

2024 Sustainability Report

SHENMA INDUSTRIAL CO., LTD.

SHENMA INDUSTRIAL CO., LTD. Stock code: 600810

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Consolidating Foundations and Strengthening Governance

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Shared Development and Corporate Responsibility

About the Report

Report Information Explanation

This Report is the 2024 Sustainability Report released by Shenma Industrial Co., Ltd. (hereinafter referred to as "the Company"). It outlines the Company's sustainability philosophy and policies, and presents its efforts in 2024 in the areas of environmental protection, social responsibility, and corporate governance, in response to the expectations and concerns of stakeholders.

Time Frame

This Report covers the period from January 1st, 2024 to December 31st, 2024. To maintain continuity, enhance comparability, and improve forward-looking insights, certain information may extend beyond this timeframe. All data are sourced from internal records and publicly available information.

Organizational Scope

The Report covers the major business activities of Shenma Industrial Co., Ltd. and its majority-owned subsidiaries, consistent with the scope disclosed in the Company's Annual Report.

Data Interpretation

All data and case studies cited in this Report are sourced from official company documents and statistical reports. Unless otherwise stated, operational data are derived from the 2024 Annual Report of Shenma Industrial Co., Ltd. (hereinafter referred to as "the Annual Report"). In the event of discrepancies, the data in the Annual Report shall prevail. All monetary amounts, unless otherwise specified, are presented in RMB.

Reference

This Report has been prepared with reference to the following ESG disclosure standards:

- GRI Universal Standards (2021) issued by the Global Sustainability Standards Board (GSSB)
- Reference Indicator System for ESG Reports of Central SOE-Controlled Listed Companies by the SASAC Bureau of Property Rights Management and Social Responsibility Research Center
- Guidelines No. 14 and No. 4 for Self-Regulation of Listed Companies on Sustainable Development Reporting (Trial) issued by the Shanghai Stock Exchange
- Environmental, Social and Governance Reporting Code and Climate Disclosure Guidance issued by the Hong Kong Stock Exchange
- IFRS Sustainability Disclosure Standards S1 and S2 issued by the International Sustainability Standards Board (ISSB)
- Ten Principles of the United Nations Global Compact
- United Nations Sustainable Development Goals (UN SDGs)

Terminology Notes

For ease of expression and reading, "Shenma Industrial Co., Ltd." is referred to in this Report as "Shenma Corporation", "the Company", or "we".

Com	imon Company N
Shenma Cord Fabric, Shenma Cord Fabric	Company Refer to
Shenma Cord Fabric Development Co., Lto	d. Refer to
Nylon Chemical Co., Ltd.	Refer to
Shenma Engineering Plastic Co., Ltd.	Refer to
Shenma Engineering Plastics Technology ment Co., Ltd.	Develop- Refer to
Shenma Aramid	Refer to
Aidian	Refer to
Shanghai Shenma	Refer to
Shenma Jinhua Technology Co., Ltd.	Refer to
Shenma Hydrogen Chemical Co., Ltd.	Refer to
Shenma Huawei Plastic Co., Ltd.	Refer to
International Trade ¹	Refer to

Access to the Report

This Report is available in printed form. Investors may also access the Report via the official website of Shenma Industrial Co., Ltd. or the Shanghai Stock Exchange. Websites: http://www.shenma.com/ and http://www.sse.com.cn/

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¹The International Trade is a subsidiary of China Pingmei Shenma Group and is not included in the consolidated financial statements of Shenma Corporation.

Na	Name Interpretations			
to	Shenma Industrial Co., Ltd. (Production Department)			
to	Pingdingshan Shenma Cord Fabric Development Co., Ltd.			
to	Henan Shenma Nylon Chemical Co., Ltd.			

- to Pingdingshan Shenma Engineering Plastics Co., Ltd.
- Pingdingshan Shenma Engineering Plastics Technology Development Co., Ltd.
- to Henan Shenma Aramid Technology Development Co., Ltd.
- to Henan Shenma Aidian Chemical Co., Ltd.
- to Shanghai Shenma Engineering Plastics Co., Ltd.
- to Henan Shenma Jinhua Technology Co., Ltd.
- to Henan Shenma Hydrogen Chemical Co., Ltd.
- to Henan Shenma Huawei Plastic Co., Ltd.
- to China Pingmei Shenma Group International Trade Co., Ltd.

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Chairman's Message



Chairman of Shenma Corporation Benbin Li For Shenma Corporation, 2024 was a year that balanced challenges with opportunity. Amidst weak demand and intensified industry competition, the Company upheld President Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, firmly embraced the "Six Firmnesses" and maintained focus on "High Quality, High Efficiency, High Growth, High Returns, High Standards, High Integration, and Strong Execution." We actively responded to fierce market competition through continuous efforts in technological innovation, cost control, market expansion, and efficiency improvement—tackling adversity with extraordinary measures and overcoming extreme difficulties with resolute action.

This Year, we reinforced our fundamentals and govern-

ance. The Company integrated Party leadership into strategic decision-making, reforms, and safety production. We aligned Party goals with business objectives, made key reform priorities also Party priorities, and turned Party-building outcomes into a key driver of high-quality growth. We complied rigorously with laws and regulations, standardized board operations, strengthened risk prevention, and elevated self-regulation and improvement. By digging deeper into governance potential, we optimized systems, enhanced structure, nurtured a governance culture, and crafted a sustainable, standardized governance model to support long-term growth.

This Year, we steadfastly pursued green development and low-carbon transformation. The Company has been committed to green and low-carbon initiatives, promoting advanced energy-saving technologies and processes throughout the industrial chain. Guided by green development, it has achieved high-quality growth, earning an A- rating in CDP China's corporate climate disclosure and the global CDP Climate Leadership Award. The Company has implemented exhaust gas collection and treatment projects to reduce emissions. It has explored wastewater management through separate stormwater and sewage systems, and advanced the recycling of reclaimed water. In addition, it has been building a green energy system by installing rooftop photovoltaic systems, upgrading low-NO_x burners, and working towards creating "Type I, Three-Star" zero-carbon factories. By setting science-based carbon targets, the Company has demonstrated strong commitment to green and low-carbon development.

This Year, we prioritized people and reinforced safety.

We enhanced our compensation and benefits structure and increased equity-based incentives to stimulate employee motivation and innovation. Through our "I Serve the People" campaign, we addressed employees' daily challenges, enriched cultural life with sports and arts activities, and significantly boosted morale and belonging. In safety and production, we enforced accountability for environmental and safety responsibilities, expanded standardization, and implemented a "Three-Year Safety Improvement" campaign and hazardous-material remediation initiatives. We operationalized dual prevention systems, emergency management, and high-risk source inspections. Monthly risk assessments, tiered hazard controls, and precise accountability regimes created a comprehensive safety oversight system.

This Year, we intensified innovation-driven, research-and-development initiatives. The Company prioritized technology innovation, increased R&D investment, and expanded lab reserves. We put pilot bases into service, established joint pilot labs for nylon intermediates and plastics, and launched a full-process adiponitrile lab. Key projects progressed: a 1,000t green polyamide fiber pilot project started; 10.8 g/d ultra-highstrength industrial yarn entered continuous production; nylon 66 airbag yarn and civilian-grade half-dull nylon 66 resin projects advanced; R&D into high-strength fiber chips, PAMXD6, and long-chain PA1012 accelerated. "Shenma" brand products—high-strength nylon 66 fiber and pre-colored nylon 66 industrial yarn—were selected in China's 2023–24 and 2024–25 Fiber Trend lists.

This Year, we reinforced shared development with corporate social responsibility. We integrated sustainability into supply chain management through green and ethical procurement, reducing supply chain risks and promoting joint responsibility. We safeguarded data security with an annual investment of RMB 1.09 million in technology defenses to support digitalization. We strengthened IP protections for our own innovations and for our partners, fueling innovation. We enhanced customer satisfaction—our tire cord products scored 98.5%, and industrial yarn 98.2%. We committed RMB 739,000 to rural revitalization, benefiting 3,200 people via consumption and industrial support programs. These actions reinforced our social contribution and advanced shared prosperity.

With grand aspirations, we will not relent. Having overcome challenges, we forge ahead toward greatness. In the future, Shenma Corporation will continue to pursue high-quality development within the new economic pattern. We will focus on innovation and technology, deepen green low-carbon transformation, strengthen collaborative openness and shared value creation, and elevate our core competitiveness and industry influence. We march toward the goal of becoming a world-class enterprise and contributing further to high-quality, sustainable socio-economic progress.

"

Consolidating Foundations and Strengthening Governance

Green Development and **Responsible Commitment** Safety and Employee Management

Shared Development and Corporate Responsibility

About Shenma Corporation

Company Overview

Shenma Industrial Co., Ltd. (hereinafter referred to as "Shenma Corporation" or "the Company") originated as the Pingdingshan Nylon Cord Fabric Factory —one of nine key national projects during China's early reform era. Construction began in 1977, and production started in 1981. The Company was listed on the Shanghai Stock Exchange (SSE) in 1994, becoming the first listed company in Henan Province on the SSE. The stock abbreviation is "Shenma Co., Ltd.", and the stock code is "600810".

The Company's core business spans chemicals and chemical fibers, with key products including nylon 66 salt, nylon 66 intermediates (adipic acid, hexamethylenediamine), engineer-

ing plastics, industrial yarn (tire cord), airbag yarn and others. Supported by hydrogen and ammonia industrial services, the Company has developed a unique, well-coordinated nylon chemical industry ecosystem.

Shenma Corporation's main products are sold in over 40 countries and regions across Europe, the Americas, and Asia. The Company has strategic and trade partnerships with more than 40 Fortune 500 and multinational companies, including Invista, BASF, Michelin, Goodyear, and Bridgestone. The "Shenma" brand covers both nylon 66 and nylon 6 segments, with a global customer base and broad market reputation.



Core Competitiveness Analysis of Shenma Corporation

R&D Advantages

Established an integrated full-process R&D platform. Obtained numerous patents and achievements. Participated in drafting national standards.

Brand Advantages

The "Shenma" brand has received numerous honors and enjoys a strong reputation both domestically and internationally.

Complete certification system, stable product quality.

As of the end of 2024

Total number of Employees

8,131 people



RMB 28.006 billion

-Marketing Advantages-

Nationwide coverage and global sales and service network.

Deepening customer service efforts.

Continuous enhancement of market recognition.

Industrial Chain Integration Advantages

Strong product portfolio synergy.

Strong market adaptability and risk resistance.

Realized a vertically integrated operation from basic raw materials and intermediates to end products.

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Major Products and Business Segments

Nylon 66 Tire Cord Fabric

The Company primarily produces high-end nylon 66 tire cord fabric used in semi-steel radial tires, engineering tires, and aerospace tires. Shenma Corporation's nylon 66 tire cord fabric features low denier variation, high strength, excellent fatigue resistance, and abrasion resistance, making it an ideal reinforcement material for aircraft tires, large engineering tires, and high-performance new energy vehicle tires. It is a key supplier to global tire giants such as Michelin, Goodyear, and Bridgestone.

Nylon 66 Industrial Yarn

Nylon 66 industrial yarn is a high-strength yarn obtained via continuous polymerization or solid-phase polymerization and drawing of nylon 66 salt. It has advantages in fatigue resistance, abrasion resistance, and high strength, and is primarily used in tire cord fabric. It is also used in other fields such as automotive airbags, conveyor belts, geotextiles, and industrial webbing.

Nylon 66 Chips

Nylon 66 chips are high-performance polymer materials known for high heat resistance and durability. They serve as a key raw material for producing industrial yarns, high-strength textile yarns, and engineering plastics. These chips are widely used in textiles, electronics, machinery, instrumentation, apparel, aerospace, and other essential sectors of the national economy.

Adipic Acid

Adipic acid is an important dicarboxylic acid monomer that can react with diamines to form nylon 66 salt through polycondensation. It is a key raw material for producing nylon 66 and related polymer series. It also serves as a plasticizer, adhesive, lubricant additive, and flavoring agent in daily chemical and pharmaceutical production.

Nylon 6 Chips

Nylon 6 chips are thermoplastic polymers made from caprolactam via ring-opening polymerization. They are foundational raw materials for the nylon industrial chain. Shenma Corporation's nylon 6 chips can be customized based on specific application needs and are mainly used in differentiated fiber products such as fine denier yarn, ultra-fine denier yarn, and high-strength yarn, as well as in engineering plastics and films. Downstream applications include automotive parts, consumer electronics, textile fabrics, and civil high-performance yarns.



Overview Annual Topics	Consolidating Foundations and Strengthening Governance	Green Development and Responsible Commitment	Safety and Employee Management	Shared Development and Corporate Responsibility
Development Highlights			🕾 Subsidiary	
Since its inception in 1977 as the Ping-	//		Company Abbreviation	Main Business
dingshan Nylon Tire Cord Plant—a key national project—Shenma Corporation	\$ 2	2024	Shenma Cord Fabric Development Co., Ltd.	Tire cord, industrial yarn, and the
has continually built momentum and expanded its business. It became the first company in Henan Province to be		hase I of Shenma Corporation hailand Project launched	Nylon Chemical Co., Ltd. (including Adipic Acid)	R&D, production, and sales of n termediates
listed on the Shanghai Stock Exchange and pioneered the development of ny- lon 66 salt and chip projects, success-	2021		Shenma Engineering Plastic Co., Ltd.	Production and sales of nylon 66
fully realizing business diversification and extension. In recent years, the Company has suc-	Hydrogen-Ammonia Project launched 2020		Shenma Engineering Plastics Technology De- velopment Co., Ltd.	Production and sales of nylon 66
cessively commissioned projects in- cluding nylon 66 chips, nylon 6 chips, nylon 6 fibers, polycarbonate (PC), and	Nylon 6	Fiber Project commissioned	Jian Yuan Chemical	Manufacturing of chemical raw and chemical products
	2019 n 6 Chip Project commissioned		Shenma Puli	Composite material manufacturi composite materials, and sales c textile finished products
			Aidean	Production and sales of adipion other basic chemical raw materia
	• 2018 Nvlon 66 Chip I	Expansion Project commissioned	Shanghai Shenma	Production and sales of nylon 66
20 Adipic Acid Project commiss	015 🙍		Long'an Chemical	Production and sales of hydroge er related products
			Shenma Jinhua Technol- ogy Co., Ltd.	High-tech chemical fiber, polyme
2006	2012 New production b yarn and tire cord	pase for nylon 66 industrial started operation	Jiangsu New Materials	Production and sales of rubber c Sales of nylon 66 differentiated modified products
Entered airbag yarn sector through partnership with Germany's PHP			Shenma Huawei Plastic Co., Ltd.	Production and sales of plastic p
	• 1998		Shenma Longtai	Production and sales of different 66 colored fibers
1994 Became the first Henan company list-	AH Sait & Nyion 66 C	hip Production Line commissioned	Shenma Yili	Production and sales of nylon 66 ucts
ed on the Shanghai Stock Exchange	• 1981		Boliemai	Production and sales of airbag y lated products
		rn and Tire Cord Production Line	Shenma Catalyst Co., Ltd.	Production and sales of catalysts
1997 an construction as one of China's	began operation		Pilot Base	Research and development of ne technologies
ey "Sixth Five-Year Plan" projects			² In June 2024, Henan Shenma Ny merger by absorption.	lon Chemical Co., Ltd. acquired 100% ec

Beg

	Full Name of the Company
ir sales	Pingdingshan Shenma Cord Fabric Development Co., Ltd.
ylon 66 in-	Henan Shenma Nylon Chemical Co., Ltd.
products	Pingdingshan Shenma Engineering Plastics Co., Ltd. ²
products	Pingdingshan Shenma Engineering Plastics Tech- nology Development Co., Ltd.
materials	Inner Mongolia Shenma Jian Yuan Chemical Co., Ltd.
ng, sales of f industrial	Henan Shenma Puli Materials Co., Ltd.
acid and Is	Henan Shenma Aidean Chemical Co., Ltd.
chips	Shanghai Shenma Engineering Plastics Co., Ltd.
n and oth-	Henan Shenma Long'an Chemical Co., Ltd.
r materials	Henan Shenma Jinlun Technology Co., Ltd.
omposites; fibers and	Zhongping Shenma Jiangsu New Material Tech- nology Co., Ltd.
roducts	Henan Shenma Huawei Plastic Co., Ltd.
ated nylon	Shenma Longtai Technology (Thailand) Co., Ltd.
fiber prod-	Shenma Yili (Henan) Fiber Co., Ltd.
arn and re-	Shenma Boliemai (Pingdingshan) Airbag Yarn Manufacturing Co., Ltd.
	Shenma Catalyst Technology Co., Ltd.
w material	Pilot Base of Nylon Materials, Shenma Pingding- shan Co., Ltd.

equity of Pingdingshan Shenma Engineering Plastic Co., Ltd. and completed a

Consolidating Foundations and Strengthening Governance Green Development and Responsible Commitment Safety and Employee Management Shared Development and Corporate Responsibility

Honors of 2024

Highlight Performance









Consolidating Foundations and Strengthening Governance

Green Development and Responsible Commitment

Safety and Employee Management

Shared Development and Corporate Responsibility

Sustainable Development Governance

Shenma Corporation consistently upholds the philosophy of sustainable development, continuously strengthening its sustainability capabilities and enhancing ESG management as a key part of its long-term corporate strategy. We integrate sustainability principles into our operations and long-term strategic planning, aiming to reduce environmental impact through management optimization and green innovation. This year, we identified material issues based on the Company's specific context and formulated development strategies aligned with the United Nations Sustainable Development Goals (SDGs), striving to achieve a balanced approach to economic, social, and environmental development.





Consolidating Foundations and Strengthening Governance

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Sustainable Development Governance System

Shenma Corporation incorporates the principles of sustainable development into practical action, integrating Environmental, Social, and Governance (ESG) factors throughout its operations. A systematic and institutionalized ESG management structure ensures the effective implementation of sustainable practices.

In 2024, the Company continued to improve its top-down ESG governance system. The ESG management framework covers the Group and its subsidiaries, forming a well-structured, clearly tiered, and efficiently functioning three-level system: Governance Level - Management Level - Execution Level. This structure ensures efficient advancement of ESG-related work.

The Board of Directors is responsible for making decisions and overseeing ESG matters. Under the Board's guidance, the ESG management team coordinates the implementation of ESG activities across departments and subsidiaries. It is also responsible for formulating sustainable development strategies, ESG governance policies, and specific action plans.





Board of Directors

Responsible for making decisions on major sustainability matters of the Company, including reviewing the Company's annual sustainability report and overseeing ESG-related issues.

🖏 ESG Management Team

The Board Office leads the ESG team in crafting sustainable strategies and policies, ensuring their implementation through oversight, inspection, evaluation, and recommendations. The team also coordinates ESG efforts across subsidiaries and reports periodically to senior management.

Business Units and Subsidiaries

Shenma Corporation is responsible for jointly developing and implementing the sustainability strategy and objectives, establishing governance frameworks, and promoting the implementation of related projects. Efforts are focused on five key areas: upholding business ethics, protecting labor rights, improving product quality, enhancing climate resilience, and strengthening workplace safety. Dedicated personnel ensure effective execution, business integration, and performance tracking.



Shenma Corporation Holds Carbon Neutrality Management Promotion Conference

On January 18th, 2024, Shenma Corporation convened a Carbon Neutrality Management Promotion Conference in the East Annex Conference Room. Company leadership, relevant departments, and representatives from 13 entities within the nylon business segment attended the meeting. The agenda covered the 2024 carbon reduction targets and implementation plans. Attending executives reviewed and evaluated the targets and plans in detail, providing targeted recommendations, suggestions, and specific requirements.







Consolidating Foundations and Strengthening Governance Green Development and Responsible Commitment Shared Development and Corporate Responsibility

Stakeholder Communication

In 2024, Shenma Corporation continued to focus on the expectations and demands of stakeholders from various sectors of society, including shareholders, investors, customers, regulatory authorities, employees, and suppliers. Guided by ESG principles, the Company established regular communication mechanisms with stakeholders through multiple channels. Leveraging its deep industry experience and thorough understanding of ESG, the Company effectively addressed the concerns of all parties involved.

Stakeholders	Key Concerns	Communication Channels
Communication Channels	 Corporate Governance Investor Relations Management Intellectual Property Protection Anti-Bribery and Anti-Corruption R&D and Innovation Data Security and Customer Privacy 	 General Shareholders' Meeting Information Disclosure Performance Briefings Domestic and International Strategy Meetings Scientific and Technological Innovation Customer Privacy Protection Measures
Customer Customer Government and Regulatory Authorities	 Customer Service Responsible Marketing Corporate Governance Compliance and Risk Control Anti-Unfair Competition Public Welfare and Charity Rural Revitalization Industry Collaboration 	 Customer Service System Supervision and Inspection Official Visits and Receptions Policy Implementation
の ベイ 区区 Employees	Employee RightsTalent DevelopmentOccupational Health and Safety	Employee ActivitiesEmployee Evaluation and PromotionEmployee Training
Suppliers	 Supply Chain Security Anti-Bribery and Anti-Corruption Fair Treatment of SMEs Industry Collaboration 	Collaborative TransactionsRoutine CommunicationContract Execution
Community and Environment	 Energy Use Water Resource Utilization Waste Disposal Climate Change Response Pollutant Discharge Environmental Compliance Management Circular Economy Biodiversity 	 Waste Management Policy Resource Conservation Policy Low-Carbon Awareness Cultivation
← ◯ ⊃ Academic Institutions	 R&D and Innovation Talent Development Public Welfare and Charity Industry Collaboration 	 Academic Exchange Industry-Academia-Research Collaboration Talent Cooperation Programs Vocational Education

Materiality Analysis

During the topic identification phase, the Company referred to the Global Reporting Initiative (GRI), the United Nations Sustainable Development Goals (SDGs), domestic regulatory policies, cutting-edge industry sustainability trends, and the Company's development strategy to identify issues relevant to both the Company and its stakeholders, thereby establishing a material topics database.

In the materiality assessment phase, the Company analyzed the degree and scope of actual or potential significant impacts of each topic on the economy, society, and environment over the short, medium, and long term to complete the impact materiality assessment. Simultaneously, the Company assessed the actual or potential significant impacts of each topic on its business operations and financial performance over the same timeframes to complete the financial materiality assessment. Additionally, stakeholders including sustainability experts were invited to complete questionnaires to evaluate the importance of each topic. These assessments were supplemented by internal staff evaluations, forming a two-dimensional materiality assessment framework.

In the selection phase, based on the results of the materiality assessment, the Company developed the Materiality Matrix for the Year. Topics were prioritized accordingly, with highly material issues highlighted and discussed in detail in this Report.

Shenma Corporation's ESG Materiality Matrix



Overview

Annual Topics

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Safety and Employee Management

Shared Development and Corporate Responsibility

Special Focus 1: Driving Innovation and Creating Value through Industry-Research Integration

Guided by market demand and closely anchored to the nylon industry chain, Shenma Corporation positions technological innovation as a core strategic driver to advance industrial upgrading and ensure the Company's long-term development. The Company has implemented a full-chain and highly focused innovation layout. It continues to make sustained efforts across key areas such as upgrading existing technologies, solving core industry-wide challenges, extending and reinforcing the industry chain, promoting localization of raw materials, bridging domestic technological gaps, developing high-end and differentiated products, and pursuing low-carbon, green, and sustainable development alongside energy conservation and emission reduction. These long-term endeavors have steadily enhanced the Company's reputation for high-quality growth.

Material Topics Addressed in This Chapter

Innovation-driven Development



• Product and Service Safety and Quality

Sustainable Development Goals (SDGs) of the UN Addressed in This Chapter



Governance

Shenma Corporation has established a structured R&D innovation management framework and institutional system. The Henan Nylon New Materials Industry Research Institute oversees the Company's scientific research projects and comprises three daily management offices-Research Project Management, R&D Platform Management, and the Technology Center-along with eight dedicated R&D institutions and one results transformation platform. The Company has issued a series of management documents governing the full lifecycle of research projects, including performance evaluation mechanisms. During the Year, the Company revised the Measures for the Management and Evaluation of Research Projects, optimized network node controls, and introduced a performance evaluation system combining guarterly assessments with key project milestones. Looking ahead, the Company plans to further enhance its innovation system through the certification of its R&D and innovation management framework.

The Company adheres to the principles of scientific ethics, ensuring that its innovation activities do not harm the natural environment, human health, or public safety. Its operations do not involve ethically sensitive areas such as artificial intelligence or life sciences.

Strategy

As an industry leader in nylon new materials, the Company adopts an innovation-driven development strategy to solidify its technological edge in high-performance materials and green manufacturing processes, accelerating the formation of a globally influential industrial hub. Upholding ESG principles, the Company is advancing a sustainable development model that integrates economic and environmental benefits through intelligent upgrades and clean production systems. Leveraging the synergy among production, sales, and R&D, and backed by high-level platforms such as the National Enterprise Technology Center and Postdoctoral Research Workstation, the Company has invested heavily in building three comprehensive laboratories: the Nylon Intermediates Full-Process Key Laboratory, the Nylon Engineering Plastics Full-Process Key Laboratory, and the Nylon Fibers Full-Process Key Laboratory. Together, these facilities form an integrated R&D system that spans the entire nylon value chain-from intermediates to engineering plastics and fibers-laying a solid foundation for product innovation and upgrades across the industry chain, and comprehensively empowering the Company's high-quality development.

Continuous R&D Investment

The Company fully utilizes external resources and actively seeks collaboration opportunities with other enterprises, research institutions, and government departments. By partnering with academic institutions and other enterprises for joint technology development, the Company achieves resource sharing and complementary strengths.

The Company strengthens the recruitment of R&D talent and deepens cooperation with external research institutions to accelerate the industrialization of R&D projects, ensuring that technological achievements are effectively converted into productive capacity.

Technology Commercialization

Improving Innovation Platforms

The Company actively promotes technological innovation and encourages independent innovation strategies by providing complete experimental platforms and R&D facilities. On one hand, it enhances product yield and efficiency through technical innovation; on the other, it achieves energy conservation and consumption reduction through optimized formulations and processes.

The Company fully utilizes external resources and actively seeks collaboration opportunities with other enterprises, research institutions, and government departments. By partnering with academic institutions and other enterprises for joint technology development, the Company achieves resource sharing and complementary strengths.

External Cooperation and Resource Integration



Technical Risk

Core Technical

Personnel

Turnover Risk

2

Innovation

Opportunity

The Company's current products have undergone process maturation and enjoy cost advantages. However, if technological breakthroughs fail to meet market needs or production processes lag behind advanced technologies, this may lead to a loss of cost competitiveness and adversely impact the Company's development.

Description

Core technical personnel are vital to the Company's technological advancement and product performance enhancement. They play a crucial role in new product development. As industry competition intensifies, if management of this group is not handled properly, the departure of key technical staff may adversely affect the Company's future operations.

tech enterprises, while consumers are placing greater demands on product performance, guality, and environmental sustainability. These trends are generating stronger market momentum for technological innovation.

Impact, Risk, and Opportunity Management

Shenma Corporation consistently places great emphasis on managing various risks associated with its business development. The Company continues to improve its risk management system, refine mechanisms for risk identification and response, and regularly conducts comprehensive risk assessments. Major risks identified during the Year are subject to targeted management, and a comprehensive risk management report is compiled accordingly. R&D and innovation-related risks have been fully integrated into the Company's enterprise-wide risk management framework. Following standardized procedures, the Company carries out risk identification, assessment, and mitigation activities. It continuously optimizes its internal control system and strengthens internal supervision and management, thereby providing robust support for sustainable development.

R&D and Innovation Risk Management Process



Mitigation Measures

Strengthen process R&D, secure continuous R&D investment, and enhance equipment upgrades through technological advancement to ensure effective utilization. Focus on forward-looking technology development to improve decision-making in new product R&D.

Improve performance evaluation and incentive mechanisms for core technical personnel, sign long-term agreements, and establish retention systems. Implement equity-based and performance-linked incentives to provide competitive and comprehensive compensation, increasing job satisfaction and loyalty among core technical staff.

The government is increasing support for high-

Increase investment in R&D and innovation, deepen industry-academia-research collaboration, explore new markets, and enhance product competitiveness.

Indicators and Targets

In 2024, the Company continued to increase its R&D investment to drive breakthroughs in core technologies, particularly in the areas of high-performance nylon materials and green manufacturing processes, ensuring its competitive edge in key sectors. Total R&D expenditure for the Year amounted to RMB 504.8165 million, representing 3.61% of revenue, providing strong financial support for technological innovation efforts.

As of the end of the Reporting Period, the Company had undertaken 162 research projects, including 41 major projects. Among them, the performance of ultra-high-strength nylon 66 industrial yarns has reached internationally advanced levels. The Company accelerated the application of intelligent and digital technologies in twisting and weaving production units, successfully establishing automated production lines that precisely match production rhythms. By introducing advanced equipment, the Company explored new processes for adipic acid production, successfully achieving process innovation and upgrades. At the same time, the Company actively promoted the application of nylon 66 in civilian markets. Semi-dull nylon 66 resin for civilian use has been successfully supplied to clients, and full-dull nylon 6 resin is currently under trial by downstream customers. The quality of nylon 66 chips used in industrial yarns has been significantly improved and consistently meets customer requirements. In addition, the Company has successfully developed and launched specialty nylon chip products for wind turbine vacuum bag films, fishing lines, and electric vehicles.

2024 R&D Innovation Highlights

Active Participation in Standards Development

• Participated in drafting multiple industry standards, including national standards for Rubber Dipped Yarn - Wire Cord - Test Method for Adhesion Strength and Spindle Yarn Elongation, as well as industry standards such as Specification for Colored Nylon 66 Civil Yarn and Specification for Nylon PA56 Fiber and Chip.

Introduction of SAcientific and Technological Talent

• Through the postdoctoral workstation, the Company recruited postdoctoral researchers and technical experts to guide in-house teams on solving technical challenges.

Strengthening Innovation Incentives

- The Company implements the Group's Performance Appraisal and Incentive Measures for Technological Innovation Targets, which assess innovation capabilities of affiliated entities and link results to leadership performance evaluations and compensation.
- The Company hosts an annual Technology Innovation Conference to recognize outstanding innovation units, individuals, and breakthrough teams. Awards based on project achievements and economic benefits realized, are granted bonus distribution accordingly.

Technology Commercialization

- On November 11th, 2024, Shenma Puli officially launched a nylon 6 polymerization project with an investment of RMB 890 million for a 200,000-ton capacity line, significantly enhancing the Company's nylon 6 supply capacity.
- On December 8th, 2024, Henan Shenma Chemical Fiber Co., Ltd. launched a 50,000-ton/year continuous fiber project, integrating caprolactam polymerization, slicing, and spinning to form a complete industrial chain from nylon 6 chips to civilian-grade dyed filament yarns.
- In 2024, 4,000 tons/year of aramid composite materials were successfully developed.

Expanding Laboratory Capacity for New Product Projects

- A new pilot base was successfully constructed and put into operation, housing six pilot projects including solid-state polymerization and non-lactam systems. The nylon materials pilot base is now operational, and a second-phase pilot facility is under preparation.
- By integrating pilot-scale, engineering-scale, and spinning-scale testing systems, the Company reorganized the end-use rubber materials pilot line into a fully upgraded experimental platform.

Accelerating Key Project Breakthroughs

• A 1,000-ton/year green polyamide fiber project entered the equipment installation phase. The 10.8 g/d ultra-high-tenacity filament has achieved continuous production. Significant progress has been made in key technology R&D and industrialization for nylon 66 civilian filament, high-speed spinning PA66, PAMXD6, high-carbon PA1012, and other civilian-use specialty nylon materials.

Accelerating Digital and Intelligent Transformation

providing strong data support for management decision-making and production planning.

Key R&D and Innovation Indicators in 2024

R&D Investment

R&D Investment as a Percentage of Operating Revenue

Number of R&D Employees

Number of Newly Authorized Invention Patents

Number of Newly Added Utility Model Patents

Recognition as High-Tech Enterprises, Specialized and Innova

Enhancing Digital Transformation and Smart Factory Development in Shenma Cord Fabric Er Development Co., Ltd.

Driven by both management and technological innovation, Shenma Cord Fabric Development Co., Ltd. upholds smart services as its core concept and has deeply integrated information technology, automation, modern management techniques, and manufacturing processes. The Company has established a networked collaborative intelligent manufacturing system tailored to enterprise operations. This platform not only enables high-efficiency internal coordination but also promotes resource sharing across all operational stages, significantly enhancing production efficiency, product quality, and innovation capabilities.

- The Company has introduced a range of advanced automated and intelligent equipment, including automatic bobbin doffing machines, automated yarn transport and palletizing systems, intelligent vertical storage systems, automated inspection robots, unmanned weighbridges, vertical fabric storage units, and an Al-based dipping fabric photo inspection system. These technologies have considerably reduced labor intensity, optimized staffing structures, and streamlined personnel allocation. Key facilities and critical equipment are now managed through unmanned operations, contributing to the creation of an industry-first "dark factory" model in the tire cord fabric sector—an achievement empowered by intelligent manufacturing.
- The Company has implemented an online energy monitoring system and a comprehensive Manufacturing Execution System (MES). These platforms have minimized manual input in production management processes and freed management personnel from time-consuming data processing tasks. By centralizing control over production data and resources through intelligent systems, the Company has significantly improved operational efficiency and established a more streamlined and productive operational model.

• At the end of 2024, Shenma Corporation launched its Intelligent Operations Platform, which was piloted in four national demonstration units (Shenma Cord Fabric, Shenma Cord Fabric Development Co., Ltd., Shenma Engineering Plastic Co., Ltd., and Shenma Hydrogen Chemical Co., Ltd.) and put into normal operation. The platform is expected to be fully online by August 2025. The system is centered on production and business data, designed to support decision-making through comprehensive analytics. It integrates data from production, energy, operations, and finance, enabling real-time automation and visualization of costs and benefits. By capturing and analyzing relevant operational data, the platform performs intelligent diagnostics and automated assessments of enterprise operational status,

	RMB 10,000	50,481.65
	%	3.61
	persons	689
	items	22
	items	49
tive SMEs, etc.	entities	7





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Special Focus 2: Transformation and Upgrading -Supporting Shenma's Global Expansion

Shenma Corporation continuously optimizes its global supply chain system and actively adapts to changes in the international trade environment. As a leading enterprise in China's nylon industry, its overseas expansion not only marks a solid step forward in the "Going Global" strategy of China's high-end new materials sector, but also represents a strategic move by the company to seize global economic opportunities. Through overseas expansion, Shenma Corporation can better meet international market demands, enhance its global competitiveness while strengthening its ability to cope with international trade risks, thereby laying a solid foundation for the company's high-quality and sustainable development.

Material Topics Addressed in This Chapter • Industry Collaboration



• Supply Chain Security

Sustainable Development Goals (SDGs) of the UN Addressed in This Chapter

Shenma Corporation actively responds to China's "Belt and Road" Initiative and strategies related to international industrial capacity cooperation. The Company is committed to building long-term, stable partnerships with global stakeholders. Guided by the strategic vision of "bringing in and going out," it is accelerating the pace of "shifting eastward, advancing westward, and expanding overseas," restructuring its industrial layout to create new competitive advantages.

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Strengthening export expansion. The Company continues to deepen its presence in overseas markets, accelerating global deployment. It is working to restore original sales volumes in the U.S., consolidate its presence in Europe, and maintain market share in Asia. Shenma actively participates in textile trade exhibitions to enhance global visibility. Targeted visits and exchanges are conducted in promising markets to raise brand awareness and corporate image.

Accelerating progress of the thailand production base. The Company is expediting output at the Thailand base, planning early certification, and researching sales channels. Products manufactured in Thailand are intended to be processed into fabric and exported directly to the U.S., circumventing China-U.S. tariff barriers and maximizing profit margins.

Developing overseas contract manufacturing channels. Shenma is advancing partnerships with Yili and Indorama to rapidly scale up airbag yarn and civilian filament capacities. It is also moving forward with cooperative fabric processing projects with Asian textile partners to supply tire manufacturers in Southeast Asia and India.

Deepening engagement with overseas clients. Increased visits to overseas clients—especially executive-level exchanges—are stabilizing and expanding cooperation with major tire companies. These efforts aim to drive collaboration in new products and projects while seeking new business opportunities through active engagement.

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Strengthening international subsidiaries for export stability. The Company continues to reinforce its foreign trade team and solidify its international subsidiaries, including those in the United States, Europe, Japan, and South Korea. These entities are helping to expand international markets, increase exports of nylon chips, and enhance Shenma's global reputation and influence.

Promoting industry collaboration. The Company actively communicates with overseas peers to strengthen industry synergy and collaboration.

Under complex global market conditions, Shenma's export advantage in the nylon 66 sector continues to grow. The 20,000 t/year differentiated nylon 66 fiber project in Thailand marks the Company's first physical project under the "shifting eastward, advancing westward, and going overseas" strategy. Once completed, it will serve as a strategic stronghold in the Southeast Asian market, with a planned capacity of 10,000 tons/year-comprising 7,000 tons of nylon 66 industrial yarn and 3,000 tons of fine-denier yarn. The total investment is RMB 252 million, covering 90 mu (approx. 60,000 square meters), and includes facilities such as a spinning workshop, chip production line, and wastewater treatment station.

Establishing the plant in Thailand is a key component of Shenma Corporation's urban-to-park industrial upgrade initiative and a major step toward its globalization strategy. The move enables global optimization of productivity and premium resources through international capacity cooperation, serving the growing needs of tire manufacturers in North America and Southeast Asia. Leveraging Thailand's position as the world's second-largest tire exporter, Shenma aims to supply the ASEAN tire market locally while using Thai-made products to bypass tariff barriers into North America, thereby improving the stability of the international supply chain.



Main Workshop of the Thailand Project (Phase I) Topped Off

Developing the Thailand project involved unexpected challenges due to the differences in local pace of life and work culture. To ensure steady construction progress, the project team prepared schedules in advance and strengthened communication with local authorities to improve efficiency. Team members stayed in the nearest town to the site and took shifts overseeing construction quality on-site.

"As the Thai Songkran Festival takes place in mid-April and local workers would be on holiday, we devised an accelerated construction plan in early April to complete the concrete pouring of the second floor of the main workshop before the break," said a project manager.

After seven months of intense work, the team overcame language barriers, environmental adjustments, and logistical issues. On May 9th, 2024, the main structure of Shenma's 20,000 t/year differentiated nylon 66 fiber project (Phase I) in Thailand was officially topped off-setting what was dubbed the "Shenma Speed" in Thailand.



Shenma Corporation Partners with Shenma Yili in Deep Strategic Cooperation

On May 31st, 2024, Shenma Yili (Henan) Fiber Co., Ltd. completed its business registration. Shenma Corporation holds 51% of the registered capital, and Shenma Yili holds 49%. The joint venture will construct a Phase I production line with a 7,000 t/year capacity for nylon 66 civilian yarn, marking Shenma's official entry into the high-end nylon 66 civilian fiber market. This in-depth partnership with Shenma Yili helps Shenma Corporation seize first-mover advantage, rapidly gain market share in high-end nylon 66 fibers, and vertically extend the nylon industry chain. It also provides a strategic pathway for executing Shenma Corporation's "Big Nylon" development strategy and advancing the value chain toward the high end.



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Annual Topics

Consolidating Foundations and Strengthening Governance

Green Development and **Responsible Commitment** Safety and Employee Management

Shared Development and Corporate Responsibility

Consolidating Governance

Shenma Corporation consistently prioritizes robust corporate governance as the cornerstone of sustainable development, striving to build a transparent, efficient, and compliant governance framework. Upholding Party leadership as its guiding principle, the Company strengthens the Board's strategic oversight, refines information disclosure systems, rigorously manages risk, emphasizes business ethics, and safeguards investor rights, thereby laying a solid foundation for long-term growth.

Material Topics Addressed in This Chapter

- Anti-Bribery and Anti-Corruption
- Anti-Unfair Competition
- Corporate Governance



Foundations and Strengthening

- Compliance and Risk Control
- Investor Relations Management

Sustainable Development Goals (SDGs) of the UN Addressed in This Chapter



onsolidating Foundations d Strengthening Governance

Green Development and **Responsible Commitment**

Shared Development and Corporate Responsibility

Corporate Governance

Shenma Corporation regards standardized operations as fundamental to corporate health. It integrates Party leadership into all aspects of reform and development while strictly adhering to regulatory requirements. The Company continuously improves internal control mechanisms and governance practices to ensure long-term stability.

Party Leadership

Shenma Corporation unwaveringly upholds the leadership of the Party as its fundamental principle, focusing on two priorities: strengthening Party organization and enhancing corporate governance. Centering on implementing the new development philosophy, fostering a new development paradigm, and promoting high-quality development, the Company has decisively integrated Party leadership into all aspects of its operations and has achieved notable progress in incorporating Party leadership into corporate governance. Shenma has established a comprehensive governance system grounded in Party building, centered on integration, and driven by reform and innovation. This systematic, well-defined, and highly efficient governance framework has fostered a collaborative, effective, and stable modern enterprise governance paradigm, providing solid assurance for the Company's pursuit of high-quality development.

Key Initiatives Include



Articles of association have incorporated requirements for Party building, clearly defining the responsibilities, institutional structure, and operational mechanisms of Party organizations. The "First Agenda Item" system for Party Committee meetings is strictly implemented to promptly convey the decisions and plans of the Central Committee as well as the significant speeches and directives of President Xi Jinping.



Preceding major decisions by the Board or management, matters such as significant corporate decisions, key personnel appointments and removals, major project arrangements, and large capital operations must first undergo deliberation by the Party Committee before being submitted for formal review. This ensures the Party's leadership is effectively integrated into every step of corporate governance, driving the implementation of the Party's principles and policies.



Clear boundaries have been established among the Party Committee, the Board, and executive management to standardize the procedures and requirements for Party organizations' participation in major operational discussions. This guarantees that Party organizations neither overstep nor neglect their roles, creating a governance framework marked by well-defined responsibilities, efficient collaboration, and robust checks and balances.

Strengthen Responsibility Commitment

Shenma Corporation has always regarded Party building as the guiding force for corporate governance, firmly grasping its political positioning to revolve around the central tasks and serve the broader goals. The Company continuously advances deepening reform initiatives, ensures full implementation of the principal responsibility for comprehensive and strict Party governance, and promotes the deep integration of Party building with enterprise management and production operations. Requirements for Party building have been incorporated into the Company's articles of association, strictly adhering to the "Triple-Major Decision-Making" procedures and the pre-discussion list for matters reviewed by the Party Committee. This has standardized collective decision-making processes and elevated the level of corporate governance.

The Company has established a clear three-tier linkage mechanism of "Party Committee-Board of Directors-Executive Management," ensuring that Party leadership permeates every stage of corporate decision-making, implementation, and supervision. The Party Committee rigorously implements the "first and foremost issue" system, integrating the study of the Party's innovative theories with strategic planning. Through mechanisms such as observing and critiquing theoretical study sessions and reviewing study notes, the political awareness and decision-making capabilities of the leadership team have been enhanced.

Party Building Casts the Soul and Strengthens the Foundation

Shenma Corporation advances the Party's innovative theoretical initiatives through diversified approaches—including Party work review sessions, theme-based activities, and leadership political lectures-translating learning outcomes into concrete actions that drive corporate reform and growth, thereby underpinning the Company's development with robust ideological foundations.







Clean Governance Building

The Company deeply understands President Xi Jinping's important remarks on comprehensively strengthening the Party's discipline construction, firmly grasps its spiritual essence and practical requirements, takes discipline construction as the political guarantee for the high - quality development of the enterprise, strictly adheres to the discipline red line, and creates a clean and upright working environment. It complies with the Regulations of the Communist Party of China on Disciplinary Sanctions, firmly supports the "Two Establishments, " resolutely achieves the "Two Upholds," continuously strengthens the study and education of Party discipline, ensures that its ideology is highly consistent with that of the Central Party Committee, encourages Party members and cadres to play a vanguard and exemplary role, guides all employees to transform discipline requirements into self - conscious actions, promotes the legal and compliant development of the Company's business, consolidates the discipline foundation for building a modern enterprise with core competitiveness, and leads the high - quality development with the high - quality Party building.

Shenma Corporation Party Committee Theoretical Study Group Holds Collective Study & Deliberation (Expanded) Session

On April 24th, the expanded meeting of the Central Group for Theoretical Study of the Party Committee of Shenma Corporation was held. With the theme of "Studying the Regulations, Observing Disciplines, Correcting Deviations, and Rectifying Words and Deeds," the meeting organized the study of relevant contents of the "Regulations of the Communist Party of China on Disciplinary Sanctions," watched the Important Instructions of President Xi Jinping on the Occasion of the Opening of the Young and Middle - aged Cadre Training Class in the Spring Semester of 2024 at the Central Party School (National Academy of Governance), conducted in depth study, exchanges and discussions, and talked about learning experiences and work measures in combination with ideological and work realities. The study of the Regulations is integrated into daily work to lead all Party members and cadres by example to abide by regulations and disciplines, fulfill their duties, and effectively promote the in - depth and practical implementation of the study and education on Party disciplines to achieve tangible results.



Overview

Annual Topics

Consolidating Foundations and Strengthening Governance

Green Development and Responsible Commitment

Safety and Employee Management Shared Development and Corporate Responsibility



🚓 Corporate Governance Structure

Shenma Corporation, in accordance with the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Listing Rules of the Shanghai Stock Exchange*, and other relevant laws, regulations, and normative documents, has revised and improved its Articles of Association and rules of procedure. The Company has formulated systems such as the *Rules of Procedure for the General Meeting of Shareholders*, the *Rules of Procedure for the Board of Directors*, the *Rules of Procedure for the Board of Supervisors*, and the *Detailed Rules for the Executive Management Team*, thereby standardizing the operations of the "Three Meetings." The Company has reinforced the responsibilities of the General Meeting of Shareholders, the Board of Directors and senior management, and ensured that independent directors perform their duties diligently in strict accordance with the *Measures for the Administration of Independent Directors of Listed Companies*. A well-defined, effectively balanced, and coordinated "Three Meetings and One Management" governance structure has been established, which protects the legitimate rights and interests of the Company, shareholders, employees, and broader investors, while also promoting an entrepreneurial spirit.

In 2024, the governance structure of the Company remained unchanged. During the reporting period, the Company successfully convened 9 general meetings of shareholders; convened 24 board of directors meetings, with a 100% attendance rate of directors; convened 13 meetings of special committees of the board of directors, deliberating 23 proposals; and convened 10 board of supervisors meetings. All meetings fulfilled the announcement of obligation in accordance with relevant regulations and archived and backed up the meeting documents.



"Three Meetings and One Floor" Architecture

General Meeting of Shareholders

It is composed of all shareholders of the Company and is the authority of the Company.

- To exercise and decide on the Company's business policy and investment plan according to law, elect and replace directors and supervisors who are not staff representatives, and decide on the remuneration of directors and supervisors.
- Review and approve the Report of the board of directors and the Report of the board of supervisors.
- To examine and approve the Company's annual financial budget and final accounts.
- To examine and approve the Company's profit distribution plan and loss compensation plan.

Board of Supervisors

It consists of five supervisors, with one chairman of the board of supervisors.

- Audit the Company's periodic reports prepared by the board of directors according to law and put forward written audit opinions, which shall explain whether the Report preparation and audit procedures are in compliance with relevant regulations and whether the contents are true, accurate and complete.
- Check the Company's financial affairs according to law, and supervise the actions of directors and senior managers in performing their duties.

Board of Directors

It consists of nine directors, including three independent directors and one chairman.

- Convene the shareholders' meeting according to law and report the work to the shareholders' meeting.
- To implement the resolutions of the shareholders' meeting.
- Decide on the Company's business plan and investment plan.
- Formulate the Company's annual financial budget plan and final accounts plan.
- To formulate the Company's profit distribution plan and loss compensation plan.

Executive Management Team

There is one general manager and several deputy general managers.

- Be responsible for the production, operation and management of the Company, organize and implement the resolutions of the board of directors, and report the work to the board of directors.
- Responsible for organizing the implementation of the Company's annual business plan and investment plan, and drafting the Company's internal management organization setting plan.





Green Development and **Responsible Commitment** Safety and Employee Management

Shared Development and Corporate Responsibility

ຍິອີ Board Diversity

Shenma Corporation attaches great importance to the strategic value of board diversity, deeply integrating the concept of diversity into the optimization process of the governance structure to improve scientific soundness of decision-making and enterprise competitiveness. The Company's board of directors is composed of 9 members, covering experts in multiple fields such as technology research and development, capital operation, legal compliance, and international business, including 1 female director accounting for 11.11% and 3 independent directors accounting for 33.33%. The members are aged between 40 and 60, forming a gradient that combines the depth of industry experience and the breadth of innovative vision. To strengthen the synergistic effect of diversity, the Company has established a director capability matrix evaluation mechanism, regularly carrying out special evaluations around dimensions such as "professional complementarity," "strategic fit," and "risk sensitivity" to ensure the effectiveness of the board, making its decisions both forward-looking and practical. It has also solidified the special committees of the board, explored the research and decision-making mechanism of "directors + experts." and continuously improved predictability and decision-making ability. In the future, the Company will continue to improve the effectiveness evaluation of the board, optimize director selection criteria, and explore innovative mechanisms such as inviting young backbones to attend board meetings as non-voting members, driving high-quality development with the momentum of diversified governance.

Remuneration and Assessment of Directors and Senior Executives

Shenma Corporation follows the performance evaluation standards and procedures formulated by the Company to conduct performance evaluations of directors, supervisors, and senior management personnel, and adjusts their remuneration accordingly based on the evaluation results, the Company's operating conditions, and the positions they hold. The remuneration system consists of a basic salary, performance salary, special contribution awards, and tax-deductible cash. The allowances for independent directors are decided by the general meeting of shareholders to ensure democracy and fairness in decision-making. In addition, the Company publicly discloses the remuneration information of directors, supervisors, and senior management personnel in the annual report every year.

The Remuneration and Assessment Committee of the Board of Directors reviews the remuneration policies and plans for directors and senior management personnel in accordance with the Labor Law of the People's Republic of China and other relevant laws

In addition, the Company has incorporated ESG-related indicators into the performance assessment system for the operation of directors and senior management personnel and evaluated them in the form of monitoring indicators. The assessment indicators comprehensively cover multiple key areas such as work safety (including but not limited to safety penalty incidents, safety accidents, occupational disease accidents, etc.), environmental protection (including but not limited to environmental pollution accidents, environmental protection penalties, etc.), lawful and compliant operation, and business ethics. For major derelictions of duty in these assessment areas, the Company will, in accordance with the relevant regulations of the human resources department, include them in the calculation process of performance assessment. The performance assessment results will be directly linked to remuneration to strengthen the sense of responsibility and promote the Company to achieve sustainable development goals.

Information Disclosure

Shenma Corporation takes information disclosure as the core starting point for building a transparent governance ecology, establishes an information disclosure mechanism of "full cycle, multi-dimension, and strong interaction," and continuously improves the credibility of the capital market. The Company strictly follows the Measures for the Administration of Information Disclosure of Listed Companies, builds a "1+3+N" system framework, and realizes standardized and process-based control of information disclosure. In 2024, a total of 4 periodic reports and 168 temporary announcements were issued, covering key ESG issues such as strategic transformation, environmental performance, and work safety. The 2024 Wind ESG rating was A, ranking 18th in the chemical industry.



Green Development and **Responsible Commitment** Shared Development and Corporate Responsibility

Compliance Management

Shenma Corporation deeply integrates compliance management into the corporate governance DNA, building a compliance protection network covering all businesses and processes with "system foundation, risk prevention, and cultural infiltration" as the three pillars, thereby strengthening the line of defense for sustainable development.

Compliance System

Strengthening law-based enterprise management, advancing compliance management, and preventing operational risks have become inevitable trends for sustainable enterprise development. Shenma Corporation complies with the requirements of the Company Law of the People's Republic of China, the Law of the People's Republic of China on Enterprise State-owned Assets, and the Corporate Governance *Guidelines for Listed Companies*. In 2024, the Company initiated the construction of a compliance management system, established a compliance management department and a compliance management committee, and formulated and issued a series of management documents such as the Compliance Management Measures for Shenma Industrial Co., Ltd. and the Implementation Plan for Compliance System Construction. The Company completed the preparation and finalization of five compliance management lists for over ten key business areas including investment and mergers, financing guarantees, safety production, and labor employment, as well as the Company's compliance management manual and 14 process control documents. In accordance with the standards of the Compliance Management Guidelines for Provincial State-owned Enterprises in Henan Province, the Company has preliminarily established a compliance management system.



The Compliance Management System Certification Certificate of Shenma Corporation

Through internal audits and management reviews, 9 compliance risk points in various business areas were identified, all of which were graded and managed with corresponding countermeasures. In early November, the Company passed the external audit of the China Quality Inspection and Certification Center, improved individual systems and control procedures, and ultimately received recognition from the China Quality Inspection and Certification Center. The Company completed the task of "achieving certification by the end of the year" assigned by the Provincial SASAC and the Group one month ahead of schedule, becoming a benchmark for compliance construction among provincial state-owned enterprises.

Full-Chain Protection of Trade Secrets

Organizational Empowerment

For the protection of core technologies, the Company innovatively builds a "networked" confidentiality management system. Led by the Group Party Committee, the Shenma Corporation Confidentiality Committee was established, adding specialized groups for management, R&D, production, etc. Confidentiality leading groups and management departments were established in affiliated and entrusted units of the Company, building a gridbased management system to form a new pattern of confidentiality work with coordinated efforts from top to bottom.



Issued 9 regulations including the Classified Management Measures for Confidential Positions, clarifying management standards for the "personnel, venues, equipment" triad. Through the "three agreements and one commitment" (labor contract + confidentiality agreement + non-compete agreement + confidentiality commitment), dynamic control of confidential personnel throughout their employment cycle (onboarding, in-service, departure) was achieved.



Regularly organize confidentiality training, invite experts to conduct specialized training on topics including intellectual property and trade secrets, and strengthen the confidentiality awareness of all employees through "case warnings + knowledge dissemination" channels

Shenma Corporation Conducts Confidentiality Work Training

On September 27th, 2024, Shenma Corporation conducted a confidentiality training conference. Confidentiality professionals trained confidentiality work leaders from various departments and primary units. The conference focused on explaining relevant confidentiality systems and basic knowledge of confidentiality in state-owned enterprises. From aspects such as classified information management, confidential personnel management, confidential carrier management, and network confidentiality management, the training provided in-depth explanations on confidentiality knowledge, prevention skills, and risk points for leaks in daily work, offering solutions to common problems. Through confidentiality training, employees were guided to enhance their sense of mission and responsibility for confidentiality work based on actual work, improve their confidentiality skills and awareness, and specific requirements were proposed for handling confidential documents and materials and using confidential computers, resolutely guarding the red line of confidentiality and preventing leaks. In the future, Shenma Corporation will continue to conduct regular confidentiality education, continuously consolidate the foundation of confidentiality management in various units and departments, classify information scientifically and normatively according to job responsibilities, and create a good working atmosphere of "learning, understanding, knowing, and keeping secrets," comprehensively improving confidentiality management.

Compliance Management Demonstration Enterprise Promotion Meeting

In August 2024, Shenma Corporation held a promotion meeting for creating compliance management demonstration enterprises. The following documents were read at the meeting: Compliance Management System Construction Work Implementation Plan of Shenma Industrial Co., Ltd., Compliance Management Measures of Shenma Industrial Co., Ltd. and Notice on the Establishment of the Compliance Committee of Shenma Industrial Co., Ltd.. It required using compliance management to deepen reforms, piloting first and advancing gradually, integrating compliance management into corporate governance, clarifying the compliance management responsibilities of various governance bodies such as the Party Committee, Board of Directors, and management, optimizing the working mechanism of the Compliance Committee, and comprehensively strengthening the organizational leadership of compliance management. Lawyers from the third-party consulting firm Wuxi Law Firm introduced the key points of corporate compliance management system construction. Responsible persons from Yarn Fabric Company and Nylon Chemical Co., Ltd. made statements on creating compliance management demonstration enterprises. The training activities helped improve operational efficiency, reduce and avoid legal risks, maintain corporate reputation, and enhance the core and enduring competitiveness of the enterprise.





Consolidating Foundations and Strengthening Governance Green Development and Responsible Commitment

Shared Development and Corporate Responsibility

Risk Management

Shenma Corporation regards risk management as the core guarantee for the landing of the ESG strategy, constructs a risk governance system of "universal coverage, precise identification, and dynamic prevention and control," and realizes the transformation and upgrading of risk control from passive response to active prevention through institutional innovation and digital intelligence empowerment, building a safety barrier for the leading position in the global nylon industry chain.

🥞 Risk Governance Structure and Mechanism

The Company establishes a comprehensive risk management system, identifying, assessing, preventing, and responding to risks from top to bottom.



- A thorough analysis of the incident is conducted to draw lessons learned, refine the risk management system, and enhance the Company's ability to cope with future risks.
- For high-risk areas identified through evaluation, detailed preventive measures are formulated, including strengthening internal controls, enhancing employee training, and optimizing business processes. These measures are implemented to prevent the occurrence of risks or mitigate their negative impact on the Company, thereby ensuring continuity and stability of business operations.

👸 ESG Risk Management

The Company integrates ESG risk management into its comprehensive risk management system. The Company integrates ESG risk management into its comprehensive risk management system, with close collaboration between the ESG management team and various functional departments to ensure timely identification and implementation of risk controls, improve compliance management, and support the Company's healthy and sustainable development.



Improve transaction management systems, strictly implement decision-making approval procedures, standardize asset transactions and bidding activities, and regulate anti-commercial bribery and other behaviors.



Improve the quality management system, strengthen process control, strictly monitor quality at all stages, and ensure the provision of high-quality products and services to customers.



Manage labor relations in accordance with laws and regulations, strictly comply with labor laws, improve the labor contract management system, standardize the signing, performance, modification, and termination of labor contracts, and sign supplementary agreements such as confidentiality agreements and non-compete agreements to safeguard workers' legitimate rights and interests and prevent labor employment risks.



Strengthen compliance investigations of key business partners and promote compliance of business partners by signing compliance agreements and making compliance commitments.



Safety and Environmental Protection

Strictly implement national safety production and environmental protection laws and regulations, improve production standards and safety, environmental, and occupational health systems, strengthen supervision and inspection, and promptly identify and rectify violations.



Financial and Tax Compliance

Improve the internal financial control system, strictly implement financial operation and approval procedures, adhere to financial discipline, strengthen the awareness of lawful tax payment, and strictly comply with tax laws and policies.



Intellectual Property

Timely apply for and register intellectual property achievements, standardize licensing and transfers, strengthen the protection of intangible assets such as trade secrets and trademarks, compile and distribute the *Compilation of Intellectual Property Laws and Regulations*, organize confidentiality training and publicity, classify confidential venues, implement a full-cycle dynamic management mechanism for confidential personnel, and lawfully use others' intellectual property to prevent infringement.



Corporate Governance and Management of Controlled/ Participated Companies

Strictly comply with securities laws and regulations, improve management of related-party transactions, information disclosure, and insider information, prevent leaks of insider information, illegal transactions using insider information, and false records in information disclosure; standardize the management of controlled/participated companies and prohibit improper affiliations.

Green Development and Responsible Commitment Shared Development and Corporate Responsibility

Anti-Bribery and Anti-Corruption

Shenma Corporation continuously deepens and consolidates the construction of anti-corruption systems and the work of Party conduct and clean governance, further adhering to rules and discipline, maintaining integrity, and effectively enhancing red-line and bottom-line awareness. Party members and cadres strengthened their study of the Regulations of the Communist Party of China on Disciplinary Sanctions and the Ten Red Lines for Party Building and Operations in the Group, comparing them item by item, identifying problems and shortcomings, promptly alerting and correcting themselves, always reminding themselves to uphold integrity, and accepting supervision from the organization and the masses at any time.

Institutional System

The Company solidly advanced the construction of anti-corruption policy systems, achieving full coverage of relevant systems and policies at all levels, providing a solid guarantee for the Company's long-term stable and sound development. In 2024, the Company formulated and revised the List of Responsibilities for the Party Committee of Shenma Corporation in Fulfilling the Principal Responsibility for Comprehensive and Strict Party Governance, the List of Responsibilities for the Discipline Inspection Commission of Shenma Corporation in Fulfilling the Supervisory Responsibility for Comprehensive and Strict Party Governance, the Notice on Concentrated Efforts to Rectify Unhealthy Practices and Corruption Among the Masses, and the Work Plan for Special Rectification of Withholding, Deducting, and Fraudulently Claiming Employee Wages. The responsibility for Party conduct and clean governance was incorporated into the work objectives and post objectives of the Party and government leadership teams, clarifying divisions of labor, detailing responsibilities, forming a responsibility network and overall synergy, and strengthening the supervision and restraint mechanism.

Risk Control

The Company incorporates bribery and corruption risks into comprehensive risk management, taking multiple measures to reduce them.



Cultural Cultivation

Shenma Corporation regards the cultivation of integrity culture as a key component of its anti-bribery and anti-corruption efforts, building a three-dimensional defense line of "no ground to be corrupt, no opportunity to be corrupt, and no desire to be corrupt" through a mechanism of full participation. The Company provides tiered training to precisely match the compliance needs of executives, middle managers, and grassroots employees, promotes the transformation of integrity awareness from institutional constraints to behavioral consciousness through diverse publicity forms, and activates the governance dynamics of all employees through a supervision system combining anonymous reporting and incentives. In 2024, Shenma Corporation had no major corruption cases.

Party Members and Cadres Visit Integrity Education Base

On March 28th, the Party Committee of Shenma Corporation organized nearly a hundred Party members and cadres to visit the Pingdingshan Integrity Education Base in two batches to receive integrity education and further enhance the integrity awareness of Party members and cadres. By visiting exhibition areas, reviewing President Xi Jinping's important expositions on comprehensively strict Party governance, Party conduct, and the fight against corruption, and through viewing typical cases and listening to confessions, they deeply understood the mental journey of public officials committing crimes. This made Party members and cadres more aware of the seriousness of disciplinary violations, learn lessons deeply, always maintain a clear mind, strictly implement integrity and self-discipline regulations, enhance integrity awareness, and ensure constant vigilance.



Nylon Chemical Co., Ltd. Organizes Tiered Anti-Corruption Training E.

Nylon Chemical Co., Ltd. systematically promotes anti-corruption education based on the principle of "stratification and classification, precise teaching," driving the deep penetration of integrity awareness into different management levels. In 2024, for the leadership team and key positions, the Company's Discipline Inspection Commission organized learning through the case analysis video Self-Destruction from Guarding Against Theft, strengthening the red-line awareness of the "key minority" through "using one's own affairs to warn others." For middle management and business backbones, participation in the warning education meeting of China Pingmei Shenma Group deepened their understanding of power operation risks through typical corruption cases in the industry, building an ideological dam of "dare not corrupt." The activities covered the Company's leadership team, Party branch secretaries, heads of functional departments, and grassroots section-level cadres, forming a vertically integrated training pattern and promoting the construction of anti-corruption culture throughout the Company.

Consolidating Foundations and Strengthening Governance Green Development and Responsible Commitment

Shared Development and Corporate Responsibility

Investor Relations Management

Shenma Corporation regards investor relations management as an important link in practicing ESG governance concepts, adhering to the core principle of "respecting investors, rewarding investors," and building a diversified, multi-dimensional two-way interaction mechanism to continuously enhance capital market trust and consensus on sustainable development.

Institutional System

The Company centered on the *Investor Relations Management Measures*, supplemented by five specialized systems including the *Information Disclosure Management Measures* and the *Insider Information Registrant Management System*, forming an institutional network covering corporate governance themes such as decision execution, information disclosure, and compliance supervision. The Board Office has established an investor relations management position, staffed with professionals to continuously maintain daily communication with investors.

Protection of Small and Medium Shareholders' Rights

The Company strictly follows the *Rules for Shareholders' Meetings of Listed Companies*, ensuring resolutions are made fairly and openly through "onsite + online" dual voting mechanisms. Shareholders are notified 15 or 20 days before the meeting. Directors, supervisors, and senior management attend shareholders' meetings and engage in in-depth exchanges with investors, fully safeguarding the rights of small and medium shareholders.

Diversified Communication

The Company proactively expands its investor-communication channels by maintaining daily interactions through telephone, e-mail, WeChat official accounts and the SSE E-Interaction platform. It convenes regular earnings briefings, incorporates dedicated ESG-focused sessions, hosts on-site visits from institutional and individual investors, and takes part in the Henan-listed companies' joint investor open-day events, thereby ensuring comprehensive, multi-channel engagement with the investment community.

Fair Competition

Shenma Corporation adheres to the principles of compliance, integrity, and fairness, strictly complies with laws and regulations including the *Anti-Unfair Competition Law of the People's Republic of China* and *the Anti-Monopoly Law of the People's Republic of China*, and has formulated and issued the *Implementation Plan for Compliance Management System Construction* while compiling the *Compilation of Intellectual Property Laws and Regulations* to establish business entities' awareness of integrity, law-abiding and compliant operations, insisting on coordinating anti-monopoly policies with industrial policies and enhancing fair competition awareness. The Company requires fair competition from top leadership to middle management and grassroots employees, and has taken measures such as strengthening fair competition and anti-monopoly training to reinforce anti-monopoly and fair competition risk prevention and control. When discovering unfair competition practices by other enterprises against the Company, it actively adopts legal measures to ensure the sound operation of market order. In 2024, the Company did not experience any unfair competition penalties.

Tax Management

Shenma Corporation strictly abides by the laws and regulations such as the *Enterprise Income Tax Law of People's Republic of China (PRC), the Tax Collection and Administration Law of People's Republic of China (PRC)* and the applicable laws of the locations where overseas operations are located. The Company hires accounting firms and tax agents to carry out external audits every year, earnestly fulfills its compliance tax payment obligations, and timely prevents and controls tax risks. During the Year, the Company continued to cooperate with the tax authorities and other stakeholders, participated in the tax meetings organized by the tax authorities, earnestly fulfilled the prescribed tax obligations, and established the Company's fiscal and taxation management system. In 2024, the Company's tax credit rating was Grade A, and it was an export tax rebate enterprise.

👜 Tax Management System

The Company strictly implements the Group's Measures for *Tax Control of China Pingmei Shenma Group (Trial)*, establishes and improves the tax management system, and improves the level of tax control. The Company's senior management actively participates in the supervision of tax risks. As the first person in charge of tax control, the chief financial officer emphasizes the understanding and control of phased tax policies, makes full use of preferential tax policies, pays attention to effective communication with the tax bureau, and emphasizes risk control.

🛞 Tax Risk Management

The Company sets up a special tax risk management and control class led by the chief financial officer to carry out industrial and financial integration management and control and put tax risk management and control at the beginning of the business. The tax commissioner conducts a comprehensive tax-related audit of the contract according to the tax law, simulates the whole process of invoice processing including invoice issuance, receipt, audit and storage, and excavates the tax planning space through comprehensive measures such as contract tax control, invoice tax reduction, accounting tax reduction, tax preferential policies and tax declaration and tax saving, predicts different tax payment schemes, and the financial controller selects the best tax risk control scheme by combining various factors.

Facing the digital and intelligent tax risk analysis golden tax collection and management system, the Company made full use of the risk control index system of the group company with reference to the tax authorities and established a tax risk management and control system. The risk control module of the system can intelligently analyze the financial statements and tax returns of enterprises, generate tax risk control reports, and prompt tax risks item by item according to taxes. All units can use this system to conduct risk self-examination at any time, find and properly resolve risks in time, and reduce tax-related risks.

Overview

Annual Topics

Consolidating Foundations and Strengthening Governance

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Safety and Employee Management

Shared Development and Corporate Responsibility

02 **Embracing**

Shenma Corporation consistently upholds a strong sense of environmental responsibility and mission, integrating environmental protection into its core strategy. The Company thoroughly implements national ecological civilization initiatives, advancing green and sustainable development by systematically promoting cleaner production processes. Through scientific process planning, Shenma Corporation continuously improves energy efficiency and significantly reduces carbon intensity while increasing the adoption of clean energy. It actively participates in carbon trading markets, leveraging market mechanisms to achieve carbon reduction goals. In pollution control, the Company implements targeted energy-saving and emission-reduction measures to minimize pollutant discharge during production. By prioritizing ecological balance in facility layout, Shenma Corporation safeguards regional ecosystems. Furthermore, the Company champions green principles through advocacy for low-carbon lifestyles and production methods, striving to set practical benchmarks for the green transformation of the energy industry and systematically fulfilling corporate responsibilities in climate action.

Material Topics Addressed in This Chapter

- Climate Change Response
- Pollutant Emissions
- Waste Disposal
- Biodiversity



Appendix

Looking Ahead to 2025: Shenma Embarks on a New Journey

Green Development, Responsibility

- Environmental Compliance Management
- Energy Use
- Water Resource Utilization
- Circular Economy

Sustainable Development Goals (SDGs) of the UN Addressed in This Chapter





As a leader in the chemical fiber manufacturing industry, Shenma Corporation recognizes both challenges and opportunities posed by climate change and proactively fulfills its corporate responsibilities. We vigorously develop clean energy, build new power systems, and increase the proportion of green electricity to effectively reduce greenhouse gas emissions. Climate risks are integrated into our comprehensive risk management system to systematically identify, assess, and manage climate-related risks and opportunities. Concurrently, we explore opportunities in new energy development to drive industrial upgrades, harmonizing environmental responsibility with sustainable growth. Our efforts contribute Chinese solutions to global climate governance and support China's "Dual Carbon" goals.

Climate Governance

Shenma Corporation actively responds to China's "Dual Carbon" strategy under a Board-led ESG governance framework. Climate risk and opportunity management are core functions of the ESG team, ensuring systematic climate governance. The Company embeds climate response into its sustainable development strategy, implementing a full-cycle management model from planning to execution oversight.



- Guides the formulation and improvement of climate-related strategies and supervises the implementation of climate change response actions.
- The committee is responsible for the identification, assessment, and management of major climate risks and opportunities.

- Discloses the results of climate-related risk and opportunity identification.
- Assesses the impact of risks and opportunities on the Company's business.
- Develops relevant plans for green production and green operations.

- Design climate risk response measures based on industry best practices and the Company's actual conditions.
- Identify and conduct preliminary assessments of climate risks.
- · Carry out the Company's carbon emissions inventory.

Safety and Employee Management

Shared Development and Corporate Responsibility

States

Shenma Corporation acknowledges that climate change presents systemic risks (e.g., extreme weather, policy shifts) while creating opportunities for low-carbon innovation and green markets. Using the TCFD framework, the Company conducts climate scenario analyses to assess physical exposure and transition sensitivity across operations and supply chains, formulating targeted risk management plans. In the future, we plan to dynamically track and identify climate change-related risks and opportunities, develop a more comprehensive climate risk and opportunity management policy system, and ensure the Company continues to achieve robust development in the context of climate change.

In terms of physical risk prevention and control, the Company has established a real-time extreme weather monitoring and early warning mechanism, incorporated infrastructure resilience assessment into the equipment maintenance cycle, and reduced the impact of chronic climate change on asset efficiency through climate adaptation transformation. In view of the risk of transformation, we continue to promote the iteration of energy structure, and the proportion of renewable energy in energy consumption is gradually increasing. In the future, the Company will continue to deepen scenario analysis, incorporate climate pressure into the strategic decision-making process, and continuously improve the full-cycle climate governance system covering risk identification, quantitative assessment and coping strategies.

Risk Type Risk Description

- The increasing frequency of extreme weather events, such as rainstorm, typhoon and flood, may cause damage to the Company's production equipment, increase the health and safety risks of employees, hinder transportation, interrupt the supply chain and other risks, resulting in a decline in operating capacity, an increase in operating costs and a decrease in the Company's profitability.
- Extreme weather events may cause secondary upgrade them as needed to improve the level of disaster prodisasters and secondary production accitection. dents, which may pose a threat to personal • Strengthen the ability of relevant personnel to cope with exsafety and ecological environment and cause economic losses. treme disasters and provide relevant training for employees.

Physical Risks

- Changes in rainfall, extreme climate fluctuations, and long-term average temperature rise may lead to an increase in the Company's capital construction costs (such as prolonged construction period and early wear and tear of equipment) and an increase in the insurance cost of equipment and personnel.
- The increase or decrease of the average temperature may lead to an increase in the demand for cooling water for equipment, refrigeration and heating in production and office places, and may lead to an increase in the Company's operating costs.
- Temperature rise may bring chronic damage to the health of front-line employees.

Countermeasure

- The possibility and harm of climate disasters should be considered in site selection and business planning, and climate factors should be included in the assessment.
- Do a good job in extreme weather monitoring and early warning, formulate targeted disaster emergency plans according to the characteristics of the operating areas, conduct emergency drills regularly, and pay attention to the daily reserve of disaster prevention and mitigation materials.
- Regularly inspect the production and operation facilities and
- Consider climate-related factors in site selection and business planning, and purchase insurance for related assets in advance
- Encourage subordinate enterprises to identify climate vulnerabilities in their areas and include the assessment of climate risks in infrastructure construction.
- Continue to strengthen energy conservation and emission reduction, improve the efficiency of energy, water and other resources, and reduce dependence on natural resources.
- Widely carry out popular science education related to climate change for stakeholders and advocate the practice of low-carbon environmental protection concept.
- · Continuously improve the occupational health protection system, standardize the management requirements for high-temperature operations, and provide protective equipment for employees according to the climate conditions.

Transition

Risks

Annual Topics

Consolidating Foundations and Strengthening Governance



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Climate Risk Identification

Through literature review, internal in-

terviews, and industry benchmarking,

the Company preliminarily identifies

physical and transition climate risks

that may impact its business.

Shared Development and Corporate Responsibility

Climate Impact & Opportunity Management

The Company has established a sound risk management system, and managed climate matters according to the process of Climate Risk Identification, Risk Review and Confirmation, and Risk Control and management.



In business activities, in order to control greenhouse gas emissions, we have taken a series of energy-saving and emission-reduction measures, such as replacing energy-saving equipment and optimizing processes, and increasing the proportion of clean energy use. The Company actively promotes the low-carbon development of the industry. In the future, we will continue to increase investment in green and low-carbon R&D, strengthen cooperation in green and low-carbon projects and play a synergistic effect to contribute to the country's goal of "Dual Carbon."

Measures of energy saving and carbon reduction in Nylon Chemical Co., Ltd.

The high-quality N₂O emission reduction project of Nylo Chemical Co., Ltd. successfully passed the commissioning an achieved complete success. In this project, the existing 150,000 a high-quality adipic acid plant of Nylon Chemical Co., Ltd. w transformed with proprietary technology to reduce N₂O, NO ar NO₂ emissions during adipic acid production. It is estimated th CO₂ emissions can be reduced by about 11 million tons per ver and the emission reduction rate is as high as 98%. The compl tion and commissioning of this project has effectively reduce the emission of nitrogen oxides from the tail gas of adipic ac plant, which is an important measure for the Company to activ ly respond to the national green and low-carbon developme policy and practice the new development concept of innovation coordination, green, openness and sharing, and is of great si nificance for achieving the goal of environmental protection an emission reduction and generating significant social benefits.

Energy-Saving and Carbon Reduction Measures in Shenma Cord Fabric Development Co., Ltd.

A 22 MW photovoltaic (PV) power generation facility has been connected to the grid at Shenma Cord Fabric Development Co., Ltd., integrating various applications such as PV roads, PV carports, PV warehouses, PV rooftops, and PV pipe racks. The total installed capacity of PV power stations has reached 34 MW, generating 21.8706 million kWh of electricity in 2024.

Risk Type Risk Description

vation.

generation.

• The Company firmly establishes the concept

of "energy transformation and green development" and systematically promotes industrial

structure optimization and technological inno-

• Adjust the energy structure, reduce coal heat-

ing power generation, vigorously develop clean

energy, and maximize the use of new energy

sources such as wind power and solar power

Upgrade the product structure, develop

high-performance, green, safe and special

chemical industrial products, enhance the

added value of products and reduce the energy

Strengthen scientific and technological innova-

tion, strengthen energy-saving management,

adopt technologies such as system energy

optimization, power saving and waste heat and

pressure utilization, upgrade and transform

traditional equipment, and popularize high-ef-

Accelerate research on technical control of

greenhouse gases and air pollutants. The ex-

isting CDM greenhouse gas emission reduction

device is technically reformed, and a new N₂O

with high selectivity, high activity, low cost, low

stack ratio and environmental friendliness is

Actively cooperate with scientific research insti-

tutes in colleges and universities to explore the

feasibility investigation and analysis of the pro-

ject preparing chemical products with carbon

ficiency and energy-saving technologies.

consumption per unit product.

- Under the background of "Dual Carbon" goal and policy framework, the government is promoting the transformation of energy consumption control to the "Dual Carbon" mechanism of total carbon emission and intensity, and the tightening of relevant laws and regulations will accelerate the green transformation of high-emission industries. This policy orientation may lead the Company to face the pressure of upgrading energy-saving and emission-reduction technologies and then push up compliance operating costs.
- The carbon quota system has been established and implemented in the national carbon emission trading market. If the petrochemical industry is brought into the scope of control in the future, the Company will face the risk of increasing the cost of carbon quota implementation.
- With the deepening of methane emission control policy, the Company needs continuous investment in methane leakage monitoring (MRV system construction), emission reduction technology application and facility renovation, which may increase the Company's operating costs.
- · Society pays more attention to climate change and sustainable development, and more consumers will tend to use green and low-carbon products and services in the future.
- The transformation of a low-carbon economy drives the rapid development and iteration of technology. The Company needs to continuously increase R&D and investment in the fields of renewable energy, energy conservation and emission reduction technologies, which will lead to an increase in operating costs.
- The chemical industry's response to climate change has become a key area of concern for stakeholders. If the Company can't take measures with substantial influence, it may be questioned by relevant parties including investors, thus affecting the Company's reputation.

Opportunity Description



Source

Climate Related Opportunities

By adopting low-energy equipment and developing energy-saving technology, the energy efficiency of business operations can be improved, and the operating cost can be reduced.

developed.

dioxide.

Promoting the construction of information platforms can help the Company to better monitor and control the use of electricity and raw materials, improve operational efficiency and save related costs.

Clean Energy

Actively promoting the development and use of clean energy such as pho-

tovoltaic will help the project to further reduce greenhouse gas emissions

and reduce energy procurement costs, and it is in line with the national en-

ergy industry transformation policy and won favorable policy support.

Development and

Application of En-

ergy-saving Technol-

ogy and Equipment

Information Plat-

form Construction

Energy

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Taking the lead in launching the "electric-for-diesel" initiative, Nylon Chemical Co., Ltd. has progressively replaced coal transport vehicles with pure electric heavy-duty trucks. Statistics show that a single pure electric heavy-duty truck achieves an energy consumption reduction of approximately 60%, delivering remarkable environmental benefits. The comprehensive total cost (including vehicle depreciation, maintenance, insurance, labor, etc.) is reduced by over 10%, setting an exemplary model for establishing a new industrial structure of "green energy + green logistics" eco-chain. Units such as Nylon Chemical Co., Ltd. and Shenma Hydrogen Chemical Co., Ltd. are also actively advancing their "electric-for-diesel" plans, with full replacement of large transport vehicles expected to be completed by the end of this year.

By implementing waste heat recovery projects, Shenma Cord Fabric Development Co., Ltd. has completely eliminated the need for externally purchased steam, achieving a 66% reduction in steam procurement annually.

Consolidating Foundations and Strengthening Governance



Shared Development and Corporate Responsibility

Energy-Saving and Carbon Reduction Measures in Shenma Engineering Plastics Technology Development Co., Ltd.

Annual Topics

The Company plans to replace 39 existing streetlights with new solar-powered streetlights featuring photovoltaic panels and battery storage, enabling automatic switching between grid power and solar energy. Upon completion, the project is expected to achieve annual electricity savings of 18,000 kWh, reducing carbon emissions by 8.98 metric tons of CO₂.

The centralized office area at Plastic Plant No. 4 utilizes a 36.4 kW fixed-frequency central air conditioning system. Due to 24/7 operational requirements, the AC system runs continuously, resulting in significant energy waste. Through the implementation of an AC system retrofit in 2024, total electricity savings reached 765,000 kWh, reducing energy costs by approximately 520,900 yuan and cutting carbon emissions by 66.02 metric tons of CO₂.

The original high-purity water production equipment consumed approximately 1.861 kWh per day. By switching to outsourced high-purity water supply and decommissioning the in-house production system, average daily power consumption was reduced to 109.5 kWh and annual carbon emission reduced of 331.47 metric tons of CO₂.

Indicators and Targets

In order to know more about the Company's carbon emissions, Shenma Corporation actively organized various subsidiaries to conduct carbon emissions inventory, and the organizational boundary of the inventory covered all production units of the Company and organized the standard technical service company to conduct internal verification of carbon emissions data. With reference to the greenhouse gas accounting system, GB/T 32150-2015, ISO 14064 and other standards, the Company conducted carbon verification on major emission enterprises, and this year's greenhouse gas emissions decreased by 24,229.93tCO₂ compared with the previous year. Shenma Corporation has established greenhouse gas emission reduction targets covering Scope 1, Scope 2, and Scope 3, which have been recognized by the Science Based Targets initiative (SBTi). The Company has also implemented a regular review mechanism to track progress toward these targets and ensure the effective execution of its carbon reduction initiatives.

Shenma Corporation Science-Based Carbon Targets

Target	Climate Scenario	Base Year	Target Year
Reduce Scope 1 and Scope 2 GHG emissions by 42%	1.5° C scenario	2021	2030
Reduce Scope 3 GHG emissions by 25%	/	2021	2030

Shenma Corporation Greenhouse Gas Emissions

Category	Unit	Data
Scope 1	tCO ₂ e	1,202,020
Scope 2	tCO ₂ e	1,371,178
Total Emissions (Scope 1 + Scope 2)	tCO ₂ e	2,573,198

Environmental Compliance Management

Under the general trend that the country unswervingly promotes the reform of ecological civilization system, vigorously practices the concept of green and low-carbon development, and fully promotes the goal of "Dual Carbon," a series of laws and regulations such as People's Republic of China (PRC) Environmental Protection Law, Air Pollution Prevention Law, Water Pollution Prevention Law and Solid Waste Pollution Prevention Law have been strictly and comprehensively implemented. Shenma Corporation also actively responded to the national call for environmental protection, put environmental protection work in an important position. and deeply integrated the concept of green development into the enterprise development strategy, regarding it as the core element to promote the sustainable development of enterprises. Under the unified deployment and precise guidance of the Group, subsidiaries such as Shenma Cord Fabric, Shenma Cord Fabric Development Co., Ltd., Nylon Chemical Co., Ltd., Shenma Engineering Plastics Technology Development Co., Ltd., Boliemai and Shenma Puli focused on key areas such as environmental management system construction and risk control management, actively explored innovative working modes, and solidly promoted various environmental protection work.

(*B* **Environmental Management System**

Shenma Corporation continuously establishes and improves its environmental management system. The Company's senior management oversees the overall progress of environmental initiatives, while environmental protection leadership teams at subsidiaries supervise specific environmental management tasks in their operations. This systematic approach strengthens ecological safety barriers across all fronts. The Company employs precise environmental monitoring to track real-time environmental conditions, develops scientifically sound and effective emergency plans for sudden environmental risks to ensure rapid response when risks arise, and conducts comprehensive environmental risk assessments to proactively identify potential hazards.

Shenma Cord Fabric

System Establishment and Implementation

- System Framework : Focusing on strengthening the management of wastewater, waste gas, and solid waste ("Three Wastes"). Shenma Cord Fabric strictly controls the total amount of pollutant discharge and realizes the recycling of resources. In 2024, the environmental management system passed the supervision and audit smoothly.
- Implementation Path: Make clear the goal of no environmental pollution accidents in the whole year, carry out risk assessment of sudden environmental incidents according to regulations, and carry out various environmental protection work and statistics to verify the achievement of the goal.

Risk Management

- Carry out the preliminary investigation work of replacing the burner of the heat medium furnace, reduce the emission of nitrogen oxides by replacing the burner, and reduce the risk of waste gas treatment from the source.
- Implement the "one enterprise, one policy" for emergency emission reduction in heavily polluted weather, and complete self-monitoring of radiation monitoring and volatile organic compounds leakage detection through the Internet of Things monitoring system for solid waste pollution prevention and control, so as to find and deal with potential environmental risks in time.

Performance and Results

- The annual discharge rate of wastewater and waste gas is 100%. By strengthening the operation management of sewage treatment facilities and upgrading waste gas treatment equipment, the discharge is ensured to meet environmental protection standards.
- The compliance disposal rate of hazardous waste is **100%**. With the help of the internet of things monitoring system for solid waste pollution prevention and control, all aspects of hazardous waste are monitored throughout the process.
- · No environmental pollution accidents occurred throughout the Year.



Safety and Employee Management

Shared Development and Corporate Responsibility

Shenma Engineering Plastics Technology Development Co., Ltd.

System Establishment and Implementation

- System Framework: Implement the policy of "ecological priority, prevention first, energy saving and low carbon, comprehensive management" and adhere to the route of "source prevention, process control and terminal management." Formulate a series of procedures related to environmental protection system, such as Detailed Rules for the Prevention and Control of Air Pollution in Shenma Engineering Plastics Technology Development Co., Ltd. and Detailed Rules for the Prevention and Control of Water Pollution in Shenma Engineering Plastics Technology Development Co., Ltd., to provide comprehensive and standardized guidance for the ecological environment protection of enterprises.
- Implementation Path: In 2024, the Carbon Peaking and Carbon Neutrality Leadership Group was established to actively meet environmental supervision at all levels, complete the information filling of various environmental accounts and platforms, and ensure that environmental information is accurate, timely and open, and subject to social supervision.
- Responsibility System: By formulating relevant procedural documents of environmental protection system, such as Detailed Rules for the Implementation of Environmental Protection Monitoring and Management of Shenma Engineering Plastics Technology Development Co., Ltd., the environmental protection responsibilities of all departments and posts are defined, the main responsibilities are strengthened, and the supervision and assessment are strictly carried out.

Risk Management

• Environmental risk identification and assessment will be carried out every year. After the second phase of the project is put into production in April 2024, the emergency plan for sudden environmental events will be re-compiled and filed in the county environmental protection bureau to accurately identify potential environmental risks.



System Establishment and Implementation

- System Framework: In 2024, it passed the certification review of BSI environmental management system ISO14001: 2015, and aligned with the international environmental management system standards.
- Implementation Path: Carry out environmental risk assessment every year, improve risk prevention measures, and formulate and file emergency plans for sudden environmental incidents; Conduct self-monitoring of waste water, waste gas and noise on a regular basis to ensure that the discharge reaches the standard.

Risk Management

• At the beginning of the Year, a safety and environmental protection conference was held to summarize the work throughout the Year. Strengthen daily monitoring and analysis of environmental data to prevent risks in advance. Make emergency plans and put them on record to improve the ability to deal with sudden environmental incidents.



System Establishment and Implementation

- System Framework: Adhering to the concept of safety and environmental protection, energy saving and consumption reduction will be included in the annual work focus.
- Implementation Path: Set annual energy-saving and consumption-reducing targets, carry out various environmental protection work around the targets, and save costs and reduce emissions by optimizing production processes and strengthening management.

Risk Management

• Entrust a third party to regularly test the Company's environmental factors such as sewage, waste gas emission and noise, grasp the effectiveness of environmental protection work in time, and ensure that all indicators are under control.

Shenma Cord Fabric Development Co., Ltd.

Annual Topics

System Establishment and Implementation

- System Framework: According to ISO 14001 standard, an environmental management system covering the whole business is constructed, and the objectives, policies and procedures of environmental management are defined to provide clear guidance and operational norms for environmental protection work.
- Implementation Path: Set targets through environmental factor identification and risk assessment, make plans and implement monitoring, and finally conduct performance evaluation to form closed-loop management to ensure efficient operation of the environmental management system.
- **Responsibility System:** Establish a mechanism of "Party and government share responsibility, one post and two responsibilities, joint management, and accountability for dereliction of duty," and make it clear that each unit is the first responsible person for environmental protection, so as to jointly manage environmental protection and business.

Risk Management

- Through the implementation of heat conduction oil furnace low-nitrogen combustion reform project, the emission concentration of nitrogen oxides in waste gas is effectively reduced, and the risk of waste gas treatment is reduced from the source.
- Organize emergency drills for sudden environmental incidents on a regular basis, simulate scenarios such as waste water leakage and excessive emission of waste gas, test the feasibility and effectiveness of emergency plans, and improve the emergency response ability of employees.

Performance and Results

- The discharge of wastewater, waste gas and noise is zero, and the environmental protection facilities and production run synchronously and efficiently, and no environmental accidents have occurred.
- Self-monitoring and online monitoring equipment management compliance rate is 100%.
- Strengthen the management of solid waste generation, temporary storage and disposal process, formulate the solid waste stock system, and carry out timely disposal and transfer, with a disposal rate of 100%.
- Complete the upgrading of waste gas treatment facilities in the first phase of impregnation and the upgrading of lownitrogen combustion in heat conduction oil furnace

Performance and Results

• The discharge of wastewater, waste gas

and noise is zero, and the environmental

protection facilities and production run

environmental accidents have occurred.

• In 2024, Nylon Chemical Co., Ltd. strictly

implemented the relevant requirements for

post-certification management of pollutant

discharge permits, and the environmental

protection facilities were 100% effectively

operated.

synchronously and efficiently, and no



Nylon Chemical Co., Ltd.

System Establishment and Implementation

- System Framework: In combination with operational changes such as departmental adjustment and the addition of hexanediol plant, the environmental and occupational health and safety system manual was revised and improved in 2024 and implemented and passed the annual certification of relevant systems in August and obtained the certificate.
- Implementation Path: According to the risk characteristics of production processes in various departments, formulate management plans, relevant work instructions, and emergency plans. Regularly entrusts a third party to detect emissions and environmental indicators such as soil, groundwater and noise.
- Responsibility System: Formulate management systems such as environmental protection responsibility system for all employees and environmental protection assessment system, such as Management Measures for Environmental Protection of Construction Projects of the Company and Environmental Protection Responsibility System, to provide normative guidance for environmental protection work.

Risk Management

• Carry out the preliminary investigation work of replacing the burner of the heat medium furnace, and reduce the emission of nitrogen oxides and waste gas pollution from the source by replacing the burner.



Performance and Results

 Actively welcome more than 30 multilevel environmental inspections at the national ministerial and provincial levels, covering environmental monitoring hazardous waste projects and other aspects, and successfully passing various inspections.

Performance and Results

• Entrust a qualified company to dispose of solid waste in compliance, with a disposal rate of **100%**. and achieve the goal of "zero death, zero injury and zero leakage."

Performance and Results

• Successfully completed the environmental protection work of the first phase of the project in 2024.



国家级

中华人民共和国工业和信息化部

2023年2月

河南神马尼龙化工有限责任公司

Certificate of green factory certification

of Shenma Cord Fabric Development Co

Ltd. and Nylon Chemical Co., Ltd.

工业和信息化部

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Safety and Employee Management

Shared Development and Corporate Responsibility

Green Factory Construction

Shenma Corporation actively practices the concept of green development, promotes clean production from the aspects of production process optimization, energy saving and emission reduction technology application, and plans the construction of green factories in an all-round way, striving to achieve the organic unity of high production efficiency, resource saving and environmental friendliness, and leading the industry to develop in a green and sustainable direction.

Continuous Optimization of Built Green Factories

Shenma Cord Fabric Development Co., Ltd.

After successfully establishing a national-level green factory in 2022, we have been implementing energy-saving and emission reduction projects. For example, the implementation of heat conduction oil furnace low-nitrogen combustion transformation projects can effectively reduce the emission of pollutants such as nitrogen oxides, improve energy utilization efficiency and reduce energy waste. In addition, the Company continuously optimizes production processes and adopts advanced technologies and equipment to reduce energy consumption and pollutant emissions at the source, thereby consolidating the achievements of green factory development.

Nylon Chemical Co., Ltd.

It was awarded as a national-level green factory in 2022, and the dynamic management report of the green factory in 2024 was audited by the Ministry of Industry and Information Technology. In combination with operational changes such as departmental adjustment and the addition of hexanediol devices, the Company has improved the environmental and occupational health and safety system, and regularly entrusted a third party to detect environmental indicators such as waste water, waste gas, soil, groundwater and noise, so as to ensure the effective operation of environmental protection facilities, realize low-carbon energy consumption and clean production, and further improve the level of green factory construction.

Boliemai

It won the title of provincial green factory in 2024 and was rated as a performance-leading enterprise. The Company accelerates the construction of green manufacturing system, actively explores digital and intelligent energy management, promotes the construction of digital and intelligent factories, improves production efficiency and reduces environmental impact by real-time monitoring and optimizing energy use, and injects new vitality into the construction of green factories.

Advance Trends of Green Factories to be Build



In July 2024, the establishment of "Green Factory" was officially started, and a clear target plan was formulated. It is planned to pass the provincial review in 2025 and the national review in 2026. At present, all departments of the Company cooperate closely and actively carry out work around green production, energy conservation and emission reduction, laying the foundation for the Company's green and sustainable development.





Fabric

We place high importance on the environmental quality of our products and integrate green and eco-friendly concepts throughout the entire product lifecycle. Through green design and green production, we address environmental issues. The Company conducts annual Oeko-Tex Standard 100 certification and successfully renewed the TESTEX Oeko-Tex Standard 100 Class I certification in 2024. Additionally, we completed the EU's highest-level green certification, OEKO-TEX Class I, allowing our products to be used in infant clothing production. We plan to promote green design in a more systematic and quantifiable manner and expand the coverage of green design certifications for related products.

Key Environmental Honors & Accreditations

Shenma Corporation have made continuous progress in the field of environmental protection and won many important environmental honorary qualifications at different levels.

Shenma Cord Fabric won the Grade I certification of OE-KO-TEX, the highest green certification in the European Union, in 2024, which can be used in the production of baby clothes, laying a solid foundation for further exploring overseas markets and enhancing the brand's international influence.

In 2024, Boliemai was rated as "Environmental Performance Leading Enterprise," which highlighted its leading role in the process of local green development. Shenma Puli and engineering plastics have won the title of "A-class enterprise with environmental performance" with the development of science and technology.

In terms of system certification, Shenma Cord Fabric, Shenma Cord Fabric Development Co., Ltd., Nylon Chemical Co., Ltd., Shenma Huawei Plastic Co., Ltd. and other subsidiaries all maintain ISO 14001 environmental management system certification. This shows that Shenma Coporation's environmental management system has reached the international standard level, with a sound environmental management framework and strong environmental risk prevention and control capabilities.



In terms of green production, we adopt photovoltaic power generation to convert solar energy into clean electricity, reducing reliance on traditional energy sources. We implement exhaust heat recovery projects to improve comprehensive energy utilization and vigorously promote the use of recycled water to lower water consumption. Through these measures, we actively advance green production, laying the foundation for the construction of a green factory.



OEKO-TEX Certification



Consolidating Foundations and Strengthening Governance



Safety and Employee Management

Shared Development and Corporate Responsibility

Discharge and Waste Management

Annual Topics

The Company strictly abides by the laws and regulations such as People's Republic of China (PRC) Water Pollution Prevention Law, People's Republic of China (PRC) Air Pollution Prevention Law, People's Republic of China (PRC) Solid Waste Pollution Prevention Law and People's Republic of China (PRC) Noise Pollution Prevention Law, and builds a comprehensive pollution control system covering the whole production cycle. In the production process, international advanced pollution control technology and equipment are adopted to ensure that the emission concentrations of wastewater, waste gas, solid waste and noise at the boundary of the factory meet the requirements of national mandatory standards such as GB 8978-1996 Integrated Wastewater Discharge Standard and GB 16297-1996 Integrated Air Pollutant Discharge Standard. At the same time, the Company has established a sound management system, implemented a whole-process environmental monitoring and refined management system, and regularly conducted environmental compliance audits and pollution prevention performance evaluations to ensure the continuous and stable operation of pollution control facilities. In addition, the Company attaches great importance to environmental training, and regularly organizes relevant training activities to enhance employees' environmental awareness and operational skills. Through the above systematic environmental management measures, we will promote green and low-carbon transformation and development, and earnestly fulfill the main responsibility of the ecological environment.

Pollutant Emission

Exhaust Gas Treatment

The Company strictly implements the standardized management of sewage outlets in accordance with the Regulations on the Administration of Pollution Discharge Permit. Through self-monitoring and online monitoring, the Company monitors the exhaust outlet, dynamically compares the monitoring data with national, local and industry standards, and implements compliance judgment. At the same time, the Company constantly investigates and studies advanced treatment technologies and technologies, systematically evaluates and continuously optimizes production processes, adjusts production structure, improves energy utilization efficiency and reduces exhaust emissions through technical means.

Upgrading Waste Gas Treatment Facilities in Boliemai

Boliemai has comprehensively upgraded the waste gas treatment facilities, upgrading the original high-voltage electrostatic adsorption device+activated carbon adsorption device to an advanced combination of high-voltage electrostatic adsorption device, spraying device, dry filter box, activated carbon concentration device and catalytic combustion device. After the transformation, the pollutant discharge is effectively controlled, further reducing the risk of environmental pollution.

In 2024, the Company's main pollutants are nitrogen oxides, sulfur dioxide, particulate matter, non-methane total hydrocarbons, formaldehyde, ammonia, etc., and the comprehensive compliance rate of the Company's exhaust gas is 100%.

Name of the Company	Unit	Particulate Matter	NO _x	voc	SO ₂	Non Methane Hydrocarbon
Shenma Cord Fabric	ton	/	/	33.98	/	/
Shenma Cord Fabric Development Co., Ltd.	ton	4.26	7.88	26.15	2.93	/
Nylon Chemical Co., Ltd.	ton	8.19	141.33	/	38.72	/
Shenma Engineering Plastic Co., Ltd.	ton	4.56	/	/	/	17.08
Shenma Engineering Plastics Technol- ogy Development Co., Ltd.	ton	/	4.2	/	/	2.23
Boliemai	ton	/	1.08	/	/	0.59
Shenma Jinhua Technology Co., Ltd.	ton	1.24	/	/	/	2.69
Shenma Puli	ton	/	/	/	/	0.09

Wastewater Treatment

Our company fully implements clean production and strengthens the management of water pollution prevention facilities. We advance the enhancement of water pollution prevention work to meet discharge requirements stricter than national and local standards, and rigorously control water pollution risks. In accordance with government requirements, we have installed environmental online monitoring facilities for real - time monitoring of water pollutant emissions. We also entrust qualified third - party organizations to conduct monitoring in accordance with prescribed items and frequencies. The wastewater online monitoring system collects and monitors samples every two hours, with a 100% compliance rate of monitoring data. We report monitoring data through the discharge permit management system, achieving 100% timeliness and completeness in reporting. In addition, we have established a linkage mechanism between early warning and alarm systems. By tracking and analyzing real - time data, we ensure timely detection and handling of abnormal situations to guarantee stable and compliant water pollutant emissions. Going forward, Shenma Corporation will systematically enhance its wastewater management framework at the corporate headquarters level by establishing specific wastewater control targets and implementing regular progress reviews, thereby optimizing water pollution treatment efficiency.



In 2024, the Company's main detection indicators are COD, ammonia nitrogen, total nitrogen, total phosphorus, suspended solids, formaldehyde, adsorbable organic halides, etc., and the national standards such as Integrated Wastewater Discharge Standard and Pollutant Discharge Standard for Synthetic Resin Industry are implemented.

Name of the Company

Shenma Cord Fabric Shenma Cord Fabric Development Co., Ltd.

Nylon Chemical Co., Ltd.

Boliemai

Shenma Engineering Plastic Co., Ltd.

Shenma Engineering Plastics Technology Development Co., Ltd

Shenma Jinhua Technology Co., Ltd.

Shenma Puli



Qualification Rate of Monitoring data

Timeliness and Completeness of Monitoring data Submission



100%

	Unit	COD	Ammonia Nitrogen
	ton	80.74	7.92
	ton	9.59	0.42
	ton	175.38	9.02
	ton	0.44	0.03
	ton	/	/
d.	ton	4.10	0.27
	ton	/	/
	ton	/	/



Waste Disposal

According to the Law of People's Republic of China (PRC) on the Prevention and Control of Environmental Pollution by Solid Wastes, the Company classifies and manages the wastes generated in production and operation, and all of them are properly and comprehensively utilized or disposed harmlessly. The Company adheres to the four solid waste management principles of "reduction, recycling, harmlessness and planning" and constantly improves relevant policies and systems.

The industrial solid waste produced by the Company, including dry oil silk, is reused, which reduces the production of solid waste. The hazardous solid wastes generated are entrusted to qualified companies for treatment according to the requirements of relevant national laws and regulations, and the treatment rate reaches 100%.

In the future, Shenma Corporation plans to use quantitative targets as a key tool to further strengthen the management and planning of harmless and hazardous waste disposal.

🔚 🔚 Waste Management System

Subsidiaries such as Shenma Cord Fabric and Shenma Huawei Plastic Co., Ltd. have established comprehensive waste management systems, adopting a multi-tiered approach to waste reduction and compliant disposal.

Reusable waste yarn is sold to external companies to promote resource recycling. Recyclable insulation materials are reused internally to reduce reliance on new materials. General industrial solid waste with no direct reuse value is entrusted to qualified third-party agencies for environmentally sound disposal. Hazardous waste is strictly managed in accordance with relevant regulations and disposed of by licensed professionals to ensure environmental safety and regulatory compliance.

Energy Utilization

Shenma Corporation always put energy management in an important strategic position for enterprise development and actively responded to the call of national energy conservation and emission reduction policies. Through improving laws and regulations, strengthening performance management and other multi-dimensional measures, the Company comprehensively promoted the in-depth development of energy management.

Energy Management

Shenma Corporation strictly abides by national laws and regulations and takes *People's Republic of China (PRC) Energy Conservation Law* and *People's Republic of China (PRC) Renewable Energy Law* as the action program, requiring its subsidiaries to build energy management structures and systems in combination with their business characteristics. Shenma Cord Fabric Development Co., Ltd. has implemented an internal energy management system to track and analyze energy consumption in real time, integrating a performance evaluation plan that aligns energy efficiency targets with both departmental and individual employee performance metrics. The company also runs training programs to enhance staff awareness and skills in energy conservation. Shenma Cord Fabric has established a comprehensive energy management system with dedicated roles and management personnel. This system covers the entire process from procurement to usage, negotiates for favorable energy supply terms, optimizes process and equipment parameters to reduce consumption, and conducts energy audits to formulate improvement plans. Shenma Engineering Plastics Technology Development Co., Ltd. has set up a leadership group and developed the *Energy Consumption Quota Management System* with an early warning mechanism to encourage and reward energy-saving innovations among employees. Nylon Chemical Co., Ltd. has incorporated energy management into its strategic planning, creating a robust regulatory system from planning to assessment. The company has optimized procurement strategies, strengthened the management of key energy-consuming equipment and processes, and established an information system for real-time monitoring and analysis of energy consumption. Shenma Puli has implemented a statistical system to monitor energy consumption trends, increased investment in energy-saving technology upgrades, and integrated energy consumption into daily performance assessments with clear rewards and penalties. The company also enhances staff training on energy conserv

Moving forward, the Company will strengthen its energy management framework by establishing quantifiable energy conservation targets and implementing regular progress reviews, thereby systematically improving its energy-saving and emission-reduction system. At the operational level, the Company will rigorously implement clean production solutions while comprehensively advancing an energy utilization strategy characterized by "high efficiency and cleanliness, low-carbon circularity, and intelligent management."



Utilization of Water Resources

Shenma Corporation aims to build a water-saving enterprise, continuously improve the management level of water conservation, and take reducing the water intake per unit product as the core to realize the optimal allocation of water resources and improve the comprehensive utilization efficiency. By strengthening water-saving publicity and education, enhancing the awareness of all staff and building a long-term management mechanism for water conservation, we will contribute to the construction of a water-saving society. The main source of water used by the Company is municipal water purchased from outside, and there is no influence on the use of local water resources.

Subsidiaries have established comprehensive water management frameworks and systems to enhance the rational use of water resources:Shenma Cord Fabric Development Co., Ltd. has fortified its water-saving management structure and promptly updated and implemented the company's water supply and conservation management system, including the Water Conservation Management System, Water Use Management Assessment Measures, Water Conservation Personnel Position Responsibility System, and Water Metering Management System. These initiatives ensure that management responsibilities are effectively executed, strengthen the control of the water usage process, conduct comprehensive inspections to eliminate "leaks and waste", and ensure the achievement of water usage targets, with product water consumption below the industry average.Nylon Chemical Co., Ltd. has established a water-saving leadership team. clarified the responsible departments and personnel for water use and conservation, and formed a hierarchical management structure. Shenma Cord Fabric, in accordance with the company's water conservation management system, continues to deepen water conservation management. It has commissioned professional underground pipeline leak detection agencies to conduct comprehensive leak detection on underground water supply networks, promptly repairing any detected leaks to reduce water resource loss.Subsidiaries have organized activities such as "Energy Conservation Promotion Month" and "Water Conservation Promotion Week", and actively participated in centralized promotions organized by higher authorities during "Energy Conservation Promotion Month", reinforcing staff energy conservation awareness across various dimensions. A regular energy inspection mechanism has been established, with routine energy inspections conducted monthly and surprise factory-wide inspections carried out from time to time. This ensures that actions against "leaks and waste" and energy wastage are taken seriously, guaranteeing the effective implementation of water conservation measures.



Overview

Consolidating Foundations and Strengthening Governance



Safety and Employee Management

Shared Development and Corporate Responsibility

Reclaimed Water and Waste Recycling

The recovery of reclaimed water in Nylon Chemical Co., Ltd. has achieved remarkable results, and the advanced treatment project was carried out. After completion, about 1.3 million tons of fresh water was saved, and the recovery rate of reclaimed water rose to 67.5%, reducing the discharge of circulating water and the demand for fresh water. In addition, the Company's resource utilization of waste residue, waste liquid and other wastes has been transformed into by-products through technological innovation.

Shenma Engineering Plastics Technology Development Co., Ltd. has excellent water resources management, and the water recycling rate reaches 97%. Optimize process equipment to improve water reuse rate and reduce waste. It has established and improved the waste recycling system, classified and recycled waste plastics and waste packaging materials, and cooperated with professional enterprises for reprocessing, recycling or entering other industrial chains.



mote reuse.

Resource Saving and Comprehensive Utilization of Waste

Shenma Huawei tap water is cooled circularly, and the power supply is turned off in time after production to reduce resource consumption. It paid attention to the comprehensive utilization of production waste, recycled waste metal and wood, and processed it into products or sell raw materials to maximize the value of waste.

Water Management and Waste Control

Shenma Puli hired a professional company to measure the leakage of the pipe network, deal with the leakage in time, strengthen inspections to prevent leakage and improve the management level of water resources. In terms of waste management and control, a strict system of classified collection and treatment is established to ensure the reasonable disposal and recycling of waste.

Ecosystem and Biodiversity Conservation

Shenma Corporation fully recognizes the importance of biodiversity conservation and prioritizes it throughout the entire project lifecycle. The Company strictly adheres to ecological conservation redlines and environmental impact assessment requirements, respecting the Convention on Biological Diversity. We ensure that project site selection and construction do not damage critical ecosystems such as natural habitats, wetlands, and forests. Through stringent water quality management and eco-friendly treatment processes, we minimize pollutant discharge, reduce impacts on aquatic ecosystems, and contribute to the restoration and balance of regional ecosystems.

We also encourage employees to coexist harmoniously with wildlife-neither disturbing nor harming animals encountered in the wild. If injured individuals are discovered, employees are to immediately notify relevant authorities and take protective measures. Shenma Corporation will continue exploring more effective biodiversity conservation initiatives, contributing our share to the ecological balance of our planet.

Circular Economy

Shenma Corporation headquarters adheres to the circular development concept of "resources-products-renewable resources" and brings waste recycling into the overall strategic layout of the enterprise. It clearly sets the goals of reducing waste generation, improving waste recovery rate and reuse rate as the goal, requiring all subsidiaries to formulate specific circular economy implementation plans in combination with their own business characteristics.

Strategic Practice of "Three Wastes" Recycle



Shenma Cord Fabric Development Co., Ltd. actively responded to the strategy of the headquarters, promoted the waste heat utilization project, recovered the production waste heat and stopped purchasing steam. The annual steam purchase decreased by 66%, reducing energy consumption and cost. At the same time, the production waste and leftover materials are processed and reused by classification, so as to improve the utilization rate of resources and reduce waste emissions.

Recycling of Spinning Waste

Shenma Cord Fabric Company and Shenma Cord Fabric Development Co., Ltd. developed regenerated chips and regenerated fibers from spinning waste, which realized high-value recycling of waste resources. Compared with primary chips and primary fibers, it not only reduced production costs, but also reduced carbon emissions, which is of great significance for the Company to achieve green and low-carbon development. Shenma Cord Fabric Company and Shenma Cord Fabric Development Co., Ltd. have passed the global recycling standard certification (GRS).



High Water cycle and Waste Recovery

Water Saving and Waste Reduction

Boliemai improves the efficiency of water resources utilization by building facilities such as air conditioning condensate collection system. At the same time, Boliemai strengthened waste management, optimized the process, improved the utilization rate of raw materials, and reduced waste from the source. Inevitable wastes are collected and treated by classification to pro-

Overview

Annual Topics

Consolidating Foundations and Strengthening Governance

Green Development and Responsible Commitment



Shared Development and Corporate Responsibility

Management

Shenma Corporation, adhering to the core philosophy of "people-oriented development," regards enhancing employee well-being as a key mission. The Company is committed to fostering a healthy and safe working environment, building a fair and equitable space for career advancement, and creating a comprehensive talent development platform. By promoting the joint progress and mutual growth of employees and the Company, Shenma supports employees in realizing their personal value and works hand in hand with them to create a brighter future.

Material Topics Addressed in This Chapter

- Employee Rights
- Diversity, Equity, and Inclusion (DEI)

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Appendix

Safety and Employee



Consolidating Foundations and Strengthening Governance

Green Development and Responsible Commitment



Legal Employment

Shenma Corporation strictly complies with the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, and other relevant domestic laws and regulations. The Company also supports internationally recognized standards and principles such as the International Bill of Human Rights, the Declaration on Fundamental Principles and Rights at Work, and the Discrimination (Employment and Occupation) Convention. Internally, the Company has formulated the Labor Employment Management Measures (Trial) of Shenma Corporation to ensure lawful and compliant employment practices throughout the entire employment cycle-from recruitment, onboarding, and employment management to offboarding.

The Company rigorously controls employee onboarding requirements and conditions, signing written labor contracts with employees based on the principles of equality, voluntariness, and mutual agreement. All contracts are either approved or supervised by local labor authorities and include essential clauses such as contract term, job duties and location, working hours and rest periods, remuneration, labor protection, and occupational hazard prevention, in compliance with the legal requirements for labor contracts. In 2024, the Company achieved a 100% labor contract signing rate and fully contributed to pension, medical, unemployment, work injury, maternity insurance, and housing provident fund for all employees, with a 100% contribution rate.

The Company proactively opposes any behavior that disregards or violates human rights. It strictly prohibits discrimination in recruitment, promotion, training, and compensation based on nationality, gender, age, race, religion, pregnancy, or disability. Shenma Corporation upholds the principles of equal consultation and mutual benefit, working together with employees to achieve shared development. If any employee experiences harassment or believes they have been subjected to unlawful discriminatory treatment based on gender, sexual orientation, race, ethnic origin, age, religion, disability, marital status, or any other prohibited grounds, the employee is encouraged to report the situation immediately to their direct supervisor or the Human Resources Department of the relevant subsidiary. All incidents of harassment must be reported, including those occurring outside the office or outside of working hours.

In 2024

The Company reported **zero** labor dispute cases arising from non-compliant employment practices. No incidents of discrimination, harassment, child labor, or forced labor in violation of labor and human rights standards occurred during the Year.



During the Year, the Company actively responded to the talent strategy and implemented the Group's unified "Seven-Step" procedure for the recruitment of university graduates. Through diversified recruitment channels and innovative initiatives, the Company made significant progress in talent acquisition and talent pool development. Notable achievements were made in campus recruitment, university-enterprise collaboration, and social recruitment, injecting strong talent momentum into the Company's development.



Employee Rights and Benefits

The Company remains true to its original mission and consistently prioritizes the vital interests of its employees. It continuously improves the compensation and benefits system to provide a solid foundation for employees' well-being. By actively listening to employees' voices and establishing smooth and effective communication channels, the Company ensures that employee concerns are addressed and resolved in a timely manner. These efforts comprehensively enhance employees' sense of belonging and happiness, fostering a strong collective force that supports the Company's stable and sustainable development.

Employee Compensation

The Company ensures the full and timely payment of employee salaries on a monthly basis and continuously improves its compensation and benefits system. In accordance with relevant national and local policies, the Company makes full and timely contributions to social insurance programs-including pension, medical (including maternity), work-related injury, and unemployment insuranceas well as to the housing provident fund, thereby safeguarding employees' lawful rights and interests.

The Company has formulated the Wage Management Measures of Shenma Corporation and the 2024 Wage Linkage Management Measures of Shenma Corporation. In alignment with the Company's high-quality development strategy and scientific compensation distribution policies, the total wage base is reasonably determined based on a comprehensive evaluation of factors such as annual production and operational goals, economic performance, labor productivity, employee wage levels, alignment between wage distribution and business performance, the Company's financial capacity, and government wage guidelines. A linkage-based performance assessment mechanism is applied to ensure dynamic and equitable salary distribution. The Company is deepening the reform of its wage distribution system by optimizing performance appraisal schemes and establishing an income distribution mechanism based on quality, efficiency, and effectiveness. A sound incentive and restraint mechanism is being developed to uphold the principle of "more pay for more work, no pay for no work." Compensation policies are designed to favor employees in key technical positions, those working under difficult or hazardous conditions, and individuals with high professional skills, strong capabilities, and significant contributions. This approach ensures a more rational wage distribution structure and strengthens the incentive role of the compensation and benefits system.

Looking Ahead to 2025: Shenma Embarks on a New Journey



Consolidating Foundations and Strengthening Governance

Green Development and Responsible Commitment

Employee Care

Upholding the core philosophy of "shared growth between the Company and its employees," the Company integrates humanistic care into daily management practices. It is committed to safeguarding the physical and mental well-being of its employees and providing strong support across all aspects of their lives. By organizing a wide range of cultural and recreational activities, the Company fosters a sense of belonging and happiness, allowing every employee to feel valued and supported as part of the Shenma family.

Employee Benefits System of Shenma Corporation

Medical and Health Care

The Company provides wellness retreats for outstanding employees, hardship assistance, and supplementary medical coverage. Special illness insurance is offered to female employees, and all employees are covered by a critical illness mutual aid insurance plan.

Paid Leave and Annual Leave

In accordance with national laws and regulations, the Company offers paid annual leave, allowing employees to rest and recharge from their busy work schedules.

Retirement and Pension Support

Certain subsidiaries contribute to pension insurance for employees, ensuring that they receive appropriate retirement benefits after leaving the workforce.

Support for Employees in Need

The Company identifies and assesses employees facing financial difficulties, establishes hardship records, and provides them with condolence funds and supplies to ensure that assistance policies reach those truly in need.

Holiday and Birthday Benefits

Housing and Transportation Allowances

tain subsidiaries offer housing or rental subsidies.

On traditional holidays or Company-specific celebration days, employees receive holiday gifts or bonuses. Birthday cake vouchers are distributed quarterly to employees celebrating birthdays.

To ease employees' financial burden related to housing, cer-

Team-Building and Social Activities

The Company regularly organizes team-building events, outdoor excursions, group dinners, annual meetings, and other activities to strengthen communication, collaboration, and team cohesion.

es employee satisfaction, and creates a harmonious and inclusive workplace culture.

Democratic Management

Safety and Employee

Management

Employee Representative Conference System

The Company places great emphasis on the role of the Employee Representative Conference as a key platform for employee participation in corporate governance. During the proposal solicitation period, employees expressed a desire to receive a birthday gift from the labor union. The Company took this feedback seriously, and after deliberation by the leadership team, decided to distribute birthday cake vouchers quarterly to employees celebrating their birthdays-demonstrating the Company's commitment to humanistic care.

Rational Suggestions

employees to submit rational suggestions, aiming to stimulate employee engagement and creativity. In 2024, employees in accessing meals due to short lunch breaks, shift duties, and long commuting distances. In response, the Company's leadership conducted indepth discussions and decided during a leadership meeting to provide monthly meal subsidies. effectively addressing the issue and improving employee job satisfaction.



Employee Fitness Walk Activity



Employee Hardship Assistance Program





Shared Development and Corporate Responsibility

The Company continues to strengthen its efforts in democratic management by establishing diversified communication channels and fostering an open and transparent work environment. It actively listens to and addresses employees' practical needs, enhanc-

Collection System

The Company actively encourages raised concerns about difficulties

Employee Satisfaction Survey

In 2024, the Company proactively carried out satisfaction surveys to gather broad employee feedback through questionnaires. Each questionnaire included 16 items, with 20 distributed monthly, totaling 240 questionnaires for the Year-all of which were returned with a 100% effective response rate. The results showed an average public satisfaction rate of 99.17% for the Year. Based on these results, the Company accurately identified areas for improvement and implemented targeted measures to continuously enhance employee satisfaction and advance democratic management practices.



Summer Heat Relief and Care Initiative
Consolidating Foundations and Strengthening Governance Green Development and Responsible Commitment



Diversity, Equity, and Inclusion (DEI)

The Company is committed to building a compliant, equitable, and diverse employment system. In the recruitment process, it adheres to the core principles of fairness, impartiality, and merit-based selection, fully ensuring equality and compliance throughout all stages. The Company explicitly prohibits any form of discrimination based on ethnicity, gender, race, skin color, or religious belief, and ensures that all candidates compete under equal conditions. This approach fosters a diverse, inclusive, and vibrant workplace, injecting varied perspectives and innovation into the Company's sustainable development.

On December 31th, 2024, the Company had a total of 8,131 employees. The main employment categories include contract employees, retired rehires, interns, part-time workers, and outsourced personnel. The Company has adopted multiple measures to enhance employees' sense of belonging and satisfaction. For the Year, the employee turnover rate stood at 0.46%.





Talent Development

Shenma Corporation has established a comprehensive talent cultivation and incentive mechanism, offering employees a clear career development pathway. By closely aligning individual growth with corporate development, the Company enables every employee to fully realize their potential in their respective roles, achieving mutual progress between employees and the Company.

Career Development

Shenma Corporation consistently implements the talent development strategy set by the Party Committee of the Group, adhering to the principle of Party-led talent management. Centered on a well-established position and rank system, supported by a robust promotion and rotation mechanism, reinforced with compensation and incentive measures, and guided by tiered and classified management, the Company has built a structured and dynamic career development system. First, the Company has established a "Four-Category, Three-Tier, Six-Level" professional rank system that covers four major job categories: management, R&D, technical, and skilled positions. This system enables seamless connection and mutual mobility across different career tracks. Second, the Company has introduced the "NextGen Talent Program" for outstanding young talent. Through four core mechanisms—continuous talent sourcing, systematic cultivation, bold promotion, and disciplined yet supportive management—the program aims to comprehensively enhance young professionals' political integrity, capabilities, and professionalism. The goal is to build a high-caliber, professional, loyal, clean, and responsible team of young talents that is sufficient in number and full of vitality.

Equity Incentives

In 2024, in accordance with relevant laws, regulations, and normative documents such as *the Guidelines on Internal Compensation Distribution of State-Owned Enterprises* issued by the General Office of the Ministry of Human Resources and Social Security and *the Securities Law*, Shenma Corporation formulated *the 2024 Restricted Stock Incentive Plan (Draft)*. The plan introduced restricted stock as a medium- to long-term equity incentive for outstanding talent, with the aim of fully motivating and fostering innovation among key employees. It effectively aligned the interests of shareholders, the Company, and the core management team, enabling all parties to focus on the long-term development of the Company and supporting the realization of its strategic and operational objectives. On December 17th, the Company publicly announced the list of participants in the first round of the restricted stock incentive plan. The announcement clearly defined the rights and obligations of the incentive recipients and set profit growth targets for the Years 2025 through 2027.

Employee Training and Development

The Company places great emphasis on employee training and development, building upon a comprehensive training system. It fully implements the important directives of President Xi Jinping on workplace safety, firmly upholds the principle of "putting people and life first," and adheres to the "Six Firm Commitments." Centering on the two core themes of safety and quality, the Company strengthens safety and skills training, intensifies business and management training, and enhances ideological and political education. It has also improved the training responsibility and management system, and advanced infrastructure for education and training, providing strong talent support for building a modern, high-quality enterprise.

2024 Trainir

Each employe receive no less 40 training

with an emplois coverage rate $\ge 95\%$

100% coverage for r completion of

100% certification rate for key personnel, including enterprise executives, safety management personnel, special operations staff, and special equipment operators.

ng Plan and Targets	
ee is expected to ss than	100% continuing education
g hours on average	participation among professional and technical personnel.
oyee training • of •.	100% retraining rate for employees changing positions.
onboarding training new hires, including f three-tier safety training.	A total of 8,532 training sessions are planned across all business segments for the Year.

Green Development and **Responsible Commitment**

Annual Topics

To build a high-caliber and professional leadership team and enhance the core competitiveness of Shenma Corporation, the Company launched the "Shenma Lecture Hall" training series in 2024. This initiative targeted the leadership of Shenma Corporation and its subsidiaries and comprised seven sessions throughout the Year. The training curriculum was designed around key themes, including President Xi Jinping's important discourses on state-owned enterprises and state-owned assets, Party building, and the major reform priorities of state-owned enterprises. A wide range of topics were covered, such as Party spirit and discipline, SOE reform and corporate governance, strategic planning, business operations, investment and financing management, safety and emergency response, human resources management, carbon neutrality and energy transition, financial management, supply chain management, general management, internal enterprise governance, and traditional Chinese cultural values. This comprehensive training program aimed to systematically improve the leadership team's strategic thinking, leadership capabilities, decision-making skills, and professional competence, thereby supporting the Company's high-quality development through strengthened executive capacity.

Joint Advanced Training Program with Zhengzhou University

Shenma Corporation, in collaboration with Zhengzhou University, launched an advanced training program as a key initiative for talent development in the nylon industry. A total of 87 young technical and R&D backbones under the age of 35 from various units within the nylon sector participated in the program. Renowned professors and experts from Zhengzhou University, specializing in chemistry, chemical engineering, and materials science, delivered lectures tailored to the strategic needs of the nylon sector's transformation and upgrade, forming a three-dimensional curriculum system of "theoretical foundation - technological breakthrough - industrial application." Throughout the 12-month program (March 2024 to March 2025), participants not only gained solid theoretical knowledge but also enhanced their problem-solving skills through case studies and hands-on projects. The program successfully established a new model of university-enterprise collaboration for joint talent development.



Occupational Health and Safety

Shenma Corporation thoroughly implements President Xi Jinping's important directives on workplace safety, continuously strengthening safety foundations at the grassroots level. The Company upholds a strong awareness of red-line and bottom-line thinking regarding safety, optimizes safety management processes, and enforces strict accountability through assessments and audits. By embedding intrinsic safety into its operations, the Company provides solid and reliable support for high-quality development.

Occupational Health and Safety Management System

Shenma Corporation strictly complies with applicable laws and regulations such as the Work Safety Law of the People's Republic of China, Interim Measures for the Investigation and Management of Potential Work Safety Hazards, Implementation Guidelines for Hazard Investigation and Management in Industrial and Trade Enterprises, and Implementation Guidelines for Hazard Investigation and Management in Hazardous Chemical Enterprises. Internally, the Company has established a series of specialized safety policies and systems, including the Shenma Corporation Safety Committee Charter, Accountability System for Work Safety, Occupational Health, Safety, and Environmental (HSE) Management Manual, Occupational Disease Prevention Policy, and Management Measures for Personal Protective Equipment. In accordance with GB/T 45001-2020 Occupational Health and Safety Management System Requirements, the Company has built a comprehensive management system that forms a systematic occupational health and safety governance framework. This system applies to all employees-including contractors-and provides institutional support for safe and compliant operations across the organization.

At the subsidiary level, each entity has established its own safety management regulations to enhance risk prevention and control. These include the Henan Shenma Jinhua Technology Co., Ltd. Safety Risk Classification Control and Hidden Hazard Investigation & Management Dual-Prevention Mechanism Management Regulations, and the Shenma Boliemai (Pingdingshan) Air Bag Wire Co., Ltd. Work Plan for Establishing a Dual-Prevention Mechanism for Safety Risk Classification Control and Hidden Hazard Investigation & Management. These regulations aim to comprehensively strengthen safety management throughout each subsidiary's production process. In 2024, Shenma Engineering Plastic Co., Ltd., Nylon Chemical Co., Ltd., Shenma Cord Fabric Development Co., Ltd., Shenma Cord Fabric Company, and Shenma Huawei Plastic Co., Ltd. all successfully obtained ISO 45001 Occupational Health and Safety Management System Certification.

While ensuring the occupational health and safety of its own employees, Shenma Corporation also places great emphasis on the occupational health and safety of labor within its supply chain. The Company has established a supplier production safety management system, and its subsidiaries have formulated specific policies such as the Regulations on Safety Management of Related Parties and Management Regulations for Outsourced (Contracted) Labor Construction (Operations). These documents define comprehensive safety management requirements across the entire operational cycle-from supplier selection, onboarding training, and on-site operation management to project completion and exit. Through mechanisms such as self-management by business departments, localized supervision by designated grid managers in construction areas, and safety supervision management, the Company enforces strict control over the operational safety of suppliers and contractors to ensure business stability and continuity.

Safety Production Committee, chaired by the Company's primary responsible person

Safety Production Leadership Team, led by the Company's primary responsible person, with the person in charge of safety serving as the deputy leader.



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ISO 45001 Certificate – Shenma Cord Fabric Company

Consolidating Foundations and Strengthening Governance Green Development and Responsible Commitment Safety and Employee Management

Safety Interlock System

Alarm System

Technical Safety

Measures for Equipment

Hazardous Chemicals

Storage Safety

Shared Development and Corporate Responsibility

tential accidents.

🗭 Occupational Health and Safety Risk Management

The Company adheres to a core philosophy of prioritizing prevention and integrating both preventive and corrective measures, and rigorously implements proactive control of occupational health and safety risks. A comprehensive safety risk assessment process and quantifiable safety management measures have been established. Regular occupational health risk assessments are conducted across all workplaces to accurately identify potential hazards ranging from chemical and physical agents to equipment operation and ergonomic factors. In response to these risks, the Company has formulated and implemented targeted control measures, including but not limited to the enclosure of hazardous chemical substances and noise reduction treatments for high-decibel equipment. Additionally, Shenma Corporation and its subsidiaries have developed *Emergency Response Plans for Work Safety* and regularly organize diverse emergency drills, covering various scenarios such as seasonal extreme weather (summer and winter) preparedness, ammonia leakage response, and accident response for injuries involving special equipment. These efforts ensure that employees are well-prepared to respond effectively to emergencies in various conditions, significantly improving their safety awareness and emergency response capabilities. Ultimately, these initiatives aim to minimize occupational health risks and foster a safe and healthy working environment throughout the Company.

Occupational Health and Safety Risk Identification and Management Process



ldentify and Evaluate Hazards Develop and Implement Risk Control Measures Track Performance Data, Continuous Improvement, and Feedback



Occupational Health and Safety Protection Measures

The Company utilizes automated safety interlock systems to ensure equipment operates under safe conditions, preventing unsafe operations and avoiding po-

Production units are equipped with alarm systems that monitor hazardous conditions such as high and low liquid levels in real time, enabling timely alerts and quick employee response.

A series of technical safety measures are implemented to prevent risks such as fire, explosion, and poisoning. These include fire alarm systems, high/low-level interlocks, lightning protection, and anti-static grounding systems.

Storage facilities for hazardous chemicals are specially designed to ensure safe handling and management. Safety features include high/low-level alarms and emergency shut-off devices.

Automatic shutdown systems are installed in equipment to ensure immediate cessation of operations in the event of an issue, thereby minimizing the occurrence and spread of accidents.

Employees are required to wear PPE—such as helmets, safety goggles, and earplugs—at all times when working on site to reduce the risk of injury in hazardous

The Company provides pre-employment and exit medical examinations for employees exposed to occupational hazards, and conducts regular on-the-job health checks. Examination results are promptly communicated to employees, and personal occupational health monitoring records are maintained.

Consolidating Foundations and Strengthening Governance

Green Development and **Responsible Commitment**

Occupational Health and

Safety "Three Zero" Target

Zero Accidents

Zero Injuries

Zero Leaks

Safety and Employee Management

Enhancing Access to Quality Medical Resources

The Company signed a cooperative agreement with Pingdingshan First People's Hospital to establish a medical consortium, introducing a system of regular on-site consultations by doctors from a tertiary hospital. This initiative ensures that employees receive scientific, appropriate, and continuous tiered medical services and promotes the downward extension of high-quality healthcare resources.

Advancing Personalized **Health Management**

to identify health issues early and intervene promptly.

Special Safety Inspection Conducted

On August 1st, the Head of the Safety Technology Department of Shenma Corporation led an inspection team to conduct a special safety inspection at Shenma Cord Fabric Company, Shenma Aramid, and Shenma Hydrogen Chemical Co., Ltd. The inspection focused on current critical areas such as construction safety, summer "Three-Prevention" measures (heatstroke, flooding, and fire prevention), and safety education. The team conducted a comprehensive review of the implementation of safety production management systems for ongoing projects, the installation of protective facilities and warning signs, as well as summer-related safety measures including heat prevention, flood control, and fire safety management. For all safety hazards identified during the inspection, immediate corrective actions with deadlines were mandated. The inspection team also provided specific requirements to further strengthen safety management in construction operations.

Emergency Drill Conducted

On September 26th, 2024, in order to enhance emergency response capabilities for sudden safety incidents, the Second Chemical Plant of Nylon Chemical Co., Ltd. organized a fire safety emergency drill. The drill simulated an explosion scenario involving a reactor, focusing on the emergency response procedures and actions of on-site personnel. Through this exercise, employees' awareness of safety management before the holiday was further strengthened, and their ability to respond to emergencies such as reactor explosions was improved, providing strong support for the company's safe production.

Occupational Health and Safety Training

To enhance employees' awareness and capabilities in workplace safety, Shenma Corporation organized safety training sessions for all administrative personnel. The training was conducted in two sessions, each lasting three days. During the training, instructors combined theoretical knowledge with practical case studies, covering topics such as the interpretation of the guiding principles from the 20th CPC Central Committee's Third Plenary Session, President Xi Jinping's important statements on production safety, relevant safety laws, regulations and standards, risk classification and hazard identification, as well as emergency response plans and evacuation knowledge. The sessions were designed to address gaps and weaknesses in participants' safety knowledge systems. To ensure training effectiveness, participants completed online quizzes using their mobile phones at the end of the course, with scores used to evaluate learning outcomes. In 2024, the Company recorded an average of 48 hours of safety training per employee.

The Company is committed to fostering a safe, healthy, and efficient working environment. To this end, the Company has formulated clear medium- and long-term goals with phased implementation plans. Quantitative objectives are established as key performance benchmarks, and progress is dynamically monitored and regularly reviewed to ensure the continuous improvement of occupational health and safety (OHS) management practices. By enhancing its OHS management system and strengthening risk prevention and process control, the Company integrates standardized safety production practices with effective risk management. Employee training is a key focus, with ongoing efforts to promote safety awareness and improve operational and emergency response capabilities through targeted safety education and skills training. In parallel, the Company continues to increase investments in safety infrastructure and optimize working conditions to ensure the effectiveness and reliability of protective measures. The emergency response system is also being continually refined, with regular drills conducted to improve response time and handling capacity for unexpected incidents. Through these initiatives, the Company strives to achieve its "zero accidents, zero injuries, zero leaks" safety objective-safeguarding employee occupational health and laying a solid foundation for sustainable corporate development. During the reporting period, the Company invested RMB 9.51 million in safety-related initiatives, achieving a 0% occupational disease incidence rate and recording zero work-related fatalities.

Indicator	Unit	2022	2023	2024
Investment in Occupational Injury Insurance	10,000 RMB	130	91	55
Coverage Rate of Occupational Injury Insurance	%	100	100	100
Number of Workplace Safety Incidents	cases	1	2	3
Safety Incident Rate per Million Work Hours	cases/million hours	/	/	0.18
Number of Work-Related Fatalities	persons	0	0	0
Work-Related Fatality Rate	%	0	0	0
Lost Work Hours Due to Safety Incidents	hours	864	1,680	2,496
Occupational Disease Incidence Rate	%	0	0	0
Number of Occupational Hazard Accidents	cases	0	0	0
Occupational Health Examination Coverage Rate	%	100	100	100
Proper Use and Availability Rate of PPE	%	100	100	100

Occupational Health and Safety Highlight Case

Comprehensive Measures to Safeguard Employee Health

In 2024, Shenma Corporation earnestly practiced the Group's core philosophy of "shared growth between the enterprise and employees" by actively caring for employees' physical and mental well-being. Through refined, dynamic management of employee health records and a combination of preventive, therapeutic, and psychological health services, the Company has achieved effective integration of preventive care, disease treatment, and wellness management. These efforts contribute to stable labor relations and promote the Company's harmonious development.

Appendix

Based on the analysis of health checkup data from various subsidiaries, the Company provides targeted guidance and customized check-up packages for employees. Health records are managed dynamically, with statistical categorization and tracking of results

Caring for Mental Health

The Company conducts a variety of mental wellness activities, including psychological assessments and counseling. Assessment results are analyzed and reviewed to continuously improve employees' overall mental and emotional well-being.







Consolidating Foundations and Strengthening Governance

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Green Development and Responsible Commitment Safety and Employee Management



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Shenma Corporation upholds the philosophy of sustainable development, embedding responsibility and accountability throughout its operations. The Company works hand in hand with upstream and downstream partners to build a sustainable supply chain, integrating a strong sense of responsibility into collaborative relationships. By strengthening information security measures and safeguarding customer privacy, Shenma enhances its brand reputation through high-quality products and services. Embracing its social responsibility, the Company actively participates in public welfare initiatives and contributes wholeheartedly to rural revitalization. Through concrete actions, Shenma gives back to society and writes a compelling chapter in the joint pursuit of corporate growth and social progress.

Material Topics Addressed in This Chapter

- Customer Service
- Data Security and Customer Privacy Protection Rural Revitalization
- Responsible Marketing
- Supply Chain Security
- Equal Treatment of Small and Medium Enterprises (SMEs)



Appendix

Shared Development and Corporate Responsibility

- Public Welfare and Philanthropy
- - Intellectual Property Protection
 - Industry Collaboration

Sustainable Development Goals (SDGs) of the UN Addressed in This Chapter

Consolidating Foundations and Strengthening Governance Green Development and Responsible Commitment

Responsible Supply Chain

Shenma Corporation is deeply committed to the principles of sustainable procurement by integrating ESG-related requirements such as human rights protection, regulatory compliance, and environmental stewardship—into the full life cycle of supply chain management. The Company works closely with its partners to share responsibilities, mitigate supply chain risks, and jointly build a sustainable and resilient supply chain.

ESG Dimension	Sp
Environmental Protection	• Suppliers shall comply with the appl risdictions. They should consider the to eliminate or reduce such impacts. mental Management System for conti
Labor and Employment	• Domestic suppliers shall strictly comes. International suppliers must adhes suppliers shall employ only individual must follow the latest local legal required legal rights.
Compensation and Working Hours	• Domestic suppliers shall comply with Labor Law. International suppliers in compensation system based on perf ances must be paid in a timely manne Wages shall not fall below the local m
Freedom of Association	 Suppliers shall respect employees' rig free to join, participate in, or withdra cordance with relevant laws and regul
Non-Discrimination	 Shenma Corporation respects cultural nity in all aspects of employment (inc and retirement). Employment decision tion based on gender, race, age, religion
Occupational Health and Safety	• Suppliers shall comply with applical their local jurisdictions. They must p issuance and use of personal protectiv are encouraged to adopt an ISO 4500 continuous improvement.
Fair Competition and Anti-Bribery	 Business interactions with suppliers suppliers must pass small-, medium-, petition, kickbacks, gifts, and bribes in ma has a disciplinary inspection offic and legal or disciplinary consequence

Supply Chain Management

The security, stability, and sustainability of the supply chain are critical to the Company's production and operations. While striving to build an efficient and standardized supply chain management system, Shenma Corporation also promotes ESG principles among its suppliers, encouraging all parties to share responsibilities, seize opportunities, and work together toward a sustainable future.

Supplier Management System

To strengthen supply chain management and mitigate supply chain risks, Shenma Corporation has proactively developed and refined documents such as the Supplier Management Measures, Import Material Procurement Procedures, Supplier Quality System Evaluation Form, and Guidelines for Supplier Quality Control and Evaluation Operations. These documents serve as standardized guidance for managing both domestic and international suppliers. They optimize processes for supplier admission, review, evaluation, and classification, while refining management requirements to achieve more precise and effective supplier oversight.

Company Name	Conduct Signing Rate
Shenma Cord Fabric Company	100%
Shenma Cord Fabric Development Co., Ltd.	90%
Nylon Chemical Co., Ltd.	100%
Shenma Engineering Plastic Co., Ltd	. 100%
Shenma Engineering Plastics Technology Development Co., Ltd.	100%

Supplier Code of Conduct Signing Rate Among Key Subsidiaries in 2024

Supplier Management System of Shenma Cord Fabric Company

- To be registered as a supplier, candidates must complete *the Preliminary Supplier Information Questionnaire*, which collects basic company information and supports an initial evaluation and supply risk assessment. Upon passing the preliminary review, the Development Department coordinates with relevant departments to conduct an on-site assessment. This includes evaluating the supplier's production capabilities, delivery performance, corporate management, risk profile, laboratory testing capacity, quality control processes, and green manufacturing practices. The findings are documented in an inspection report and filed in the supplier archive.
- Suppliers undergo a rigorous audit process to ensure they meet the following criteria: legal entity status
 and sound credit history, a certified and comprehensive quality management system, demonstrated
 contractual performance capabilities, and full compliance with applicable safety and environmental
 regulations.
- After all technical testing of supplied materials is completed, the technical department prepares an evaluation report. Qualified suppliers are added to the annual approved supplier list, which serves as a key reference for future procurement decisions.
- Approved suppliers are evaluated based on delivery quality, reputation, and quality assurance capability. Category A suppliers are evaluated and graded annually, while Category B and C suppliers are evaluated every two years.
- Suppliers that fail to meet requirements and refuse to make corrective actions will trigger the exit mechanism. These suppliers will be disqualified and removed from future cooperation.

Supplier

Admission

Supplier

Audit

Periodic Supplier

Evaluation/

Supplier

Exit Mech-

anism

pecific Requirements

plicable environmental laws and regulations in their local juhe environmental impact of their operations and take actions s. Suppliers are encouraged to establish an ISO 14001 Environntinuous environmental performance improvement.

mply with *China's Labor Law* regarding employment practichere to relevant local labor laws and regulations. In principle, uals aged 18 or above. If minors aged 14–18 are hired, suppliers quirements and establish protective systems to safeguard their

ith the statutory working hour system as stipulated in *China's* must follow local labor regulations. Suppliers shall adopt a erformance, fairness, and legal compliance. Wages and allowner, and overtime must be compensated or offset with time off. minimum wage standard.

rights to freedom of belief and association. Employees shall be raw from organizations (such as unions or associations) in acgulations.

Iral differences among suppliers and promotes equal opportuncluding hiring, compensation, benefits, promotion, dismissal, sions shall be based on merit and legal standards. Discriminagion, disability, political opinion, or beliefs are not tolerated.

cable occupational health and safety laws and regulations in provide a safe and healthy work environment, ensure proper ctive equipment, and minimize occupational hazards. Suppliers 5001 Occupational Health and Safety Management System for

rs must adhere to fair trade principles. All major raw material n-, and large-scale trials before mass procurement. Unfair coms in exchange for business benefits are strictly prohibited. Shenfice, and any verified misconduct will result in disqualification ces.

Consolidating Foundations and Strengthening Governance Green Development and Responsible Commitment



Data Security and Privacy Protection

Shenma Corporation places great importance on information security and strictly complies with laws and regulations such as *the Cybersecurity Law of the People's Republic of China, the Data Security Law, the Personal Information Protection Law, the Regulations on Classified Cybersecurity Protection,* and *the Regulations on the Security Protection of Critical Information Infrastructure.* Internally, the Company has established specialized policies including *the Shenma Corporation Information Security Management Measures, the Confidential Information and Data Storage Device Management Measures (Trial),* and *the Employee Confidentiality and Non-Compete Agreement Management Measures (Trial),* among others. These internal systems ensure the secure and stable operation of the Company's information infrastructure and support the smooth advancement of digitalization initiatives. In 2024, *the Company reported no major cybersecurity incidents or information leaks,* and received no complaints related to data security or privacy protection.

i Information Security Governance Structure

To ensure the secure and stable operation of its information systems and to strengthen strategic guidance for key issues in the implementation of digitalization projects, Shenma Corporation has enhanced its top-level design for information security. The Company established a Cybersecurity and Information Technology Leadership Group, which is responsible for the highest-level decision-making regarding cybersecurity and information system project development and implementation. This group is tasked with ensuring the stable operation of information systems and cybersecurity, approving master design plans and project schedules, making key investment decisions, providing strategic guidance on critical project issues, resolving decision-making deadlocks, approving major project changes, and coordinating the external environment for project execution. In 2024, the Company's top executive signed a *Cybersecurity Commitment Letter*, further reinforcing the responsibility system for information security.

Information Security Management System

Based on the international standard ISO/IEC 27001: *Information Technology – Security Techniques – Information Security Management Systems – Requirements*, the Company has fully established, implemented, and continuously improved a documented information security management system (ISMS). From December 18th to 29th, 2024, Shenma Corporation successfully passed the annual surveillance audit for ISO/IEC 27001 certification, ensuring that the Company's ISMS remains effective and continuously optimized in support of its stable business development.

Reasonable Information Security Protection Measures

In 2024, Shenma Corporation continuously strengthened its information security defenses. To enhance protection capabilities, the Company deployed a network situational awareness system, integrating newly added traffic probes and log audit tools to provide 24/7, multi-dimensional monitoring of network threats. Additionally, a bastion host was installed to ensure the compliant use of administrative privileges. On December 27th, 2024, Shenma Corporation's Intelligent Operations Platform successfully completed the Information System Security Classified Protection Filing, and was officially rated as Level 2.

Information Security Protection Measures **Physical Security Controls** Access Control Measures Secure access control systems, User identity authentication, video surveillance, secure access rights management, transmission media, and data multi-factor authentication center physical protection Network firewalls, intrusion Regular backups of critical data and establishment of detection and prevention systems, antivirus software, secure corresponding recovery configuration and patching mechanisms to prevent data loss Network Security Controls



Consolidating Foundations and Strengthening Governance

Green Development and Responsible Commitment

Information Security Risk Management

The Company actively supported the Group's compliance system certification, which included specific compliance requirements related to data security. As part of this process, a data security risk identification checklist was developed, along with corresponding preventive control measures tailored to those risks. These efforts have significantly enhanced the Company's awareness of information security risks and elevated its standards in information security management.

Information Security Risk	Manifestations	Preventive Measures	Risk Level
Data Storage and Backup Recovery	 Storage device failure causing system inaccessibility Backup software failure leading to data loss or failed recovery Human error resulting in accidental deletion or overwriting of inactive data 	 Establish a robust data backup and recovery mechanism to address emergencies involving data loss or corruption Timely updates to backup-related hardware and software Strengthen operator training on security protocols 	Major
ာင်းdents	 Sudden interruption of the Company's information network rendering systems inaccessible Loss or leakage of critical company data 	 Develop a comprehensive data security incident emergency response plan Establish a rapid and effective incident response mechanism 	Major
Data Access Control	 Internal personnel abusing access rights beyond their job responsibilities Unauthorized individuals or entities accessing internal data illegally 	• Establish data access auditing procedures and systems to promptly detect and handle abnormal access behavior	Major
Data Leakage	 Employees intentionally or unintentionally leaking data to external parties Data breaches caused by external hacking 	 Deploy a 24/7 intrusion prevention system and situational awareness platform; regularly upgrade security devices Conduct regular training on personal data protection and information security 	Major

Safety and Employee Management



Information Security Training

Shenma Corporation attaches great importance to information security training and has carried out a variety of awareness and capacity-building initiatives. Training content covers cybersecurity awareness as well as laws and regulations related to cybersecurity, data security, and personal information protection. Participants include management personnel from all departments of the Company's headquarters. Through the Company's "Learning to Strengthen the Enterprise" online training platform, employees across all subsidiaries can also access relevant information security courses. These programs clearly define employee responsibilities and obligations regarding information security, enhance understanding of its importance, and improve overall awareness and accountability among staff.



Shenma Corporation Launches Cybersecurity Week Eb Campaign

With the acceleration of digital transformation, cybersecurity has become a top priority for enterprise development. In response to the 2024 National Cybersecurity Awareness Week, and to mitigate systemic and regional information security risks, Shenma Corporation organized a Cybersecurity Week campaign from September 9th to 15th under the theme "Cybersecurity for the People, Cybersecurity by the People." During the campaign, Shenma Corporation invited cybersecurity experts to deliver training sessions on fundamental cybersecurity knowledge, common cyberattack techniques, and corresponding prevention strategies. In addition to expert lectures, the Company held a series of engaging activities including cybersecurity skills training, emergency response drills, and a cybersecurity knowledge competition. These efforts aimed to further raise employees' cybersecurity awareness, strengthen their protective capabilities, and foster a strong corporate culture of cybersecurity. The initiative contributed to enhancing the overall cybersecurity posture of the Company and reinforcing its information protection capabilities.







Green Development and **Responsible Commitment**

Safety and Employee Management

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Intellectual Property Protection

Annual Topics

Shenma Corporation actively implements the national intellectual property strategy and promotes rule-of-law thinking to strengthen the development of its trade secret protection mechanisms. On the basis of strict compliance with laws and regulations such as the Intellectual Property Law of the People's Republic of China and the Patent Law of the People's Republic of China, the Company has established a new IP protection framework featuring policy leadership, categorized control, and full-process coverage.

The Company has organized legal professionals to compile the Compilation of Laws and Regulations on Intellectual Property, and has issued nine core internal policies including the Administrative Measures for Confidential Personnel of Shenma Corporation (Trial). These documents cover key areas such as classification of confidential positions, management of information equipment, control of storage media, and site security. Subsidiaries have also formulated and continuously updated policies such as the Patent Management System, Patent Administration Measures, and the Opinions on Strengthening Legal Protection of Intellectual Property Rights, thereby establishing a well-structured, clearly defined, and highly operational system of intellectual property protection. Looking ahead, the Company plans to enhance certification of its intellectual property management system. Through standardized, regulated, and refined management practices, the Company aims to establish a comprehensive, multi-level, and robust trade secret protection network, providing a solid intellectual property safeguard for high-quality development.

To further strengthen trade secret management, the Company established a Confidentiality Committee, under which a Confidentiality Office operates, along with cross-functional working groups in management, R&D, and production. It also encouraged its subsidiaries and entrusted units to establish their own confidentiality leadership teams and management departments, thus forming a tiered, coordinated management system. In September 2024, the Company's confidentiality management office organized a training session for confidentiality officers and liaisons from various departments, with a total of 40 participants.

Patented Nylon 66 Fiber Production Technology Empowers Overseas Expansion E r

Shenma Corporation launched Phase I of its 20,000-ton/year differentiated Nylon 66 fiber project in Thailand, utilizing its independently developed four-head high-speed spinning technology with fully proprietary intellectual property rights. This patented technology not only provides strong technical support for the Company's overseas business expansion but also exemplifies Shenma's strategic use of intellectual property to advance its internationalization efforts.

Shenma Corporation Conducts Intellectual Property Protection Training

In August 2024, Shenma Corporation invited a renowned intellectual property scholar from Henan Province to deliver a special lecture titled "Strengthening Intellectual Property Protection to Safeguard Core Corporate Interests." A total of 90 participants, including senior executives and division leaders from various business units, attended the training. The session further enhanced awareness of intellectual property protection across the Company.



Strengthening Intellectual Property (IP) Management at Shenma Tire Cord Company

In 2024. Shenma Cord Fabric revised its IP Management Manual and IP Procedures Compilation in accordance with GB/ T 29490, ensuring that the updated system operates effectively and efficiently. The Company's IP governance was further reinforced through the following multi-faceted initiatives.

IP Recordkeeping and Risk Management

The Company systematically documented all 80 registered patents, assessing them based on importance, protection level, method, status, risk exposure, and mitigation measures. It also catalogued seven categories of trade secrets, specifying confidentiality level, applicable scope, and storage method to ensure full traceability and protection.

Confidential Area Zoning and Control

Confidential areas were classified into three levels: key confidential zones, general confidential zones, and restricted access zones. Over 50 sets of signage, management protocols, and access logs were deployed to strengthen site-level IP confidentiality management.

Confidential Documents and Academic Papers

All hard-copy confidential documents were marked with watermarks. Paper submissions were handled in strict accordance with internal IP confidentiality procedures.

Supplier Confidentiality Audits

A total of seven critical raw material suppliers (classified as Category A) were issued supplier background check forms to ensure robust second-party IP confidentiality controls.

Confidential Equipment Management

ensure controlled use.

IP Protection Training

The Company held a training session titled Overview of Laws and Regulations Related to Intellectual Property, with over 30 participants and 10 instructional hours in total.

A registry for confidential-use equipment was established, with regular tracking and inspections to

Consolidating Foundations and Strengthening Governance

Green Development and **Responsible Commitment** Safety and Employee Management



Product Safety and Quality

Shenma Cooperation firmly believes that a robust and comprehensive quality management system is essential for ensuring product excellence, winning market share, generating profits, and transitioning from speed-driven growth to quality-driven development and from product-focused to brand-focused competitiveness. With a strong awareness of "quality first," the Company remains committed to high-quality development and customer-oriented innovation, laying a solid foundation for its ambition to become a world-class enterprise.

Product Safety and Quality Management

The Company strictly complies with applicable laws and regulations such as the Product Quality Law of the People's Republic of China, and has established a comprehensive Total Quality Management (TQM) system. This system emphasizes quality-centricity and full employee engagement, aiming to enhance quality control across all staff, processes, elements, roles, and data points, thereby driving continuous improvement in product quality. In 2024: Shenma Cord Fabric Company and Shenma Cord Fabric Development Co., Ltd. completed conformity audits of their quality systems by SGS. Shenma Aramid successfully obtained ISO 9001 certification.

Guided by a top-level strategic framework, Shenma Corporation focused on core products such as industrial yarn, tire cord fabric, and nylon chips. It decomposed key quality indicators by product type and required each production unit to develop specific action plans aligned with current quality performance and improvement targets. Efforts were also made to optimize and integrate existing quality systems and upgrade internal standards. A series of technical manuals and standardized procedures were developed or revised, including documents such as the Maintenance and Operating Procedures for Dipping Equipment and Abnormal Quality Indicators and Countermeasures for Bright High-Speed Spinning PO249F. Furthermore, corporate standards for seven critical products-such as hexamethylenediamine, nylon 66 salt solution, and nylon 66 chips-were comprehensively updated to exceed national and industry benchmarks. Two new internal standards were introduced for 1,6-hexanediol and industrial-grade caprolactam. Each subsidiary also developed tailored internal quality management systems based on their operational characteristics, including Procedure Manuals, Quality Handbooks, and Production Process Control Protocols. These measures ensured strict quality control across the entire product lifecycle, providing a solid guarantee for product safety, reliability, and customer satisfaction.





Implementation of Full-Process **Quality Control**

The Company ensures product quality stability by maintaining consistency across raw and auxiliary materials, equipment condition, production environment, personnel performance, and processing technology. Starting from raw materials, the Company classifies materials by category and conducts multi-dimensional evaluations of suppliers, cultivating strategic partnerships with key suppliers to drive innovation and ensure quality. Full-process quality control is implemented with special focus on managing change points and abnormal situations. A production planning and management approach guided by process-wide and refined control goals has been established to create a tightly connected quality management chain.

The Company has introduced a quality-efficiency-oriented performance evaluation system, placing greater emphasis on profitability, cost control, and per capita efficiency. It implements differentiated assessments and performance evaluations across all employees, linking assessment results to compensation and ranking, thereby maximizing the leverage effect of incentives.



Enhanced Skills Training for Employees

The Company strengthened practical training and handson drills to improve operational skills and overall staff competence. With a customer-centric philosophy, it aims to gain recognition through superior product quality and satisfaction through high-quality services. By pursuing professionalism, standardization. and excellence, the Company not only improves its own quality management level but also provides cost-effective services to clients across the supply chain.

The Nylon Segment has carried out a comprehensive quality enhancement initiative for 12 core products across 12 upstream and downstream affiliated entities within the industrial chain. Through system optimization, standard redefinition, and technological innovation, the quality of these leading products has reached historic highs, and the production processes have been comprehensively optimized.

Establishment of Performance Incentive Mechanisms



Launch of the "100-Day Ouality Improvement Campaign"

On August 19th, the Company held the launch meeting for the 100-Day Quality Improvement Campaign and issued the corresponding action plan. The initiative focused on enhancing product quality, upgrading quality management systems, and driving continuous quality improvement. A shared quality testing platform was established across upstream and downstream entities, along with a differentiated supply mechanism for nylon intermediate products. These actions significantly optimized the industrial chain processes, led to record-high quality indicators for leading products such as nylon yarn and fabric, and brought key quality metrics for adipic acid and hexamethylenediamine in line with world-class standards.

Establishment of a Full-Industrial-Chain Quality Testing Platform

The Company unified testing methods and standards across the industrial chain, organizing joint discussions with upstream and downstream stakeholders covering raw materials, semi-finished products, finished goods, and packaging. A total of 54 testing methods were standardized for products such as hexamethylenediamine, adipic acid, nylon 66 salt, caprolactam, and nylon 66 chips. This initiative led to consistent test results, mutual product recognition, and improved product quality through unified verification practices.

Implementation of Product Ouality **Enhancement Measures**

Green Development and **Responsible Commitment**

Shared Development and Corporate Responsibility

Quality Culture Development

Shenma Corporation fully recognizes the critical role of quality culture in driving corporate development. Embracing the philosophy of "Strengthening the Company Through Quality, Creating Shenma Excellence," the Company regards quality as the essence of corporate credibility, image, and brand value. By strengthening employees' awareness of quality and instilling the crisis mindset of "No Quality, No Market; No Market, No Profit; No Profit, No Development," Shenma Corporation is committed to winning through quality. The concept of quality is deeply embedded in corporate culture and ingrained in the mindset of both management and staff, guiding their actions daily. In a highly competitive industry with stringent quality demands, the Company emphasizes the enhancement of employee quality awareness and professional skills, while also deepening organizational understanding of and adherence to quality management systems. Through regular quality training programs, Shenma Corporation ensures that all employees actively engage in and contribute to quality management efforts. This collective commitment drives continuous product quality improvement, strengthens market competitiveness, and supports the Company's long - term sustainable development.

Customer Service

Shenma Corporation complies with the Law of the People's Republic of China on the Protection of Consumer Rights and Interests, the E-commerce Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, and other relevant national laws and regulations. The Company strictly adheres to product labeling and service standards, continuously optimizes service procedures, strengthens communication mechanisms, actively listens to customer needs, and is committed to enhancing service quality and customer experience.

Customer Complaint Management

The Company entrusts International Trade with product sales. The International Trade follows ISO 9000 certification standards and has established a closed-loop complaint management system covering "Acceptance, Processing and Follow-up" to ensure timely and appropriate resolution of customer feedback. Additionally, Shenma Corporation has formulated the Customer Complaint Management Regulations, which clearly define responsibilities, rapid response mechanisms, and evaluation requirements for complaint handling. These measures aim to further standardize the complaint resolution process and effectively address customer concerns.



Subsidiaries Promote Quality Culture

Shenma Cord Fabric Company focused on the "Quality Month" campaign by promoting quality culture through various channels such as electronic display slogans, themed exhibition boards, and informative posters. These initiatives fostered an environment where "Everyone Is Concerned about Quality" embedding the "Quality First" concept deeply into employees' minds.

3

"1231" Rapid After-Sales Response Mechanism

"1" - Day 1 (Within 24 Hours): Upon receiving internal or external complaint information, the Market Department of Shenma Corporation must forward the information to relevant responsible units and simultaneously upload it to Shenma Corporation's Complaint Information Sharing Platform.

"1" - Week 1 (Within 7 Days): Responsibility tracing must be completed, and the results uploaded by the responsible unit to the Complaint Information Sharing Platform.

Nylon Chemical Co., Ltd. organizes annual centralized training for internal auditors, inviting third-party institutions to deliver courses and ensure proper certification is obtained.

Boliemai Company engaged a professional consulting firm to conduct company-wide quality training, which covered both awareness enhancement and the application of statistical techniques. This initiative aimed to strengthen employees' quality consciousness, equip them with management tools and skills, and comprehensively improve the Company's overall quality performance.

"2" - Day 2 (Within 48 Hours): Responsible units must convene a dedicated analysis meeting to investigate the root cause and clarify responsibilities. If necessary, a team should be dispatched to the customer site the same day for on-site resolution.

"3" - Day 3 (Within 72 Hours): Corrective actions and preventive measures must be formulated and fed back to the customer as required. This information must also be uploaded to the Complaint Information Sharing Platform.

Green Development and **Responsible Commitment**



Customer Satisfaction Management

During the Year, the Company placed great emphasis on customer satisfaction management. In accordance with the Work Instruction for Measurement, Analysis, and Evaluation of Customer Satisfaction, a Customer Satisfaction Index (CSI) evaluation was conducted for in-sale products such as industrial yarn and cord fabric. This assessment focused on analyzing and evaluating the extent to which products met customer needs in 2024, and on verifying the conformity of products and services. The objective was to ensure the continuous improvement and effectiveness of the quality management system, gain deeper insight into how Shenma products are used by domestic customers, and enhance customer satisfaction in a more targeted manner.



The Customer Satisfaction Index for Shenma Cord Fabric's products reached

98.5%

While that for industrial yarn products reached

98.2%

Responsible Marketing

The Company strictly complies with relevant laws and regulations such as the Law of the People's Republic of China on the Protection of Consumer Rights and Interests and the Advertising Law of the People's Republic of China, and is committed to building a professional marketing team. Through improving systems and standardizing business processes, the Company ensures the compliance of all marketing activities and prevents any form of false or exaggerated advertising. Shenma Corporation, in collaboration with International Trade has established internal policies that emphasize the importance of honest promotion and responsible marketing. All product information provided must be based on real data and statistical results, with all promotional content well-supported and verifiable, ensuring that customers receive accurate and reliable information. Additionally, product labeling strictly follows the Hazard Communication Standard (HCS), the regulations of the Occupational Safety and Health Administration (OSHA), and applicable laws in the jurisdictions of business operations. Product labels clearly indicate composition, hazardous substance content, safe usage instructions, and recycling/disposal methods, ensuring transparency in product information and usage safety, and fully protecting customers' right to know.

Equal Treatment of SMEs

Shenma Corporation strictly complies with the Law of the People's Republic of China on the Promotion of Small and Medium-sized Enterprises, the Regulations on Ensuring Payments to Small and Medium-sized Enterprises, the Interim Regulations on Enterprise Information Disclosure, and other relevant laws and regulations. The Company respects and treats SME partners equally. By conducting compliance reviews, optimizing contract terms, and establishing two-way communication mechanisms, Shenma has enhanced payment timeliness management and safeguarded the legitimate rights and interests of SMEs in all aspects. These efforts contribute to building a sustainable industrial ecosystem characterized by shared responsibility and co-created value. During the reporting period, the Company did not have any overdue payments to SMEs disclosed through the National Enterprise Credit Information Publicity System.

Shenma Corporation actively fulfills its social responsibilities. While creating value through access to social resources, the Company remains committed to public welfare and aspires to serve as a model enterprise known for social contribution, environmental stewardship, and a people-oriented approach. This commitment is reflected in years of tangible actions, including donations of funds and materials to disaster-stricken areas, establishing charitable funds to support orphans' education and build Hope Primary Schools, as well as creating special funds for fall semester tuition assistance and workplace injury relief. These initiatives exemplify the Company's sense of responsibility and philanthropic spirit, contributing a compassionate and impactful chapter to its sustainability journey.

Nylon Chemical Co., Ltd. Carries Out a Series of Thematic Volunteer Service Activities

In December 2024, Nylon Chemical Co., Ltd. mobilized volunteers to conduct a series of activities themed around work safety, environmental protection, and civil conduct, actively promoting the spirit of volunteerism and demonstrating the Company's commitment to corporate social responsibility.

Chemical Plant No. 4 organized six young league members to carry out the "Beautify Pingdingshan, Walk Together" volunteer service campaign along the Zhanhe River dike on Kaifa Second Road. Volunteers collected plastic bags, empty water bottles, discarded milk cartons, and other waste, then sorted the trash for proper disposal. Their efforts were well received by nearby residents and helped foster a positive atmosphere for building a beautiful community together.

The Thermal Power Plant dispatched volunteers to the intersection of Jianshe Road and Kaifa Road to conduct a traffic guidance volunteer activity. Wearing red vests and holding signal flags, the volunteers guided passing vehicles, maintained orderly traffic, and helped ensure road safety-making a tangible contribution to the civility of Pingdingshan.

The Power Plant organized six young employees to clean the pedestrian bridge near the Company premises. Volunteers thoroughly cleaned the road surface and bridge railings, creating a pleasant commuting environment and adding a vibrant touch to the image of a civilized Pingdingshan.

Public Welfare and Philanthropy







Consolidating Foundations and Strengthening Governance

Green Development and Responsible Commitment



Shenma Cord Fabric Love Service Alliance Launches "Smart Assistance for the Elderly, Er Enjoying Life" Activity

In December 2024, the Love Service Alliance of Shenma Cord Fabric held the "Smart Assistance for the Elderly, Enjoying Life" activity in the second-floor conference room of the Shenma Community Center. During the event, volunteers patiently guided elderly participants on how to properly use smartphones. They also provided essential education on cybersecurity, aiming to enhance the elderly's awareness and ability to identify and prevent online scams. Community police officers were specially invited to the scene to explain real-life online fraud cases in detail, further strengthening seniors' security awareness. Through oneon-one coaching, volunteers helped the elderly learn how to use their smartphones for social security inquiries, elderly subsidy verification, and other daily operations. By solving practical problems and teaching digital skills, the volunteers built a warm and accessible bridge to the digital world for the elderly.





Nylon Chemical Co., Ltd. Organizes "Books of Warmth" Charity Book Donation Campaign

To support charitable causes, Nylon Chemical Co., Ltd. launched a book donation campaign titled "Books Deliver Warmth, Love Brings Hope," encouraging employees to contribute to a public welfare initiative. The donated books were presented to Wawu No.1 Primary School in Lushan County. The event received enthusiastic participation from over 300 employees across 10 grassroots units, resulting in the collection of more than 500 books. This initiative demonstrates the Company's strong commitment to education and helped build a bridge of compassion with the school, allowing more children to benefit and spreading knowledge and love throughout society.



Rural Revitalization

Shenma Corporation remains committed to a multi-pronged approach to consolidating the achievements of poverty alleviation and advancing rural revitalization. With industrial support and consumption-driven assistance as core strategies, the Company actively contributes to implementing China's rural revitalization agenda. In its efforts to support rural development, Shenma Corporation not only addresses the basic living needs of disadvantaged populations, but also fosters local characteristic industries and enhances villagers' vocational skills through practical and targeted actions. These efforts provide sustained momentum for rural revitalization and reinforce the foundation of rural development on all fronts. The Company has carefully selected and dispatched dedicated village officials to work at the grassroots level. These representatives integrate deeply with local communities, jointly promoting the growth of the village economy, expanding sales channels, and enabling agricultural products from poverty alleviation programs to reach a wider market. Through these concrete actions, Shenma Corporation continues to contribute meaningfully to the long-term development of rural areas.

Eenefiting approximately



The Company invested a total of

RMB **739,000** in poverty alleviation **3,200** individuals and rural revitalization initiatives



In September 2024, Wang Hanxiang, the First Secretary of the Youth League stationed in Chengzhai Village from Shenma Cord Fabric Company, held a warmth-sending activity in the village committee meeting room, delivering mooncakes, extracurricular books, and Mid-Autumn Festival wishes to left-behind children. During the event, company representatives shared selected passages from the book Youthful Eyes on China and distributed mooncakes and books to six children, encouraging them to study hard, read classical literature, and carry forward traditional culture. Moving forward, the Company will align its village-based efforts with the actual conditions of Chengzhai Village, launching various volunteer support activities to serve the local youth with practical and meaningful actions, contributing to rural revitalization.

Shenma Engineering Plastic Co., Ltd. Advances Rural Revitalization Strategy

In 2024, Shenma Engineering Plastic Co., Ltd. successfully fulfilled its pairing assistance task for Liangou Village, significantly improving local living standards. The Company was honored as an "Outstanding Assistance Unit," with its efforts featured in multiple media reports.

Industrial Development: The Company actively promoted the growth of village collective economies by guiding village work teams and local committees to focus on initiatives such as poverty alleviation workshops, storage facilities, and large-scale pig farming projects. It assisted nine households, including Tian Guo, in applying for RMB 7,200 in crop planting subsidies; five households, including Qin Wenchao, in applying for RMB 7,500 in livestock farming subsidies; and ten households, including Nie Zhongli, in applying for RMB 6,852.96 in subsidies for household distributed photovoltaic systems-effectively enhancing the development capacity of local farmers.

Infrastructure and Living Environment Improvement: The Company achieved full realization of the "Six Connections and Four Guarantees" throughout the village, including complete internet coverage. It also promoted rural environment upgrades, including the construction of over 1,000 meters of stone embankments and the planting of more than 2,000 Osmanthus trees, contributing to a picturesque rural landscape. Furthermore, a household wastewater drainage system was fully implemented, fostering an ecologically livable village.

Employment Assistance: The Company actively provided job guidance services by establishing an employment service center to support laborers in seeking job opportunities outside their hometowns. It also arranged public welfare positions for several households that had been lifted out of poverty. Additionally, the Company helped 12 individuals, including Zhang Xiufen, apply for wage and transportation subsidies totaling RMB 7,150, effectively boosting the motivation of formerly impoverished residents to pursue stable employment.

Shenma Cord Fabric Company Carries Out Care Activities for Left-Behind Children in Rural Areas









Green Development and Responsible Commitment Shared Development and Corporate Responsibility

Looking Ahead to 2025: Shenma Embarks on a New Journey

The year 2025 marks the conclusion of China's 14th Five-Year Plan and lays a solid foundation for the successful launch of the 15th Five-Year Plan (2026–2030). In the Year, Shenma Corporation will seize opportunities, build on its momentum, and forge ahead with determination and hard work to secure a decisive victory in the 14th Five-Year Plan and write a new chapter of high-quality, sustainable development.

Innovation will drive Shenma Corporation's efforts to foster new quality productivity. We will accelerate all-around innovation with a strong focus on technological advancement, strengthen the foundation of science and technology, and push forward key R&D breakthroughs across major business segments. We remain committed to talent development as a strategic pillar, cultivating and expanding new quality productive forces to shape new competitive advantages and power high-quality growth.

Green development will serve as the foundation for building a low-carbon and safe ecosystem. We will adhere to the principles of "Source Reduction, Process Control, and End-of-Pipe Treatment," continue advancing clean production technologies, and improve environmental management and source-level controls. By ensuring stable operation of production and environmental protection systems, we will guard against ecological risks and incidents, and steadily enhance our green, low-carbon development performance.

People will remain at the heart of Shenma's development strategy as we strive to improve employee well-being. Guided by the principle of "Development Shared by the Company and Its Employees," we will advance inclusive participation, foster unity through aligned values, and implement thoughtful, people-oriented initiatives. We aim to ensure that the achievements of corporate growth benefit every employee, building a shared community of destiny between the Company and its people.

Governance will be further strengthened to drive internal lean management. We will continue to improve its ESG governance framework, embedding sustainability into the core of corporate governance. ESG will serve as a vital lever to enhance governance capabilities and effectiveness. In parallel, we will deepen reform efforts and work toward the successful completion of the stateowned enterprise reform agenda, shifting operational strategy to focus more on performance and efficiency.

With the journey far from over, Shenma remains unwavering in its mission. We will stay true to our founding aspirations steering by innovation, rooted in sustainability, and centered on people. With courage and conviction, we will press forward toward building a world-class enterprise and continuously create greater value for shareholders and society.





Green Development and Responsible Commitment Shared Development and Corporate Responsibility

Key Performance Table

Annual Topics

Environmental Key Performance Indicators Table

Indicator Name	Unit	2024
Waste		
Total Waste Generated	ton	225,127.12
General Industrial Solid Waste Generated	ton	223,799.47
Hazardous Waste Generated	ton	1,327.65
Hazardous Waste Disposal Rate	%	100
Waste Recycled	ton	6,739.00
Non-Hazardous Waste per Million Revenue	ton/million revenue	16.02
Waste Recycled per Million Revenue	ton/million revenue	0.48
Water Pollutants ³		
Chemical Oxygen Demand (COD)	ton	270.26
Ammonia Nitrogen	ton	17.65
Wastewater Discharge per Million Revenue	ton/million revenue	818.18
Air Pollutants		
Particulate Matter (PM)	ton	18.25
Nitrogen Oxides (NOx)	ton	154.49
Volatile Organic Compounds (VOCs)	ton	62.13
Sulfur Oxides (SO ₂)	ton	41.65
Non-Methane Hydrocarbons (NMHC)	ton	20.68
Environmental Protection Investment		
Environmental Protection Investment	10,000 RMB	9,136.46
Investment as % of Operating Revenue	%	0.65

³The statistical caliber of data on water pollutants and air pollutants is the companies and their main subsidiaries of key polluting units announced by the environmental protection department.

Indicator Name	Unit	2024
Environmental Training Sessions	sessions	16
Environmental Training Participants	persons	234
Environmental Training Hours	hours	92
Energy Consumption		
Total Energy Consumption	10 thousand tce	85.46
Energy Intensity	tce/10,000 RMB	0.61
Direct Energy Consumption	10,000 tce	47.61
Natural Gas	10,000 m ³	4,622
Coal	ton	594,885
Gasoline	ton	49
Diesel	ton	187
Liquefied Petroleum Gas (LPG)	ton	0
Indirect Energy Consumption	10,000 tce	37.85
Purchased Electricity	10,000kWh	107,584
Purchased Steam	GJ	161,569
Clean Energy Usage	10,000 tce	6,609.31
Green Energy Consumption	kWh	50,880,000
Total Self-Generated Photovoltaic (PV) Power Generation	kWh	50,880,000
Clean Energy Usage Ratio	%	0.77
Resource Consumption		
Total Water Withdrawal	ton	15,158,520
Reclaimed Water	ton	436,382
Total Water Use	ton	517,306,110
Water Recycling Rate	%	97.10

Green Development and Responsible Commitment Safety and Employee Management Shared Development and Corporate Responsibility

Unit	2024
100 million RMB	4
tCO ₂ e	1,202,020
tCO ₂ e	1,371,178
tCO ₂ e	2,573,198
tCO2e	24,229.93
	100 million RMB tCO ₂ e tCO ₂ e tCO ₂ e

Social Key Performance Indicators Table

Indicator Name	Unit	2024
Employee Health and Safety		
Investment in Work Injury Insurance	10,000 RMB	55
Coverage Rate of Work Injury Insurance	%	100
Number of Work-Related Fatalities	persons	0
Work-Related Fatality Rate	%	0
Number of Work-Related Injuries	persons	3
Work-Related Injury Rate	%	0
Lost Hours Due to Safety Incidents	hours	2,496
Health and Safety Investment ⁵	10,000 RMB	951
Health and Safety Investment / Revenue	%	0.07
Number of Workplace Safety Incidents	cases	3
Recordable Injury Rate per Million Work Hours	cases/million hours	0.18

⁴The carbon emission factors are sourced from the 2006 IPCC Guidelines for National Greenhouse Gas Inventories, Accounting and Reporting Requirements for Carbon Emissions – Part 10: Chemical Manufacturing Enterprises (GB/T 32151.10—2023), and the 2022 National Average Carbon Dioxide Emission Factor for Power Generation in China.

⁵ This year's health and safety investment data includes Shenma Cord Fabric, Shenma Cord Fabric Development Co., Ltd., Boliemai, Shenma Puli, Shenma Huawei Plastic Co., Ltd.

Indicator Name	Unit	2024
Safety Training Coverage Rate	%	100
Average Safety Training Hours per Employee	hours	48
Number of Emergency Drills	times	112
Number of Participants in Safety Drills	persons	3,473
Number of Occupational Disease Cases	persons	0
Employee Employment		
Total Number of Employees	persons	8,131
Male Employees	persons	5,751
Female Employees	persons	2,380
Production Staff	persons	6,123
Sales Staff	persons	215
Technical Staff	persons	749
Finance Staff	persons	182
Administrative Staff	persons	862
Master's Degree and Above	persons	208
Bachelor's Degree	persons	2,364
Associate Degree	persons	2,592
High School and Below	persons	2,967
Ethnic Minority Employees	persons	214
Employees with Disabilities	persons	63
Employee Turnover Rate ⁶	%	0.46

⁶Employee Turnover Rate=(Employees Left During the Year)/(Year-End Headcount+Employees Left During the Year)*100%

Green Development and Responsible Commitment

Shared Development and Corporate Responsibility

Governance Key Performance Indicators Table

Indicator Name	Unit	2024
Anti-Bribery and Anti-Corruption ⁷		
Total Hours of Anti-Corruption Training	hours	5
Number of Anti-Corruption Trainings	times	3
Number of Corruption Incident	times	0
Number of Legal Compliance Awareness Campaigns	times	2
Number of Legal Compliance Trainings	times	2
Total Hours of Legal Compliance Training	hours	36
Attendance of Legal Compliance Training Persons	persons	62
Board of Directors		
Average Term of Board Members	years	3
Does CEO Also Serve as Chairman	Yes/No	No
Proportion of Independent Directors	%	33.33
Proportion of Female Directors	%	11.11
Number of Board Meetings Held	times	24
Attendance Rate of Board Members	%	100
Number of Directors Attending Less Than 75% of Meetings	persons	0
Number of Audit Committee Meetings	times	8
Number of Remuneration and Appraisal Committee Meetings	times	2
Number of Nomination Committee Meetings	times	3

Indicator Systems Referenced

GRI Content Index

Shenma Corporation prepared the Report with reference to the GRI Standards for the period from January 1st to December 31th, 2024. The applicable GRI Standard is GRI 1: Foundation 2021.

	Disclosure Item	Section Location
GRI 2-1	Organizational Details	About Shenma Corporation
GRI 2-2	Entities Included in the Company's Sustainability Report	About The Report
GRI 2-3	Reporting Period, Frequency, and Contact Information	About The Report
GRI 2-4	Information Restatement	Key Performance Table
GRI 2-5	External Assurance	/
GRI 2-6	Activities, Value Chain, and Other Business Relationships	Company Overview
GRI 2-7	Employees	Legal Employment
GRI 2-8	Workers Beyond Employees	Diversity, Equity, and Inclusion (DEI)
GRI 2-9	Governance Structure and Composition	Corporate Governance Structure
GRI 2-10	Nomination and Selection of the Highest Governance Body	Corporate Governance Structure
GRI 2-11	Chair of the Highest Governance Body	Corporate Governance Structure
GRI 2-12	Oversight Role of the Highest Governance Body in Managing Impacts	Sustainable Development Govern- ance System
GRI 2-13	Delegation of Responsibility for Managing Impacts	Sustainable Development Govern- ance System
GRI 2-14	Role of the Highest Governance Body in Sustainability Reporting	Sustainable Development Govern- ance System
GRI 2-15	Conflict of Interest	Corporate Governance Structure
GRI 2-16	Communication on Material Concerns	Sustainable Development Govern- ance System
GRI 2-17	Collective Knowledge of the Highest Governance Body	Refer to the 2024 Annual Report for Details
GRI 2-18	Performance Evaluation of the Highest Governance Body	Corporate Governance Structure
GRI 2-19	Compensation Policy	Corporate Governance Structure
GRI 2-20	Process for Determining Compensation	Corporate Governance Structure
GRI 2-21	Annual Total Compensation Ratio	Undisclosed for Confidentiality Reasons

⁷ The statistical scope for anti-commercial bribery and anti-corruption data is the headquarters of Shenma Corporation.

Consolidating Foundations and Strengthening Governance Green Development and Responsible Commitment Safety and Employee Management Shared Development and Corporate Responsibility

	Disclosure Item	Section Location
GRI 2-22	Statement on Sustainability Strategy	Chairman's Message
GRI 2-23	Policy Commitments	Refer to Relevant Sections
GRI 2-24	Policy Integration Commitments	Refer to Relevant Sections
GRI 2-25	Procedures for Remedying Negative Impacts	Refer to Relevant Sections
GRI 2-26	Mechanisms for Seeking Advice and Raising Concerns	Stakeholder Communication
GRI 2-27	Compliance with Laws and Regulations	Refer to Relevant Sections
GRI 2-28	Association Membership	Product Safety and Quality
GRI 2-29	Stakeholder Engagement Methods	Stakeholder Communication
GRI 2-30	Collective Bargaining Agreements	Employee Rights and Benefits
GRI 3-1	Process for Identifying Material Issues	Materiality Analysis
GRI 3-2	List of Material Issues	Materiality Analysis
GRI 3-3	Management of Material Issues	Refer to Relevant Sections
GRI 201-1	Direct Economic Value Generated and Distributed	Key Performance Table
GRI 201-2	Financial Impact of Climate Change and Other Risks and Opportunities	Climate Change Response
GRI 201-3 Defined Benefit Plan and Other Retirement Plans		Employee Rights and Benefits
GRI 201-4	Government Financial Subsidies	Refer to the 2024 Annual Report for Details
GRI 202-1 Ratio of Standard Entry-Level Wage to Local Minimum Wage by Gender		Undisclosed for Confidentiality Reasons
GRI 202-2	Proportion of Senior Management from the Local Community	/
GRI 203-1	Infrastructure Investments and Support Services	Public Welfare and Philanthropy Rural Revitalization
GRI 203-2	Significant Indirect Economic Impacts	Public Welfare and Philanthropy Rural Revitalization
GRI 204-1	Proportion of Expenditures on Local Suppliers	Supply Chain Management
GRI 205-1	Operational Sites Assessed for Corruption Risks	Key Performance Table
GRI 205-2	Communication and Training on Anti-Corruption	Key Performance Table
GRI 205-3	Policies and Procedures Confirmed Corruption Incidents and Actions Taken	Anti-Bribery and Anti-Corruption
GRI 206-1	Legal Proceedings Regarding Anti-Competitive Behavior, Anti-Trust, and Monopoly Practices	Anti-Bribery and Anti-Corruption
GRI 207-1	Tax Policies	Tax management system

	Disclosure Item	Section Location
GRI 207-2	Tax Governance, Control, and Risk Management	Tax management system
GRI 207-3	Stakeholder Engagement and Management Related to Tax Concerns	Tax management system
GRI 207-4	Country-by-Country Reporting	/
GRI 301-1	Weight or Volume of Materials Used	Key Performance Table
GRI 301-2	Recycled Input Materials Used	Circular Economy
GRI 301-3	Recycled Products and Packaging Materials	Circular Economy
GRI 302-1	Internal Energy Consumption	Circular Economy
GRI 302-2	External Energy Consumption	/
GRI 302-3	Energy Intensity	Utilization of Water Resources
GRI 302-4	Reducing Energy Consumption	Utilization of Water Resources
GRI 302-5	Reducing Energy Demand for Products and Services	Utilization of Water Resources
GRI 303-1	Company's Interaction with Water as a Shared Resource	Utilization of Water Resources
GRI 303-2	Managing Wastewater Impacts	Utilization of Water Resources
GRI 303-3	Water Withdrawal	Utilization of Water Resources
GRI 303-4	Wastewater Discharge	Not Applicable
GRI 303-5	Water Consumption	Not Applicable
GRI 304-1	Operational Sites Owned, Leased, or Managed by the Company in or Near Biodiversity-Rich Areas, Inside or Outside Protected Zones	Not Applicable
GRI 304-2	Significant Impacts of Activities, Products, and Services on Biodiversity	Not Applicable
GRI 304-3	Protected or Restored Habitats	Not Applicable
GRI 304-4	Species in Habitats Affected by Operations Listed in the IUCN Red List and the List of State Key Protected Wild Animals (LSKPWA)	Not Applicable
GRI 305-1	Direct Greenhouse Gas (GHG) Emissions (Scope 1)	Climate Change Response
GRI 305-2	Indirect GHG Emissions from Energy (Scope 2)	Climate Change Response
GRI 305-3	Indirect GHG Emissions from Energy (Scope 3)	Climate Change Response
GRI 305-4	GHG Emission Intensity	Climate Change Response
GRI 305-5	GHG Reductions	Climate Change Response
GRI 305-6	Emissions of Ozone-Depleting Substances (ODS)	Climate Change Response
GRI 305-7	Emissions of Nitrogen Oxides (NOX), Sulfur Oxides (SOX), and Other Major Gases	Key Performance Table

Consolidating Foundations and Strengthening Governance Green Development and Responsible Commitment Safety and Employee Management Shared Development and Corporate Responsibility

	Disclosure Item	Section Location
GRI 306-1	Waste Generation and Significant Impacts of Waste	Discharge and Waste Management
GRI 306-2	Management of Significant Impacts Related to Waste	Discharge and Waste Management
GRI 306-3	Waste Generated	Discharge and Waste Management
GRI 306-4	Waste Transferred for Disposal	Discharge and Waste Management
GRI 306-5	Waste Entering Disposal	Discharge and Waste Management
GRI 308-1	New Suppliers Screened based on Environmental Assessment Criteria	Supply Chain Management
GRI 308-2	Negative Environmental Impacts of the Supply Chain and Actions Taken	Supply Chain Management
GRI 401-1	New Employee Recruitment Rate and Employee Turnover Rate	Key Performance Table
GRI 401-2	Full-Time Employees Benefits (excluding temporary or part-time employees)	Employee Rights and Benefits
GRI 401-3	Parental Leave	Employee Rights and Benefits
GRI 402-1	Minimum Notice Period for Operational Changes	The Company Issues Notifications in Accordance With National Laws and Regulations.
GRI 403-1	Occupational Health and Safety Management System	Occupational Health and Safety
GRI 403-2	Hazard Identification, Risk Assessment, and Incident Investigation	Occupational Health and Safety
GRI 403-3	Occupational Health Services	Occupational Health and Safety
GRI 403-4	Occupational Health and Safety Matters: Worker Involvement, Consultation, and Communication	Occupational Health and Safety
GRI 403-5	Occupational Health and Safety Training for Workers	Occupational Health and Safety
GRI 403-6	Promoting Worker Health	Occupational Health and Safety
GRI 403-7	Preventing and Mitigating Occupational Health and Safety Impacts Directly Related to Business Activities	Occupational Health and Safety
GRI 403-8	Workers Covered by the Occupational Health and Safety Management System	Occupational Health and Safety
GRI 403-9	Workplace Injuries	Occupational Health and Safety
GRI 403-10	Work-Related Health Issues	Occupational Health and Safety
GRI 404-1	Average Training Hours Per Employee Per Year	Talent Development
GRI 404-2	Employee Skill Enhancement and Transition Assistance Programs	Talent Development
GRI 404-3	Percentage of Employees Receiving Regular Performance and Career Development Assessments	Key Performance Table

	Disclosure Item	Section Location
GRI 405-1	Diversity of Governance Bodies and Employees	Corporate Governance Diversity, Equity, and Inclusion (DEI)
GRI 405-2	Ratio of Basic Salary and Remuneration by Gender	Undisclosed for Confidentiality Reasons
GRI 406-1	Discrimination Incidents and Corrective Actions Taken	Corporate Governance Diversity, Equity, and Inclusion (DEI)
GRI 407-1	Operational Sites and Suppliers at Risk of Violating Freedom of Association and Collective Bargaining Rights	Employee Rights and Benefits Supply Chain Management
GRI 408-1	Operational Sites and Suppliers at Significant Risk of Child Labor Incidents	Supply Chain Management
GRI 409-1	Operational Sites and Suppliers at Significant Risk of Forced or Compulsory Labor Incidents	Supply Chain Management
GRI 410-1	Security Personnel Trained in Human Rights Policies or Procedures	Not Applicable
GRI 411-1	Incidents Involving Violations of Indigenous Rights	Not Applicable
GRI 413-1	Operational Sites with Local Community Engagement, Impact Assessments, and Development Plans	Equal Treatment of SMEs Public Welfare and Philanthropy Rural Revitalization
GRI 413-2	Operational Sites with Actual or Potential Significant Negative Impacts on Local Communities	Not Applicable
GRI 414-1	Social Standards Applied to Screen New Suppliers	Supply Chain Management
GRI 414-2	Negative Social Impacts in the Supply Chain and Actions Taken	Supply Chain Management
GRI 415-1	Political Donations	Not Applicable
GRI 416-1	Assessment of Health and Safety Impacts of Product and Service Categories	Product Safety and Quality
GRI 416-2	Violations Related to Health and Safety Impacts of Products and Services	Product Safety and Quality
GRI 417-1	Requirements for Product and Service Information and Labeling	Customer Service
GRI 417-2	Violations Related to Product and Service Information and Labeling	Customer Service
GRI 417-3	Violations Related to Marketing Communications	Customer Service
GRI 418-1	Confirmed Complaints Involving Violations of Customer Privacy and Customer Data Loss	Customer Service

Consolidating Foundations and Strengthening Governance Green Development and Responsible Commitment

Content Index of the Reference Indicators System for ESG Reports of Listed Companies Controlled by Central State-owned Enterprises

Disclosure Items
 Company and Report Basic Information
ESG Management
ESG Risks and Opportunities
Stakeholder Communication
Assessment of Material Issues

Environment

	Disclosure Items	Se
		Environmental Indic
Primary Indicator	Secondary Indicator	Tertiary Indicator
	Water Resources	E.1.1.1 Freshwater Cor E.1.1.2 Recycled Water E.1.1.3 Proportion of R E.1.1.4 Water Resource
Resource	Materials	E.1.2.1 Non-Renewable E.1.2.2 Toxic and Haza E.1.2.3 Material Consu
Consump- tion	Energy	E.1.3.1 Fossil Energy C E.1.3.2 Non-Fossil Energy E.1.3.3 Proportion of N E.1.3.4 Total Energy Co E.1.3.5 Energy Consum
	Packaging Materials	E.1.4.1 Packaging Mate E.1.4.2 Reduction and rials
Pollution Prevention and Control	Wastewater	E.2.1.1 Compliance wit E.2.1.2 Wastewater Ma E.2.1.3 Wastewater Dis E.2.1.4 Wastewater Pol E.2.1.5 Wastewater Pol
Pollution Prevention and Control	Exhaust Gas	E.2.2.1 Compliance wit Standards E.2.2.2 Exhaust Emissio E.2.2.3 Exhaust Emissio

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

Level	No.	Corresponding Section	Section Location		
	1	Campaign against Climate Change	Climate Change Response		
	2	Pollutant Discharge	Discharge and Waste Management		
	3	Waste Disposal	Discharge and Waste Management		
Environment	4	Ecosystem and Biodiversity Protection	Environmental Compliance Management Ecosystem and Biodiversity Conservation Climate Change Response		
	5	Environmental Compliance Management	Environmental Compliance Management		
	6	Energy Use	Energy Management		
	7	Water Resource Utilization	Utilization of Water Resources		
	8	Circular Economy	Circular Economy		
	9	Rural Revitalization	Public Welfare and Philanthropy Rural Revitalization		
	10	Social Contributions	Public Welfare and Philanthropy Rural Revitalization		
	11	Innovation-driven Development	Special Focus 1: Driving Innovation and		
	12	Technology Ethics	Focusing on Value Creation in Production and Research		
	13	Supply Chain Safety	Supply Chain Management		
Social	14	Equal Treatment for Small and Medium Enterprises	The Company makes payments to suppli- ers in accordance with internal regula- tions. As of the end of 2024, the balance of accounts payable is disclosed in the 2024 Annual Report.		
	15	Safety and Quality of Products and Services	Product Safety and Quality		
	16	Data Security and Customer Privacy Protection	Data Security and Privacy Protection		
	17	Employees	Legal Employment Employee Rights and Benefits Diversity, Equity, and Inclusion (DEI) Talent Development Occupational Health and Safety		
	18	Due Diligence	Stakeholder Communication Materiality Analysis		
Sustainable	19	Stakeholder Communication	Stakeholder Communication		
Development-Related Governance	20	Anti Commercial Bribery and Anti Corruption	Anti-Bribery and Anti-Corruption		
	21	Anti-Unfair Competition	Anti-Bribery and Anti-Corruption		

Section, Page Number, or Other Notes

About Shenma Corporation
Sustainable Development Governance

ection, Page Number, or Other Notes

cators

nsumption er Consumption Recycled Water re Consumption Intensity	Utilization of Water Resources
le Material Consumption ardous Material Consumption umption Intensity	Discharge and Waste Management
Consumption ergy Consumption Non-Fossil Energy consumption mption Intensity	Energy Management Climate Change Response
terial Usage I Lightweighting of Packaging Mate-	Circular Economy
ith Wastewater Discharge Standards anagement and Reduction Measures ischarge Volume ollutant Emissions ollutant Concentration	Discharge and Waste Management
iith Exhaust Emission iions iion Concentration	Discharge and Waste Management

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Annual Topics

Disclosure Items

Consolidating Foundations and Strengthening Governance

Section, Page Number, or Other Notes

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Safety and Employee Management

Shared Development and Corporate Responsibility

Society

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Consolidating Foundations and Strengthening Governance Green Development and Responsible Commitment Safety and Employee Management Shared Development and Corporate Responsibility

Governance

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Reader Feedback Form

Thank you for reading the 2024 Sustainability Report of Shenma Industrial Co., Ltd.. To provide more valuable information to sponsibility, we sincerely look forward to your opinions and suggestions.

1. How would you rate this report?					7. How would you rate the level of information disclosure in this report?					
\bigcirc 1	○ 2	○ 3	<u> </u>	○ 5	\bigcirc 1	<u>)</u> 2	○ 3	<u> </u>	○ 5	
2. How well do you believe Shenma Corporation is fulfilling its economic responsibilities?					8. How would you rate the quality of the writing in this report?					
\bigcirc 1	○ 2	○ 3	<u></u> 4	○ 5	\bigcirc 1	<u> </u>	○ 3	○ 4	○ 5	
3. How well do you believe Shenma Corporation is addressing its environmental responsibilities?					9. How would you rate the design and style of this report?					
\bigcirc 1	○ 2	O 3	<u></u> 4	○ 5	\bigcirc 1	<u> </u>	○ 3	○ 4	○ 5	
4. How do you evaluate Shenma Corporation's performance in corporate governance?					10. Which topics in this report stood out to you the most?					
\bigcirc 1	○ 2	⊖ 3	<u></u> 4	○ 5						
5. How would you rate Shenma Corporation's performance in terms of employee responsibility?					11. Do you have any additional opinions or suggestions for this report?					
\bigcirc 1	○ 2	O 3	<u> </u>	○ 5						
6. How well do you think Shenma Corporation handles its social responsibilities?				Please leave your contact information:						
\bigcirc 1	○ 2	O 3	<u> </u>	○ 5	Name:	Phone:	Email:		Organization:	





