 Information Security Management System Standard for Sokan

The Company has built a multi-dimensional protection system for data security and customer privacy protection. Through core measures such as information security risk assessments, access authority control, and employee privacy training, the Company safeguards the security of its information systems and ensures the confidentiality, completeness, and availability of customer information, providing compliance assurance for building strong customer relationships.

## Sokan's Main Measures for Data Security and Customer Privacy Protection

### Information security risk assessment

- A risk assessment team has been established to conduct risk assessments on all important assets. The assessment considers factors such as threats, vulnerabilities, probability of the occurrence of threat incidents, potential impact on assets if such incidents occur, and measures already taken. The findings are documented in the *Information Security Risk Assessment Report*.

### Access authority control

- To ensure the secure transmission of PII, access authority must be strictly limited to authorised personnel. The requirements for PII transmission control can be included in contracts with customers. If no such contractual requirements exist, customer advice should be sought before transmission.

### Information backup

- Daily and weekly backups are performed according to the information backup strategy.

### Emergency response

- In the event of an emergency, the procedures outlined in the *Information Network System Emergency Response Plan* are followed.

### Information system protection

- All customer devices are equipped with desktop management software (IPguard), which controls USB drive access, enables the software center, and restricts the installation of unauthorized software.

### PII protection

- PII is not used for marketing and/or advertising purposes without the explicit consent of the data subject. Any requests for PII disclosure that are not legally binding are rejected. Before disclosing any PII, customer consent must be obtained.
- Temporary files containing PII that have not been used within the designated time frame are deleted, and periodic verification is conducted.

### Information security training

- In 2024, two information security training sessions were organized for all employees, covering issues such as the interpretation of information security regulations, and the publicity of cybersecurity and privacy protection knowledge.

The Company has established an overall information security target, with the short term target being "no major information security incidents", the ultimate target being "achieving zero damage to information assets", and the ongoing target throughout the Company's business activities being "ensuring the continuous and reliable operation of business systems". At the same time, the Company has set measurable targets to monitor the management of data security and customer privacy protection.

### Targets and Indicators Related to Sokan's Data Security and Customer Privacy Protection in 2024

Indicator	Unit	Annual Target	Achievement Status
Number of company information security leakage incidents	Times	0	0 (Achieved the goal)
Number of customer information security leakage incidents	Times	0	0 (Achieved the goal)
Number of days of data loss in core business systems	Day	0	0 (Achieved the goal)

## 5.4 Supply chain management

The Company's suppliers mainly include suppliers of raw and auxiliary materials such as resins, additives, pigment pastes, and solvents, suppliers of packaging and consumables, suppliers of engineering equipment installation services, as well as suppliers of production, monitoring, and R&D equipment. The Company has established a Supply Chain Center, which is responsible for coordinating supplier development and procurement management.

### > Supply chain security

To standardize supplier management, the Company has developed the *Supplier Development and Management Control Procedures*, which strictly regulates the qualification review of suppliers. Additionally, the Company signs long-term framework contracts with key raw material suppliers and actively develops backup suppliers to prevent situations where production utilization rates decrease or production is interrupted due to supply shortages.

#### Sokan's Main Measures for Supply Chain Security Management

##### Qualification review

- Strictly regulate the qualification review and financial status assessment of suppliers to ensure that suppliers' production processes are compliant and that they have the ability to provide continuous supply.

##### Framework agreements

- Adopt a "long-term framework contract + orders" procurement model with key resin suppliers and metallic pigment suppliers to ensure the bulk supply of critical raw materials, with suppliers failing to supply as agreed being required to pay compensation.

##### Backup suppliers

- Actively expand backup suppliers and procure raw materials from backup suppliers when existing suppliers are unable to supply, thereby preventing production interruptions.

### > Supply chain sustainability management

The Company attaches great importance to managing suppliers in areas such as occupational health, environmental protection, and integrity in professional conduct, striving to build a sustainable supply chain.

#### Sokan's Main Measures for Supply Chain Sustainability Management

##### Occupational health and environmental protection

- Send the *Notification to Stateholders in Environmental Protection/Occupational Health and Safety* to suppliers, urging them to achieve safety production by ensuring environmental protection and occupational health.
- Require suppliers to sign the *Environmental Quality Agreement*, ensuring that the harmful substance content in the products they provide complies with the Company's *Hazardous Substance Control Standards*.

##### Integrity in professional conduct

- Require suppliers to sign the *Integrity and Honesty Agreement*, resisting commercial bribery and unfair competition, and stipulating liability for breach of contract.
- In 2024, 100% of suppliers signed the *Integrity and Honesty Agreement*.

### > Conflict minerals management

The Company's raw materials, such as pearlescent pigments, involve the use of conflict minerals. The Company strictly adheres to relevant international and industry regulations and does not accept or use "conflict minerals" sourced from the Democratic Republic of the Congo (DRC) and its surrounding countries and regions. The Company has established the *Management Measures for the Control of Conflict Minerals*, requiring suppliers to investigate the source of the materials they supply and provide a *Commitment to Not Use Conflict Minerals and a Conflict Minerals Survey Form*. This ensures that materials containing gold (Au), tantalum (Ta), tin (Sn), and tungsten (W) comply with the Responsible Minerals Initiative (RMI), the OECD's *Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*, or equivalent and recognized due diligence frameworks.

If the investigation reveals that the materials contain conflict minerals from the DRC or its surrounding regions, suppliers concerned will be required to provide a written explanation and immediately cease procuring and using conflict minerals from the DRC or its surrounding regions. They must select new mineral sources and provide valid evidence that the new sources meet the conflict-free requirements for the DRC. Additionally, they should develop corresponding corrective and preventive measures to ensure compliance with the DRC's conflict-free metal requirements.



- The Company has issued the *Conflict Minerals Survey Form* to **143** suppliers, achieving a **100%** coverage rate. None of the existing suppliers are involved in the use of mineral resources from conflict regions.



# People-Oriented Demonstration of Corporate Responsibility

## 6.1 Rights, interests and benefits of employees

### Employee recruitment and employment

Sokan strictly adheres to domestic laws and regulations such as the *Labour Law of the People's Republic of China* and the *Labour Contract Law of the People's Republic of China*. The Company's overseas operations also strictly comply with the laws, regulations, and policy requirements of the respective locations. The Company regulates the management of recruitment and dismissal, working hours, holidays, and other aspects, following the principles of fair distribution according to work and equal pay for equal work, while legally protecting employees' legitimate rights and interests.

The Company has developed internal management systems such as the *Human Resource Management Procedures*, *Recruitment Management System*, and *Protected Employee Management System*. Additionally, the Company uses the Mercer Job Evaluation Tool to assess the value of internal positions. This clarifies the human resource management processes for the Company's various functional centers, research institutes, and subsidiaries, standardizing human resource management and enhancing compliance, coordination, and work efficiency.

### Sokan's Main Policies for Employee Recruitment and Employment

#### Anti-discrimination

- The Company does not discriminate against any employee on the grounds of race, age, gender, sexual orientation, ethnicity, disability, religion, political affiliation, trade union membership, military service, nationality, marital status, pregnancy, health condition, or any other status protected by national law.

#### Prevention of child labour and protection of adolescent employees

- Employment of individuals under the age of 16 is prohibited:** The Company implements reliable age verification measures, such as using ID verification devices to confirm authenticity or checking through the Internet or local government resources.
- Remediation plan:** If an employee aged below 16 is inadvertently hired, the Company will provide transportation costs to help the employee return home or educational fees to support his/her study. If the employee faces significant financial difficulties, daily necessities and living expenses will be provided until the employee reaches the age of 16.
- Protection of adolescent employees:** The Company strictly limits the employment of employees under the age of 18, complies with applicable laws that restrict or regulate the work of minors aged below 18, and ensures that all operations and locations are inspected by safety professionals to identify and prevent any conditions that may pose a danger to adolescent workers.

During the reporting period, the Company undertook a series of measures to optimize its recruitment and employment practices, laying a talent foundation for the Company's long-term operations.

### Sokan's Main Measures for Employee Recruitment and Employment in 2024

#### Prevention of labour risks

- Comprehensively summarize and review the employee lifecycle management process (including recruitment, hiring, contract signing, probation, attendance and leave, compensation and benefits, management of female employees during their pregnancy, maternity, and lactation periods, and resignation management) to identify potential labour risk points. Gradually enhance the risk awareness of various departments through property publicity and guidance.

#### Strategic talent assurance

- Successfully opened two overseas recruitment channels, laying the foundation for the future introduction of overseas talent.
- Optimize internal policies and streamline and improve external policies to attract overseas and high-level talent.
- Expand headhunting resources by ten agencies, building a talent pool of over 100 headhunted professionals.
- Based on an analysis of the *Company's operational background*, develop the *Three-Year Strategic Planning for Human Resources of Sokan* to clarify specific targets, key tasks, and measures for talent selection and employment.

In 2024, all employees of the Company were full-time employees under labour contracts, including foreign employees employed both at home and abroad. There were no incidents of penalties from relevant authorities due to violations of labour laws or regulations concerning employee recruitment and dismissal, compensation, working hours and holidays, or any violations related to forced labour or child labour.

### Protection of the rights and interests of employees

The Company has established management systems such as the *Wages and Benefits Management System* and the *Attendance and Leave Management System*. These systems, along with the Human Resources Management Procedures document, clearly define various provisions to safeguard the diverse rights and interests of employees. Additionally, employee representative meetings are held regularly to effectively protect employees' legal rights and interests and statutory benefits from being infringed upon, while reflecting the core values of the Company's corporate culture, which focuses on the mutual growth of the Company and its employees.

### Sokan's Policy for Guaranteeing the Rights and Interests of Employees

#### Remuneration

- Adhere to the principle of equal pay for equal work, regularly survey external remuneration information, conduct comparative analysis of internal and external remuneration, and design remuneration structures that align with job positions, capabilities, and performance, ensuring internal fairness and external competitiveness of the remuneration system.
- For positions with performance assessments, bonuses are calculated and distributed based on corresponding incentive policies and performance assessment results.

#### Working hours

- Employees cannot work more than six consecutive days, and the weekly working hours must not exceed 40 hours, with actual working hours (including overtime) limited to no more than 60 hours per week.
- Forced overtime or unauthorized overtime is prohibited. All overtime must be voluntary, and approval from the department head and verification by the Human Resources Department is required.

Holidays

- Employees are entitled to statutory holidays, annual leave, marriage leave, bereavement leave, work injury leave, sick leave, maternity leave for female employees, breastfeeding leave for female employees, paternity leave for male employees, compensatory leave, and other paid leave.

Protection of female employees

- Female employees are not assigned to work at heights, in low temperatures, or in cold water, or work with a third-level physical labour intensity as defined by the country during their menstrual period.
- Female employees are not assigned to work with third-level physical labour intensity or to work prohibited during pregnancy as defined by the country.
- Female employees are not assigned to work with third-level physical labour intensity or to work prohibited during the lactation period if the infant is under one year old.

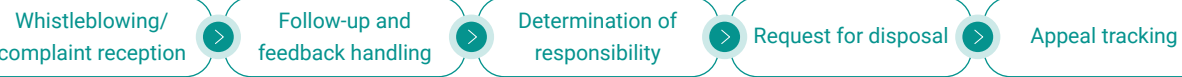
Anti-harassment and anti-abuse

- No form of harassment is allowed in the workplace. Employees will not be penalized or retaliated against for reporting harassment or abuse incidents. All employees, supervisors, and managers must participate in anti-harassment training.

During the reporting period, the Company legally entered into labour contracts with all employees, achieving a 100% labour contract signing rate. Four employee representative meetings were held, during which collective wage negotiations were conducted, and relevant documents such as the *Collective Wage Agreement*, *Collective Contract*, and *Collective Contract for the Protection of Female Employees' Rights* were signed.

In 2024, the Company revised the *Employee Issue, Suggestion, Whistleblowing and Complaint Handling Procedures*. Through various initiatives, the mechanism for handling employee issues, suggestions, whistleblowing and complaints was standardized and improved, with feedback channels, processing procedures, and liaison points clarified. These measures were implemented to promote the efficient resolution of issues, while ensuring that all employees are aware of the reporting mechanism and that the privacy and rights of whistleblowers are protected. This has ensured effective communication between the employees and the Company's leadership.

Sokan's Whistleblowing and Complaint Handling Process in 2024



Sokan's Employee Issue, Suggestion, Complaint or Whistleblowing Management System

- |                   |   |
|-------------------|---|
| Company President | • Handle employee complaints or whistleblowing related to the Human Resources Department. |
|-------------------|---|

- |                     |   |
|---------------------|---|
| Company Trade Union | • Collaborate in accepting whistleblowing or complaints that involve employees' legal rights and interests. |
|---------------------|---|

Human Resources Department

- Be responsible for collecting, summarizing, and providing feedback on employee issues and suggestions, as well as accepting, investigating, determining, coordinating, and responding to employee complaints or whistleblowing.
- All personnel of the Human Resources Department are responsible for accepting employee complaints or whistleblowing and collecting employee issues and suggestions. They are also responsible for recording, communicating, handling, and responding to related tasks.

Responsible departments

- Cooperate with the Human Resources Department or the trade union in investigations, providing handling suggestions, and assisting with communication and coordination with employees.

As of the end of the reporting period, the Company had not experienced any serious violations of the rights and interests of employees, nor had it been subjected to administrative or judicial penalties for infringing upon the rights and interests of employees, and all employee complaints had been properly resolved.

Employee care

The Company provides a variety of benefits to all employees, including inclusive benefits, special benefits, and allowances. In addition, to enrich employees' extracurricular life, the employee activity associations regularly organize cultural and recreational activities, fostering a united, friendly, progressive, and harmonious corporate atmosphere. This has effectively enhanced employees' sense of happiness and belonging.

Sokan's Employee Care Measures

Inclusive benefits

- The Company makes timely and full contributions to various statutory social insurances and benefits, including basic pension insurance, basic medical insurance, unemployment insurance, work injury insurance, maternity insurance, and housing provident fund, achieving a 100% coverage rate.
- The Company provides group accident insurance for all employees and offers medical mutual aid for employees in Changsha.
- The Company provides benefits such as year-end bonuses, meal and accommodation subsidies, health check-ups, birthday gifts, holiday gifts and cash, and daily necessities.

Special benefits

- Additional benefits are provided in specific circumstances, including high-temperature allowances, hardship allowances, expatriate allowances, internal training remuneration subsidies, and company guide allowances.

Allowance benefits

- The Company offers allowances for confidentiality, seniority, education, and skills.

### Cultural and recreational activities

- The Company has built indoor facilities such as badminton courts, cinemas, and gyms, and established seven activity associations, including badminton, basketball, billiards, table tennis, fishing, fitness, and running clubs, with regular activities held.
- The Trade Union Committee regularly hosts activities such as "Singing the Strongest Voice of Sokan", "Shaping the Future with Technology through Unlimited Innovation" on the Science and Technology Workers' Day, and "Love in Sokan, Unity in Action" on the Family Day.

### Female employee care

- On International Women's Day, female employees receive holiday allowances and are given time off.

### Care for employees with difficulty

- The Company has set up a mutual aid fund to provide financial support to employees and their families facing difficulties due to illness, disability, or other hardships.

### Sokan's Employee Care Activities in 2024



"Sing the Strongest Voice of Sokan"  
Work Commencement Karaoke Activity



Basketball Tournament



"Love in Sokan, Unity in Action" - The 3rd Annual Family Day



"First Quarter Employee Birthday Party"  
Production Department of Changsha Factory



- The Company's mutual aid fund has provided assistance to **11** employees and their family members who were ill, with a total of RMB **26,354** in medical subsidies disbursed.

Each year, the Company conducts employee satisfaction and engagement surveys through questionnaires or discussion sessions. These surveys assess satisfaction across multiple dimensions, including the Company as a whole, the work itself, and the workgroups. Based on the survey results, the Company makes real-time improvements and adjustments. During the reporting period, the Company had a total of 31 departments, of which 29 participated in the survey. The average employee satisfaction remains at a high level, and the engagement scores for both the departments and employees have increased year on year.

### Sokan's Employee Satisfaction Survey



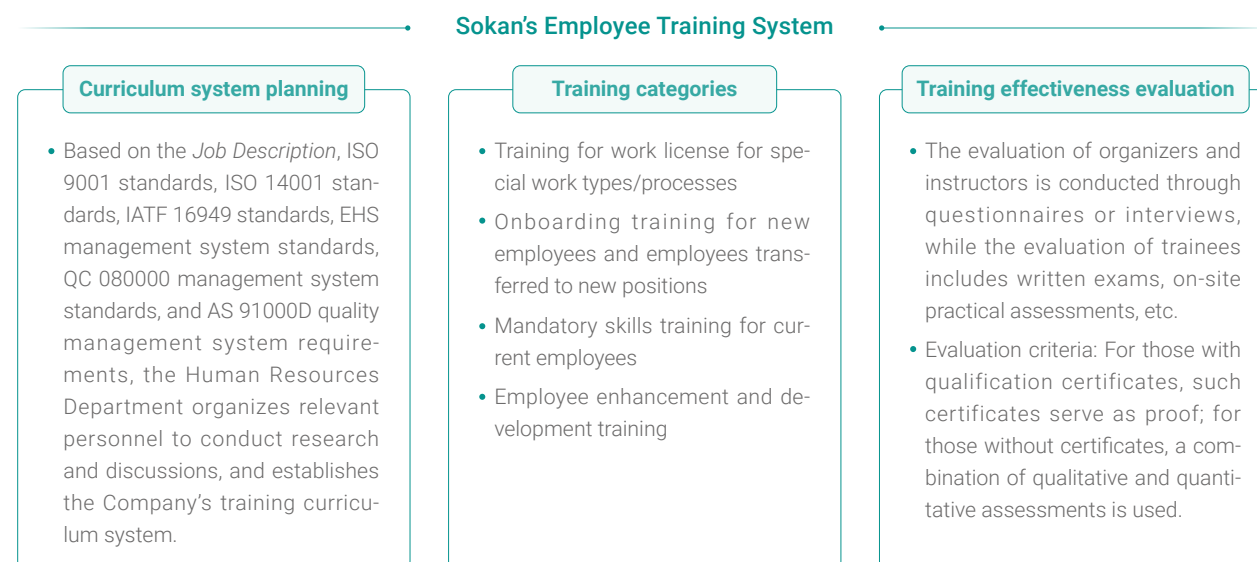
## 6.2 Employee training and development

### Employee training

The Company places great emphasis on employees' career development and has established internal regulations, including the *Training Management System*. This has led to the development of a comprehensive talent development system, which includes learning maps for core positions, research projects, and training programs for mid-to senior-level management, such as the Executive Master of Business Administration (EMBA) and Executive Development Programs (EDP), as well as special management enhancement training camps. The Company also boasts a complete team of



internal trainers. This talent development system continually cultivates a diverse range of international management and technical talents in alignment with the Company's strategic targets, providing significant human capital support for the achievement of these targets.



The Human Resources Department is the designated responsible department for training, responsible for the planning of the training system, the organization and implementation of company-level training, and the guidance, assistance, and inspection of department-level training implementation. The department head is the primary responsible person for improving the competence of employees within the department, responsible for the development and implementation of the department's training plan. The quality, EHS, and other relevant departments are responsible for the planning of special training in areas such as quality and EHS.

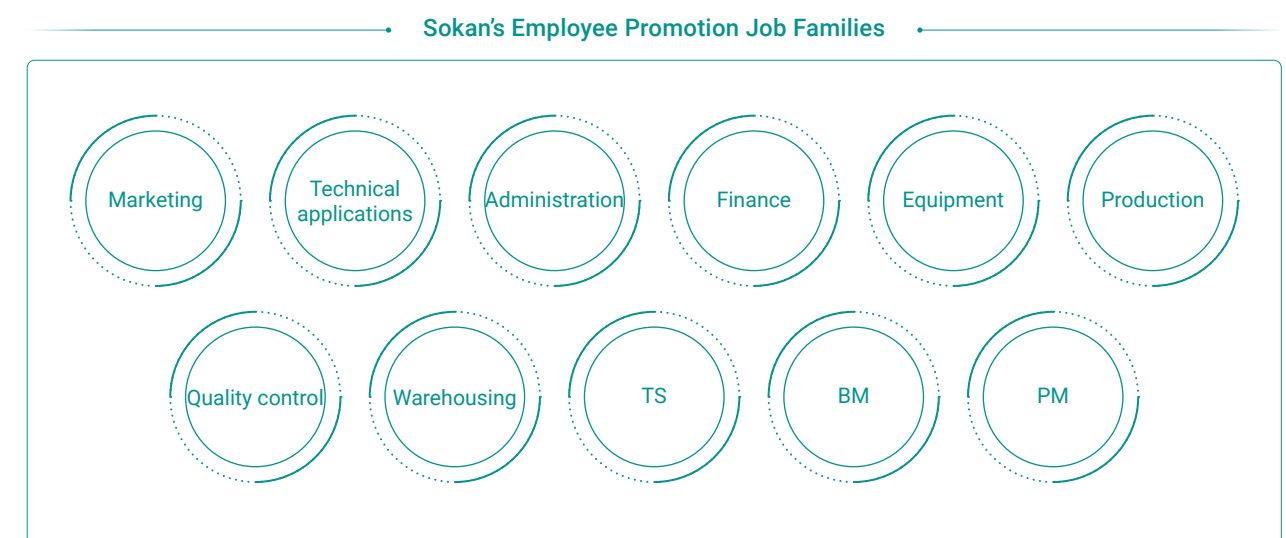


During the reporting period, the Company conducted 211 "mandatory skills training" sessions and 98 "enhancement and development training" sessions through onsite training, online training, and a combination of both. The total training expenditure for the year amounted to RMB710,000, with a total training duration of 20,833 hours. The average training duration per employee was 37.5 hours, and the training coverage rate was 100%.

## Employee development

The Company follows the principle of a virtuous cycle, which states that "the excellent are promoted, the mediocre are demoted, and those who violate rules are punished; promotion or demotion is possible in the Management, and employees can join or leave as needed." The Company has established systems such as the *Performance Management System*, *Employee Promotion and Demotion Management System*, and *Employee Reward and Punishment System*, continuously guiding and encouraging employees to improve their performance levels. The Company has also established a position, salary, and incentive system centered around ability, performance, and value contribution.

The Company creates multiple career development paths for employees, establishing ten major job families. Employees can choose a career development path based on their interests and personality traits.



The Company implements a position-based salary system, where employees' salaries consist of basic wages, overtime pay, performance bonuses, allowances, subsidies, and other components. The performance bonus is awarded based on the employee's daily performance evaluations, with higher bonuses given to employees who demonstrate outstanding performance in their daily work. Additionally, the Company has set up incentive awards to reward employees who make significant contributions in different areas, fully motivating employees' initiative and engagement.

**Sokan's Incentive Awards Setup in 2024**

Aspects	Awards	
Quarterly excellence awards	<ul style="list-style-type: none"> <li>Star Performer</li> <li>Patent Award</li> <li>Lotus Award</li> </ul>	<ul style="list-style-type: none"> <li>Sales Breakthrough Award</li> <li>Outstanding Review Project</li> <li>Outstanding Project</li> </ul>

Aspects	Awards	
Annual excellence awards	<ul style="list-style-type: none"><li>Outstanding Part-Time Committee Member</li><li>Gold Medal Corporate Culture Executive</li><li>Advanced Worker</li><li>Bo Le Award</li><li>Innovation Award</li><li>Annual Task Completion Award</li><li>Customer Development Breakthrough Award</li></ul>	<ul style="list-style-type: none"><li>Outstanding Job Operator</li><li>Quality Model</li><li>EHS Model</li><li>Technical Invention Award</li><li>Outstanding Contribution to New Technology Award</li><li>Sales Increment Contribution Award</li></ul>
Center/subsidiary- level team awards	<ul style="list-style-type: none"><li>Outstanding Project</li><li>Star Project</li><li>Outstanding R&amp;D Team</li><li>Outstanding Amoeba</li></ul>	<ul style="list-style-type: none"><li>Advanced Cost Reduction Team</li><li>High-Quality Support Team</li><li>Outstanding Sales Team</li><li>Sales Target Achievement Award</li></ul>
Group-level individual awards	<ul style="list-style-type: none"><li>Technological Innovation Award</li><li>Sales Champion Award</li><li>Outstanding Management Award</li><li>Stock Option Award</li></ul>	<ul style="list-style-type: none"><li>Outstanding Technical Innovation Award</li><li>Sales Elite Award</li><li>Distinguished Management Award</li><li>Rising Star Award</li></ul>
Group-level team awards	<ul style="list-style-type: none"><li>President Quality Award</li><li>Corporate Culture Practice Model Unit</li><li>High-Performance Team</li></ul>	<ul style="list-style-type: none"><li>6S Demonstration Unit</li><li>Amoeba Management Demonstration Unit</li></ul>

In 2024, the Company promoted employee development and drove continuous progress and innovation through such methods as mechanism improvement and equity incentives.

Sokan's Main Measures for Employee Development in 2024

Mechanism improvement

- By revising systems such as the *Group Excellence Evaluation Plan*, *Performance Management System*, *Employee Promotion and Demotion Management System*, *Employee Reward and Punishment System*, and *developing the Backup Talent Cultivation Plan*, the Company has completed the review and update of incentive policies for key positions, essentially establishing an incentive framework and model.
- The Company achieved 100% coverage of performance evaluations for key entities, ensuring full implementation.
- The promotion channel for the research institute has been opened up.

Equity incentives

- Approved by the Shareholders' Meeting, the 2024 Restricted Stock Incentive Plan has been implemented, initially granting incentives to 68 individuals, covering the Company's directors, Senior Management, key technical personnel, and core employees.

Sokan's Employee Shareholding Situation in 2024 (As of the End of 2024)

Indicator	Unit	2024
Number of employees holding shares	Person	31
Proportion of employees holding shares in the total number of employees	%	3.77
Employee shareholding quantity	Ten Thousand Shares	879.68
Employee shareholding quantity as a proportion of total share capital	%	7.87

Note: The above shareholder information is based on the shareholder register provided by China Securities Depository and Clearing Corporation Limited, covering the top 200 registered shareholders as of the end of the reporting period.

6.3 Occupational health and safety

As a manufacturing enterprise, the Company has always regarded occupational health and safety management as a key element in cultivating core competitiveness, placing the highest priority on safe production. The Company actively implements control and protective measures to manage risks across the entire production and operational process, ensuring the physical and mental well-being of its employees.

Governance

The Company strictly adheres to relevant laws and regulations, such as the *Work Safety Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, and the *Fire Protection Law of the People's Republic of China*. The Company has established and improved 16 procedural documents, including the *Occupational Health Operation Control Procedures* and the *Safety Production Operation Control Procedures*, as well as eight management systems such as the *Work Injury Handling Measures* and *Pressure Vessel Safety Management Regulations*. Additionally, 48 operational documents, including the *Safety Inspection Management System* and *Occupational Disease Hazard Monitoring and Evaluation Management System*, have been formulated. This forms a comprehensive occupational health and safety production management structure, and the Company continues to advance the construction of its safety production system.

Sokan's Safety Production Management Structure

Institutions	Members	Responsibilities
EHS Management Committee	The Chairman serves as the Director, with vice presidents, department heads, full-time EHS managers, and employee representatives as members	The Committee mainly organizes the implementation of national and local government laws and regulations related to EHS, as well as customer-specific EHS requirements. Moreover, the Committee promotes the development of safety culture and holds quarterly EHS-focused meetings to guide and coordinate the Company's EHS management work. Additionally, it organizes a company-wide EHS inspection every month, coordinating and supervising relevant departments to ensure timely rectification of identified issues and hazards.
EHS Department	Safety engineers, and EHS engineers	The EHS Department is responsible for managing safety, environmental protection, occupational health, fire safety, security, and other related areas.

The Company continues to advance the establishment and certification of its occupational health and safety management system. The key manufacturing facilities of Sokan and Songrun New Materials in the Ningxiang Park have successfully passed the ISO 14001 Environmental Management System and ISO 45001 Occupational Health and Safety Management System certifications (valid until September 2025).



## Strategy

In 2024, the Company proactively identified and assessed potential occupational health risks and opportunities in its daily operations and manufacturing processes. A comprehensive analysis was conducted on various risk sources and the potential impacts they may bring.

Analysis of Risks and Opportunities Related to Sokan's Occupational Health and Safety			
Risk	Risk Description	Impact Scope	Financial Impact
Market risk	Improper storage or insufficient electrostatic protection may lead to accidents, causing direct economic losses. If employees develop occupational diseases due to prolonged exposure to harmful volatile organic compounds, the Company may face compensation risks.	Short- and Medium-term	<ul style="list-style-type: none"><li>Decreased revenue</li><li>Increased operating costs</li></ul>
Policy risk	Violations of laws and regulations on occupational health or hazardous chemical safety management may result in fines and administrative penalties.	Short-, Medium-, and Long-term	<ul style="list-style-type: none"><li>Decreased revenue</li></ul>
Reputational risk	Media exposure of occupational diseases or safety production accidents may trigger a public trust crisis and increase employee turnover.	Short- and Medium-term	<ul style="list-style-type: none"><li>Increased operating costs</li></ul>
Opportunity	Opportunity Description	Impact Scope	Financial Impact
Market opportunity	Passing stringent customer EHS (Environmental, Health, and Safety) audits may bring opportunities in high-end markets.	Short-, Medium-, and Long-term	<ul style="list-style-type: none"><li>Increased revenue</li></ul>



## Impacts, risks, and opportunities management

In 2024, the Company signed annual responsibility agreements with all employees, from the Chairman to frontline staff, in accordance with systems and documents such as the *Environmental Protection, Occupational Health, and Safety Management Responsibility System*. Through daily rewards and punishments, regular performance evaluations, and annual excellence awards, the Company continuously enhances employees' safety awareness, strengthens the ideological defense line, and improves the safety management system with high standards and strict requirements, aiming to build an intrinsically safe enterprise.

Sokan's Main Measures for Occupational Health and Safety Management in 2024	
Occupational health and safety investment	<ul style="list-style-type: none"><li>Invest RMB3,526,400 as a special fund for safety production.</li><li>Pay work injury insurance as per regulations, covering all employees, and pay safety production liability insurance in a timely manner.</li><li>Provide frontline operators with standard protective equipment according to regulations and supervise the correct usage of such equipment during daily work.</li></ul>
Risk identification and hazard management	<ul style="list-style-type: none"><li>Revise and upgrade the <i>Dual Prevention Mechanism Summary Report</i>, covering risk control during production, storage, and other operations in the Ningxiang Park, and develop targeted control and protective measures.</li><li>Fully revise the <i>Emergency Plan Production Safety Accidents</i>, forming one comprehensive emergency plan, seven specific emergency plans, and four on-site handling plans. Conduct a total of 28 comprehensive inspections, special inspections, and holiday inspections.</li><li>Develop corrective plans for 235 identified hazards and conduct re-inspection of the corrective results, with all the 235 hazards being already corrected.</li><li>Organize nine drills, including fire drills, personnel evacuation, elevator accidents, chemical accidents, and confined space accidents, as per the <i>Annual Emergency Drill Plan</i>.</li></ul>



Development and implementation of safety standards

- For occupational health risks caused by improper storage or leakage of hazardous chemicals and long-term exposure to volatile organic compounds, organize occupational health check-ups for employees in hazardous posts before they start work, annually during employment, and upon leaving the post.
- Organize annual health check-ups for other employees, with a 100% coverage rate.
- Ensure 100% certification rate for special operation personnel and special equipment operators.

Safety training and awareness building

- Organize no less than 72 hours of three-level safety education and training for new employees, and no less than 20 hours of safety production knowledge training, special operations monitoring training, and emergency rescue training, covering a total of 13 sessions.
- Entrust professional medical staff to train employees in first aid knowledge and skills, such as the Heimlich maneuver and CPR, with 317 employees trained.
- Install promotional display boards, banners, notice boards, posters, and warning signs at prominent locations within the park and work areas.

Indicators and targets

The Company actively implements safety policies and sets annual safety management targets and indicators at the beginning of each year. During the Reporting Period, no major production safety accidents, work-related injuries, or occupational disease incidents occurred, nor was the Company punished by relevant authorities or judicial bodies due to issues related to occupational health and safety of employees.

Indicators and Targets Related to Sokan's Occupational Health and Safety in 2024				
Type	Indicator	Unit	Target	Achievement Status
Safety production	Minor injury accidents	Case	≤3	0(Achieved the goal)
	Work injury accidents	Case	0	0(Achieved the goal)
	Fire accidents	Case	0	0(Achieved the goal)
	Chemical leakage accidents	Case	0	0(Achieved the goal)
	Pass rate of annual inspection of special equipment	%	100	100(Achieved the goal)
	Certification rate of special operation personnel	%	100	100(Achieved the goal)
Occupational health	Diagnosed occupational disease cases	Case	0	0(Achieved the goal)
	Timely completion rate of occupational health check-ups	%	100	100(Achieved the goal)
	Pass rate of occupational disease hazard factor detection	%	100	100(Achieved the goal)

6.4 Chemical safety management

The resins, solvents, and other raw materials used by the Company are mostly flammable liquids and hazardous chemicals. The nine types of solvents with the highest usage are stored in a tank area (10 vertical storage tanks, each with a capacity of 50 cubic meters), which does not constitute a major hazard. Sokan and Gull Hash Chemistry are hazardous chemical production enterprises, and in accordance with national and local regulations, they have obtained safety production licenses and hazardous chemicals usage registration certificates. All produced products have chemical safety data sheets and safety labels.

The Company fully implements the entity responsibility for the safety production of hazardous chemicals as a hazardous chemical production enterprise. It has established the *Hazardous Chemicals Management System* and, in 2024, revised and improved it in line with the latest company organizational structure, and duty and authority requirements. The system manages the entire process of chemical procurement, transportation, storage, use, and disposal. The Company organizes at least one chemical safety training and one chemical leakage emergency drill each year to enhance the Company's emergency rescue capabilities, while also testing the feasibility, effectiveness, and compliance of the emergency response plan for hazardous chemical leakage accidents.

Sokan's Hazardous Chemicals Management Requirements

Introduction requirements

- When introducing new chemicals, all departments must select substances that comply with the *Environmental Management Material Control Standards*, prioritizing chemicals with low risk and low hazard. All chemicals used by the Company must be accompanied by a chemical safety data sheet in Chinese, with content and format in line with national standards. All original and repackaged containers must be labeled with chemical identifiers; hazardous chemicals must also bear safety labels that meet applicable national standards.

Procurement

- Procurement quantity should align with production needs to ensure safety. Suppliers must use certified vehicles for transporting hazardous goods and ensure that the drivers and escorts hold valid licenses. Preventive measures against leakage, fire, and explosion must be taken during transportation.

Transportation and handling

- Transportation must be entrusted to carriers with the appropriate hazardous goods transport qualifications. Incoming vehicles must pass five mandatory checks. Handling personnel must follow labeling instructions during loading/unloading and wear suitable protective equipment based on the nature of the hazardous chemicals, ensuring gentle handling.

Storage

- Storage warehouses must be equipped with ventilation, fire protection, combustible gas detection, explosion-proofing, anti-static, and lightning protection facilities, along with protective equipment and emergency devices. Compatible containers must be regularly inspected for integrity and must be stored separately by warehouse, zone, and classification.

Production and use

- Prominent safety warning signs must be displayed at relevant workplaces and on safety facilities and equipment. During production and use, safety measures must be taken based on the type and properties of the hazardous chemicals, including monitoring, ventilation, temperature regulation, fire prevention, explosion-proofing, anti-static, corrosion resistance, leakage prevention, or isolation operations.

#### Scrap

- Waste hazardous chemicals must be treated as hazardous waste and disposed of in accordance with the *Solid Waste Management System*. Scrapped chemicals used in operations must be transferred by the relevant department to the hazardous waste warehouse.

#### Emergency response

- In the event of an accident involving hazardous chemicals during storage, transport, use, or disposal, emergency response must be carried out in accordance with the *Emergency Preparedness and Response Control Procedures* and related emergency plans. If the impact of an accident is beyond the control of the Company, it must be reported to emergency management departments, as well as environmental protection, public security, and competent health departments.

The Company fully recognizes the potential hazards that hazardous chemicals may pose to the surrounding environment, communities, and employees at its production sites. It remains committed to reducing the use of hazardous chemicals through measures such as process optimization and substituting existing raw materials with non-hazardous alternatives. These efforts aim to minimize environmental and social impacts without compromising product quality or performance.

#### Sokan's Main Measures to Reduce the Use of Hazardous Chemicals

##### Prohibition of cobalt catalysts

- In response to environmental concerns and requirements from downstream customer companies, the Company has signed agreements explicitly prohibiting the use of cobalt catalysts in production.

##### Replacement of fluorinated silicone rubber coatings

- To meet customer requirements for reducing perfluoroalkyl and poly-fluoroalkyl substances (PFAS) in products, the Company has actively developed fluorine-free silicone rubber coatings, which have now entered mass production, replacing fluorinated silicone rubber coatings.

##### UV inkjet technology

- To meet the lithium battery industry's requirements for insulating coating applications, the Company has developed UV inkjet printing technology, which does not use solvents and significantly reduces the demand for hazardous chemicals in the production of lithium battery products such as power batteries.

During the reporting period, the Company did not experience any major accidents involving chemical fires or explosions, leakage or poisoning, chemical reactions, or equipment and operational failures. No penalties were imposed by relevant authorities or judicial bodies due to chemical safety issues.

## 6.5 Contributions to the society and rural revitalization

Sokan has always actively given back to society and is committed to exploring long-term mechanisms for contributions to the society. While ensuring the Company's long-term healthy development and sustained brand value growth, it also promotes harmonious social development. In 2024, the Company invested a total of RMB60,200 in dedicated funds for contributions to the society, creating a dual empowerment model of "social value – business value".



- During the reporting period, the Company donated RMB **10,000** to support activity expenses for Xinshan Primary School in Yutang Subdistrict.

Sokan actively responds to the national rural revitalization strategy and continuously upholds the philosophy of "shared responsibility, shared value" in promoting rural revitalization. Under the broader context of urban-rural integration and common prosperity, the Company advances rural development. In 2024, it supported poverty alleviation and agricultural assistance initiatives through concrete actions, enhancing employees' sense of mission, increasing farmers' income, and shaping the Company's image as a "responsible and compassionate" enterprise.



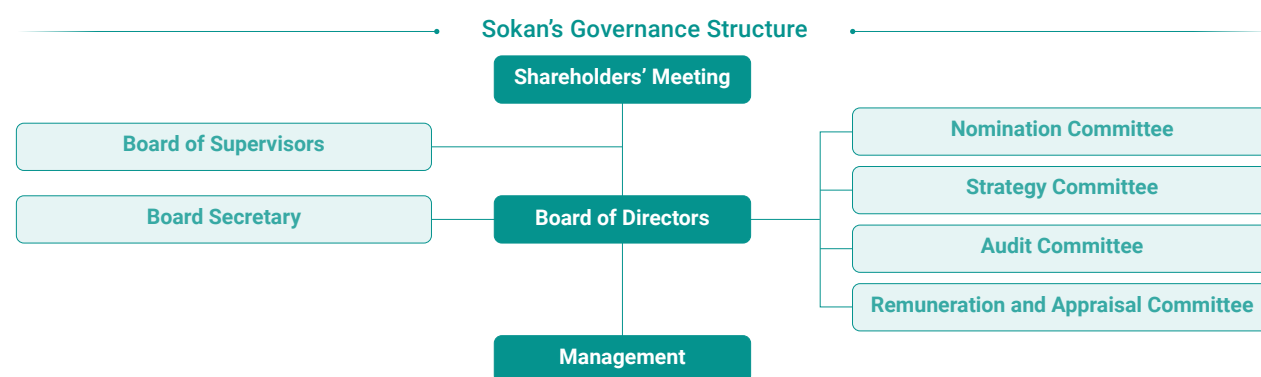
- During the reporting period, the Company participated in Ningxiang City's "Poverty Alleviation and Agricultural Assistance" program through a "city-enterprise cooperation" approach, purchasing agricultural products worth RMB **47,200** in total, which were all distributed to employees.



# Consolidation of the Foundation of Corporate Governance by Compliance and Integrity

## 7.1 Corporate governance

The Company strictly complies with the *Company Law of the People's Republic of China (the "Company Law")*, the *Securities Law of the People's Republic of China (the "Securities Law")*, the *Rules Governing the Listing of Stocks on the STAR Market of the Shanghai Stock Exchange (the "Listing Rules")*, and other applicable laws, regulations, and relevant provisions. The Company continuously improves its corporate governance structure and builds and optimizes a governance structure comprising the Shareholders' Meeting, the Board of Directors, the Board of Supervisors, and Senior Management, to ensure the Company's sustained, regulated, and healthy development.



### Shareholders' Meeting

- The Shareholders' Meeting is the Company's highest authority, legally responsible for deciding on the Company's business policies and investment plans.
- In 2024, six shareholders' meetings were held, during which 23 proposals were reviewed.

### Board of Directors

- The Board of Directors is the highest governance body of the Company and is responsible for the Shareholders' Meeting. The Board of Directors has four special committees, namely the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee, and the Strategy Committee. Each special committee performs its own duties to ensure the standardization, scientificity and effectiveness of the Board's decisions.
- The Board of Directors is responsible for the Shareholders' Meeting. Directors serve a term of three years and may be re-elected. Independent directors may serve for no more than six consecutive years.
- The Board of Directors has a diverse background, with members possessing professional expertise and industry knowledge in areas such as auditing, financial management, human resources management, and the new materials industry, along with experience in large-scale corporate management.
- As of the end of 2024, the Company's Board of Directors comprised seven members, including three independent directors.
- In 2024, the Board of Directors convened 13 meetings and reviewed 61 proposals. The special committees held 15 meetings, with a 100% attendance rate from directors.

### Board of Supervisors

- The Board of Supervisors exercises supervisory authority to safeguard the rights and interests of shareholders and investors, protect the Company's interests, and uphold the lawful rights and interests of employees.
- As of the end of 2024, the Board of Supervisors comprised three members, including one employee representative.
- In 2024, nine meetings of the Board of Supervisors were held, during which 26 proposals were reviewed.

### Management

- The Company's Management fulfils its responsibilities in accordance with laws, regulations, and internal policies, and strictly implements all resolutions passed by the Shareholders' Meeting and the Board of Directors, thereby promoting the Company's stable and sustainable operations.

In 2024, the Company further enhanced efficient and standardized operations through organizational restructuring and system improvements.

### Sokan's Corporate Governance Measures in 2024

#### Organizational restructuring

- Based on the Company's actual circumstances, adjust the number of Board members from nine to seven to enhance decision-making efficiency.
- Successfully completed the election and appointment of the Board of Directors, Board of Supervisors, and Senior Management.

#### System improvements

- In line with the latest legal and regulatory requirements and the Company's operational practices, revise and improve a series of systems, including the *Articles of Association*, *Rules of Procedure for the Shareholders' Meeting*, *Rules of Procedure for the Board of Directors*, and *Working Rules for Independent Directors*.

#### Enhancement of the duty performance ability of independent directors

- Organize onsite visits for independent directors to conduct field research and engage in in-depth exchanges with the management team, thereby supporting the Board's strategic decision-making capabilities.

The Company continuously improves the remuneration system for directors, supervisors, and Senior Management. The remuneration of Senior Management is determined by the Remuneration and Appraisal Committee of the Board of Directors and submitted to the Board of Directors for approval. The remuneration of directors and supervisors is reviewed and approved by the Board of Directors and the Board of Supervisors, and subsequently submitted to the Shareholders' Meeting for approval. The annual work reports of the Board of Directors and the Board of Supervisors must be submitted to the Shareholders' Meeting for review, and independent directors are required to present their annual performance reports at shareholders' meetings.

The Company has formulated the *Connected Transactions Management System* and other related system documents to regulate connected transactions, minimize unnecessary transactions, and ensure that decision-making regarding connected transactions is fair and just for all shareholders.

## 7.2 Protection of the rights and interests of investors

### > Information disclosure

The Company strictly complies with the *Company Law*, *Securities Law*, *Listing Rules*, *Measures for the Administration of Information Disclosure by Listed Companies*, and other applicable laws, regulations, and normative documents. It has established systems such as the *Information Disclosure Management System* and the *Regulations on Standardized Information Disclosure and Internal Control Baselines* to ensure that disclosed information is truthful, accurate, and complete. These measures are designed to ensure investors are promptly informed of material matters and to safeguard the interests of minority investors.



The Company actively improves its channels for communication with investors by disclosing information via the official website of the SSE and other statutory media designated by the China Securities Regulatory Commission. It adopts a combination of mandatory and voluntary disclosures to maintain sound communication with the capital market and investors, and to continuously enhance the transparency of its information disclosure.

In 2024, the Company disclosed a total of 171 announcements, including 87 ad hoc announcements and four periodic reports. No incidents of regulatory penalties due to information disclosure violations occurred, nor were there any instances of selective or non-compliant disclosures.

### > Investor communication

The Company strictly adheres to the *Securities Law, the Work Guidelines for the Investor Relations Management of Listed Companies*, and other relevant laws, regulations, and normative documents. It has established internal systems such as the *Investor Relations Management System*, and implements various investor relations measures based on the principles of fairness, impartiality, and transparency to safeguard the legitimate rights and interests of all investors.

The Company has established an investor relations management system in which the Chairman assumes primary responsibility, the Board Secretary acts as the person in charge, and the Securities Affairs Department serves as the main executing body. Through multiple channels, the Company responds to investors' concerns on major issues, provides comprehensive interpretations of key highlights and long-term strategies, and delivers feedback from the capital markets to directors, supervisors, and Senior Management, thereby enhancing effective communication with the capital market.

The Company has developed a two-way communication mechanism and platform for investors, using official channels such as the corporate email, the WeChat public account "Sokan Investor Relations", investor hotline, Shanghai Stock Exchange e-interaction, and performance briefings to regularly and occasionally respond to investor queries. After the release of periodic reports, the Company routinely holds performance briefings and actively participates in investor engagement meetings organized by the CSRC Hunan Office for listed companies within the jurisdiction of Hunan Province, thereby strengthening communication with a broad base of investors. In 2024, the Company held three performance briefings, responded to 54 investor queries on the Shanghai Stock Exchange e-interaction platform with a 100% response rate, and received more than 120 investor visits and queries.

### > Return for investors

Sokan actively responded to the SSE's *Initiative on the Special Campaign to Enhance Quality and Efficiency, and Emphasize Returns for SSE-Listed Companies*. In line with the "investor-oriented" development philosophy, the Company formulated and implemented the *2024 Action Plan for Enhancing Quality and Efficiency and Emphasizing Returns*, with the aim of delivering tangible benefits to investors.

The Company attaches great importance to providing reasonable returns to shareholders and actively implements a prudent cash dividend policy. It has developed the *Three-Year Shareholder Dividend Return Plan (2023–2025)* to clarify and stabilize profit distribution expectations, thereby enhancing investors' sense of gain. In 2024, the Company distributed a cash dividend of RMB2.20 (tax included) per ten shares to each shareholder, amounting to a total of RMB24,494,700 (tax included), accounting for 30.20% of the consolidated net profit attributable to shareholders of listed companies for 2023.



- The cumulative dividend amount of the company from 2020 to 2023 reached RMB **105** million, with the annual cash dividend accounting for more than **30%** of the consolidated net profit attributable to shareholders of listed companies each year.

The Company also actively explores share repurchase as a means of stabilizing its share price. In 2024, the Company conducted its first share repurchase, with a total repurchase amount of RMB16,013,300 (excluding stamp duty, transaction commissions, and other transaction-related fees), repurchasing 426,900 shares, accounting for 0.38% of the Company's total share capital. This effectively safeguarded investor rights and interests, stabilized investor confidence in the Company, and enhanced investor recognition of the Company's value.

## 7.3 Risk control and compliant operations

### Governance

Sokan adheres to the principle of lawful and honest operation and places great emphasis on risk control. In accordance with the Company Law, the Guidelines for Evaluation of Enterprise Internal Controls, the *Guidelines for Auditing of Enterprise Internal Controls*, and the *Code of Corporate Governance for Listed Companies*, and other relevant laws, regulations, standards and specifications, the Company has formulated system documents such as the *Management Measures for Internal Audit of Sokan Group*, and the *Authorization Manual of Sokan Group*. A risk control and compliant operation system has been established, with the Audit Committee of the Board of Directors as the guiding and decision-making body and the Audit and Supervision Department as the main department responsible for daily management. The responsibilities of each department regarding risk control and compliant operation are clearly defined, thereby supporting the Company's stable operation and development.

### Strategy

The Company has established and continues to improve management processes related to risk control and compliant operations. It proactively identifies the impacts, risks, and opportunities in these areas and implements targeted response measures based on the results, in order to mitigate the impact of risk events on business operations and ensure compliant and standardized corporate governance.

Analysis of Risks and Opportunities Related to Sokan's Risk Control and Compliant Operations

Risk	Risk Description	Impact Scope	Financial Impact
Liability risk	Inadequate monitoring and control of risks may lead to the occurrence of potential risk incidents, adversely affecting the Company's financial condition. Improper compliance management may result in legal violations and financial risks such as litigation or regulatory penalties.	Short-, Medium-, and Long-term	<ul style="list-style-type: none"><li>Increased operating expenses</li><li>Increased non-operating expenses</li></ul>
Policy risk	Failure to adequately monitor risks and policies may result in an inability to keep pace with policy changes, potentially leading to regulatory penalties.		
Reputational risk	Poor risk or compliance management may result in damage to the Company's brand image.		
Opportunity	Opportunity Description	Impact Scope	Financial Impact
Market opportunity	Effective risk and compliance management can significantly reduce the Company's operating costs and enhance its profitability.	Medium- and Long-term	<ul style="list-style-type: none"><li>Reduced operating costs</li></ul>

Sokan's Response Strategies for Risk Control and Compliant Operations



Impacts, risks, and opportunities management

Based on the identification of impacts, risks, and opportunities, the Company actively implements measures such as system improvements, risk and compliance reviews, and risk and compliance training. These efforts aim to proactively identify and address potential risk factors in the course of operations, promote standardized operations, and support the Company's long-term and stable development.

Sokan's Measurement Measures for Risk Control and Compliant Operations in 2024

**System improvements**

- Revise the *Management Measures for Internal Audit of Sokan Group* to further clarify the responsibilities of each position in light of system operations.

**Risk and compliance review**

- Establish an internal control and risk management evaluation framework covering contract management, asset management, information systems, and financial management. Identify 71 internal control risk points and propose corresponding risk mitigation measures.

**Risk and compliance training**

- Conduct one internal compliance training session covering all Sokan employees, effectively enhancing compliance awareness and legal knowledge.
- Incorporate compliance management content into onboarding training for new employees to reduce the risk of non-compliant behaviour due to lack of awareness.

Indicators and targets

To achieve stable and standardized development, the Company has established a series of targets related to risk control and compliant operations. These targets are designed to guide relevant departments and personnel in their work, and to enhance the Company's awareness and capability in risk mitigation and standardized management.

Indicators and Targets Related to Sokan's Risk Control and Compliant Operations in 2024

Indicator	Unit	Annual Target	Achievement Status
Number of major compliance incidents	Times	0	0 (Achieved the goal)
Number of company-wide compliance training sessions	Times	1	1 (Achieved the goal)
Establishment of internal control and risk management evaluation frameworks for each business segment by 2026	—	Complete framework establishment for contract management, asset management, information systems, and financial management	Completed

## 7.4 Business ethics

### > Anti-corruption and anti-commercial bribery

Sokan upholds the principle of “adhering to the rule of law, safeguarding fairness and justice, ensuring the healthy and sustainable development of the enterprise, and protecting the interests of shareholders, employees, and the general public”. The Company strictly complies with the *Criminal Law of the People's Republic of China*, the *Company Law*, and other relevant laws and regulations. It has established system documents such as the *Employee Reward and Punishment System* and the *Code of Professional Ethics Control Procedures*, thereby constructing a top-down supervision and management system for anti-corruption and anti-commercial bribery.

#### Sokan's Anti-Corruption and Anti-Commercial Bribery Management Structure

##### Audit Committee of the Board of Directors

- The Audit Committee of the Board of Directors is responsible to lead the Company's anti-corruption and anti-commercial bribery efforts, formulate relevant policies and targets, approve related management systems, and supervise the implementation of related work.

##### Audit and Supervision Department

- The Audit and Supervision Department is responsible for the execution of anti-corruption and anti-commercial bribery initiatives, and for handling clues involving disciplinary or legal violations related to corruption and bribery in accordance with relevant regulations.

The Audit and Supervision Department serves as the daily management units for the Company's anti-corruption and anti-commercial bribery efforts. Based on the internal control and risk management evaluation framework, the Department has identified key corruption and bribery risk points, critical positions, and key processes. It conducts regular supervisory inspections and periodic audits of key departments and roles, formulates preventive measures, and improves systems and mechanisms accordingly.

In terms of anti-bribery management for suppliers, the Company has issued the *Integrity and Honesty Agreement of Sokan Group* and the *Integrity and Honesty Requirements for Suppliers of Sokan*. The Company regularly reviews suppliers' adherence to anti-bribery commitments. Upon discovery of any violation involving corruption, bribery, or related misconduct in any form, the Company will take immediate and strict disciplinary action. Through measures such as signing integrity agreements with suppliers, conducting anti-bribery due diligence, and providing anti-corruption training, the Company fosters a “fair, impartial, clean, and honest” cooperative relationship, thereby building a long-term and stable supply ecosystem.

Regarding whistleblowing management, the Company encourages employees and business partners to whistleblow any violations of integrity and self-discipline regulations, or acts of fraud, corruption, or bribery. The Company has established the *Employee Issue, Suggestion, Whistleblowing and Complaint Handling Procedures* and provides multiple

whistleblowing channels, including telephone and email, to receive complaints or whistleblowing. These whistleblowing channels are published on public platforms to ensure that employees, external partners, and other stakeholders are fully informed of the whistleblowing channels and procedures. After an incident whistleblowed is verified, the Company will order the concerned violator to return the improper benefits obtained and bear corresponding responsibilities.

The Company places a high priority on the confidentiality of the whistleblowing process and has adopted strict confidentiality measures to protect whistleblowers from any form of retaliation. All whistleblowing information will be handled exclusively by the designated personnel or departments within the Audit and Supervision Department, with whistleblowing contents thoroughly investigated and findings promptly communicated to the whistleblower.

#### Whistleblowing Channels



#### Sokan's Management Measures for Anti-Corruption and Anti-Commercial Bribery in 2024

##### Anti-corruption and anti-commercial bribery review

- Review key positions and critical processes, and implement correction and mitigation measures for identified risk points.

##### Integrity culture development

- Send “Integrity Reminder Letters” to employees via email and the Company's official WeChat platform, outlining potential forms and consequences of corruption and bribery, and providing whistleblowing channels to help employees prevent such behaviour.
- Develop integrity culture based on relevant festivals, incidents or activities such as the International Anti-Corruption Day, further enhancing employees' awareness of anti-corruption and anti-commercial bribery.
- Integrate anti-corruption and anti-commercial bribery content into compliance training sessions conducted for all employees, with full participation from directors and Senior Management.

##### Supplier anti-bribery measures

- By the end of 2024, all suppliers had signed the *Integrity and Honesty Agreement of Sokan Group*.
- The Company conducted anti-corruption reviews of suppliers, and no incidents of corruption or bribery involving suppliers were reported.

During the reporting period, the Company was not subject to any administrative or judicial penalties related to corruption, bribery, fraud, or similar misconduct.



➤ Anti-unfair competition

Sokan strictly complies with the *Anti-Unfair Competition Law of the People's Republic of China*, the *Anti-Monopoly Law of the People's Republic of China*, the *Interim Provisions on Anti-Unfair Competition on the Internet*, and other relevant laws and regulations. The Company firmly prohibits unfair practices such as false advertising, infringement of trade secrets, and fraudulent sales, and upholds fair and legitimate market competition.

Sokan's Anti-Unfair Competition Measures in 2024

Prohibition of false advertising

- Ensure that all announcements, product or activity information and other contents published through the Company's official website, WeChat public account and other channels, are approved by the heads of relevant departments before being published, and any content not complying with the requirements of relevant laws and regulations is modified and resubmitted for approval, or directly not published.

Prohibition of trade secret infringement

- Sign confidentiality agreements with employees, interns, and suppliers to prevent the leakage of trade secrets.

During the reporting period, the Company was not subject to any administrative or judicial penalties for unfair competition practices such as monopolistic behaviour, false advertising, or infringement of trade secrets.

ESG Data Tables and Notes

Environmental performance

Performance Table for Greenhouse Gas Emissions and Resource Usage

Disclosure Item	Unit	2022	2023	2024
Climate change tackling <sup>1</sup>				
Total greenhouse gas emissions <sup>1</sup>	Tons of CO <sub>2</sub> e	5,710.50	7,111.44	8,713.34
-Scope 1 Greenhouse gas emissions	Tons of CO <sub>2</sub> e	0.00	0.00	0.00
-Scope 2 Greenhouse gas emissions	Tons of CO <sub>2</sub> e	5,710.50	7,111.44	8,713.34
Greenhouse gas emission intensity per unit of revenue	Tons of CO <sub>2</sub> e / million RMB	11.44	12.06	11.59
Energy usage				
Comprehensive energy consumption	Tons of standard coal	1,308.84	1,630.44	1,997.90
-Direct energy consumption <sup>2</sup>	Tons of standard coal	0.00	0.00	0.00
-Indirect energy consumption	Tons of standard coal	1,308.84	1,630.44	1,997.90
Purchased electricity	MWh	10,642.00	13,241.10	16,219.49
Purchased steam <sup>3</sup>	GJ	0	57.00	90.54
Comprehensive energy consumption intensity per unit of revenue	Tons of standard coal/ million RMB	2.62	2.76	2.68
Usage of water resources				
Total water intake volume	m <sup>3</sup>	124,652.00	135,368.00	136,450.71
-Municipal water supply	m <sup>3</sup>	123,652.00	134,368.00	135,450.71
-Collected and stored rainwater <sup>4</sup>	m <sup>3</sup>	1,000.00	1,000.00	1,000.00
Total drainage volume (via sewer system)	m <sup>3</sup>	118,419.00	128,599.00	129,628.10
Total water consumption <sup>5</sup>	m <sup>3</sup>	6,233.00	6,769.00	6,822.61
Water consumption intensity per unit of revenue	m <sup>3</sup> / million RMB	12.49	11.48	9.15

Disclosure Item	Unit	2022	2023	2024
Circular economy				
Recycled waste volume <sup>6</sup>	kg	—	—	300

Note 1: Total greenhouse gas emissions represent the sum of Scope 1 and Scope 2 emissions. As the Ningxiang Park does not use natural gas, petrol, or diesel, Scope 1 emissions are zero. Scope 2 emissions refer to indirect emissions from purchased electricity and steam. The emission factor for purchased electricity is based on the national average electricity carbon dioxide emission factor of 0.5366 tCO<sub>2</sub>/MWh, as published in December 2024 by the Ministry of Ecology and Environment and the National Bureau of Statistics in the *Notice on the Publication of the 2022 Electricity Carbon Dioxide Emission Factors*. The emission factor for purchased steam is sourced from the *Guidelines for Accounting and Reporting Greenhouse Gas Emissions from Enterprises of Other Industries (Trial)* (2015), issued by the National Development and Reform Commission.

Note 2: In the Company's operation, direct energy mainly involves the transportation link. The main types are diesel and gasoline, but the consumption is relatively small and has not been included in the statistics for the time being. In the future, the Company will further improve the statistical criteria for energy consumption.

Note 3: In 2023–2024, the Company introduced purchased steam to support the R&D and production needs of new technologies.

Note 4: Rainwater collection and storage volumes are Company estimates.

Note 5: Calculation method: Total water consumption = Total water intake volume – Total drainage volume.

Note 6: The recycled waste during production primarily refers to carbon black refined from used tyres.

Performance Table for Environmental Compliance and Emissions Management

Disclosure Item	Unit	2022	2023	2024
Environmental compliance management				
Total environmental protection investment <sup>1</sup>	RMB10,000	236.38	275.81	190.10
Penalty amount for major administrative sanctions related to environmental incidents	RMB10,000	0.00	0.00	0.00
Emissions management <sup>2</sup>				
Total waste air emissions	10,000 m <sup>3</sup>	65,025.00	64,125.00	65,250.00
-Total volatile organic compounds (VOCs) emissions	kg	3,677.29	4,688.64	3,311.40
Total wastewater discharge <sup>3</sup>	m <sup>3</sup>	13,383.00	14,890.00	16,951.00
Total hazardous waste <sup>4</sup>	Tons	304.69	348.08	481.82
Total non-hazardous waste	Tons	18.80	18.60	19.20

Note 1: In 2022–2023, the Company introduced environmental protection equipment. As the equipment entered stable operation in 2024, the total environmental protection investment decreased accordingly.

Note 2: The data on emission management is based on the operations of Ningxiang Park.

Note 3: During the production process in Ningxiang Park, no industrial wastewater is discharged externally, and the total amount of wastewater discharged only includes domestic wastewater.

Note 4: The hazardous waste generated by the Company primarily includes spent activated carbon, packaging drums, paint buckets and paint waste.

Social performance

Performance Table for R&D and Innovation

Disclosure Item	Unit	2022	2023	2024
Number of R&D personnel	Person	199	241	268
Proportion of R&D personnel <sup>1</sup>	%	29.70	31.75	32.56
R&D investment amount	RMB10,000	7,452.16	9,028.59	10,544.50
R&D investment as a proportion of main business revenue <sup>2</sup>	%	14.93	15.31	14.14
Number of patent applications during the reporting period	Item	35	65	59
-Number of invention patent applications among them	Item	32	45	45
Number of patents granted during the reporting period	Item	29	24	52
-Number of invention patents granted among them	Item	25	18	19
Number of valid patents during the reporting period	Item	119	143	195
Number of invention patents applied to main business	Item	118	142	194

Note 1: Calculation method: Proportion of R&D Personnel = Number of R&D personnel / Total number of employees × 100%.

Note 2: Calculation method: R&D investment as a proportion of main business revenue = R&D investment amount / Operating revenue × 100%.

Performance Table for Quality Management of Products and Services

Disclosure Item	Unit	2022	2023	2024
Amount involved in major safety and quality liability accidents related to products and services during the reporting period	RMB10,000	0	0	0

Performance Table for Data Security and Customer Privacy Protection

Disclosure Item	Unit	2022	2023	2024
Amount involved in data security incidents	RMB10,000	0	0	0
Amount involved in customer privacy leakage incidents	RMB10,000	0	0	0

Performance Table for Employee Employment and Rights and Interests of Employees

Disclosure Item		Unit	2022	2023	2024
Total number of employees		Person	670	759	823
By gender	Male employees	Person	507	598	655
	Female employees	Person	163	161	168
By age	Employees aged below 30	Person	172	145	170
	Employees aged 30–50	Person	467	584	611
	Employees aged above 50	Person	31	30	42
Employee turnover rate <sup>1</sup>		%	12.30	14.03	13.50

Note 1: Calculation method: Employee Turnover Rate = Number of Departed employees during the reporting period / Total number of employees at the end of the reporting period × 100%.

Disclosure Item	Unit	2022	2023	2024
Amount of investment in work Injury In-surance	RMB10,000	26.90	37.74	42.92
Amount of investment in work safety lia-bility insurance	RMB10,000	15,120	15,120	13,608

Note 1: Calculation method: Proportion of employees covered by work injury insurance = Number of employees covered by work injury insurance / Total number of employees × 100%.

Note 2: Calculation method: Proportion of employees covered by work safety liability insurance = Number of employees covered by work safety liability insurance / Total number of employees × 100%.

Note 3: Work safety liability insurance covers all employees of the Company's subordinate units involved in the production and operation of hazardous chemicals.

Performance Table for Contributions to the Society and Rural Revitalization

Disclosure Item	Unit	2022	2023	2024
Amount of investment in rural revitaliza-tion	RMB10,000	3.68	1.83	4.72
Amount of charitable donations	RMB10,000	0	0	1.30

Performance Table for Employee Training and Development

Disclosure Item	Unit	2022	2023	2024
Employee training coverage rate <sup>1</sup>	%	100	100	100
Average employee training duration <sup>2, 3</sup>	Hour	32.60	15.29	35.70
Total training expenditure <sup>4</sup>	RMB10,000	41.74	133.21	71.00
Number of training sessions	Times	347	305	340

Note 1: Calculation method: Employee training coverage rate = Number of employees participating in training during the reporting period / Total number of employees at the end of the reporting period × 100%.

Note 2: Calculation method: Average employee training duration = Total employee training duration during the reporting period / Total number of employees at the end of the reporting period.

Note 3: In 2023, there were no significant changes to training practices. The decrease in data was due to organizational restructuring, resulting in some training records not being captured. Current data is based on recorded entries only, thus appearing lower than in 2022 and 2024.

Note 4: In 2023, the Company organized targeted training projects for key personnel, resulting in a notable increase in training expenditure compared to 2022.

Performance Table for Occupational Health and Safety of Employees

Disclosure Item	Unit	2022	2023	2024
Proportion of employees covered by work injury insurance <sup>1</sup>	%	100	100	100
Proportion of employees covered by work safety liability insurance <sup>2, 3</sup>	%	43.28	38.21	35.24

Corporate governance performance

Performance Table for Business Ethics

Disclosure Item	Unit	2022	2023	2024
Proportion of employees receiving an-ti-commercial bribery and anti-corruption training <sup>1</sup>	%	100	100	100
Proportion of directors receiving an-ti-commercial bribery and anti-corruption training <sup>2</sup>	%	100	100	100
Proportion of management personnel receiving anti-commercial bribery and anti-corruption training <sup>3</sup>	%	100	100	100
Amount involved in litigation or major ad-ministrative penalties due to the compa-ny's unfair competition practices during the reporting period	RMB10,000	0	0	0

Note 1: Calculation method: Proportion of employees receiving anti-commercial bribery and anti-corruption training = Number of employees receiving anti-commercial bribery and anti-corruption training / Total number of employees × 100%.

Note 2: Calculation method: Proportion of directors receiving anti-commercial bribery and anti-corruption training = Number of directors receiving anti-commercial bribery and anti-corruption training / Total number of Board members × 100%.

Note 3: Calculation method: Proportion of management personnel receiving anti-commercial bribery and anti-corruption training = Number of management personnel receiving anti-commercial bribery and anti-corruption training / Total number of management personnel × 100%.

# Benchmark Index Table

Index Table of Guidelines No. 14 of the Shanghai Stock Exchange for Self-Regulation of Listed Companies—Sustainability Report (Trial)

Topic	Corresponding Section in This Report
Topics required to be disclosed under the Guidelines	
Climate change tackling	Climate change tackling
Pollutant discharge	Emissions management
Waste disposal	Emissions management
Ecosystem and biodiversity protection	Not applicable. The Company's operational sites are not located in key protected areas, and its production and business activities do not have significant negative impacts on ecosystems or biodiversity. Therefore, this topic is not applicable.
Environmental compliance management	Environmental compliance management
Energy usage	Energy usage
Usage of water resources	Usage of water resources
Circular economy	Circular economy
Rural revitalization	Contributions to the society and Rural revitalization
Contributions to the society	Contributions to the society and Rural revitalization
Innovation-driven	R&D and Innovation
Ethics of science and technology	Not applicable. The Company is engaged in the manufacture of chemical raw materials and products and does not operate in fields considered sensitive in terms of science and technology ethics. Therefore, this topic is not applicable.
Supply chain security	Supply chain management
Equal treatment to small and medium-sized enterprises	Not applicable. As of the end of the reporting period, the Company's accounts payable (including notes payable) did not exceed RMB30 billion and did not account for more than 40% of total assets. Therefore, this topic is not applicable.

Topic	Corresponding Section in This Report
Safety and quality of products and services	Quality management of products and services
Data security and customer privacy protection	Data security and customer privacy protection
Employees	Rights, interests and benefits of employees Employee training and development Occupational health and safety
Due diligence	Communication with stakeholders and due diligence
Communications with stakeholders	Communication with stakeholders and due diligence
Anti-commercial bribery and anti-corruption	Business ethics
Anti-unfair competition	Business ethics
Voluntarily disclosed topics under Article 5 of the Guidelines	
Chemical safety management	Chemical safety management
Corporate governance	Corporate governance
Protection of the rights and interests of investors	Protection of the rights and interests of investors
Risk control and compliant operations	Risk control and compliant operations