

# 2025

## Environmental, Social and Governance Report



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# About this Report

## Report Description

This report is the second Environmental, Social and Governance report released by Sokan New Materials Group Co., Ltd. It aims to systematically demonstrate to all stakeholders the Company's continuous deepening practices and outcomes in the fields of environment, social and governance in the current year, with a focus on elaborating the core principles upheld, management systems established, specific practices adopted and substantive achievements made in addressing ESG-related topics during the operation and management process.

## Abbreviations Used in the Report

Abbreviations	Company Name
Sokan, Sokan Group, the Company	Sokan New Materials Group Co., Ltd.
Songrun New Materials	Changsha Songrun New Materials Co., Ltd.
Ohashi Chemical	Dongguan Ohashi Chemical Co., Ltd.
Beichi Technology	Guangxi Beichi Automotive Technology Co., Ltd.
Sokan Electronic Inks	Hunan Sokan Electronic Inks Technology Co., Ltd.
Sandi Digital Coating	Hunan Sandi Digital Coating Systems Co., Ltd.
Hunan Research Institute	Hunan Sokan Advanced Surface Treatment and Functional Coating Research Institute Co., Ltd.
Guangdong Research Institute	Sokan New Materials Research Institute (Guangdong) Co., Ltd.
Shanghai Research Institute	Sokan (Shanghai) New Materials Research Institute Co., Ltd.
Ningxiang Park	Location of the Company's headquarters, Songrun New Materials, and Hunan Sokan Advanced Surface Treatment and Functional Coating Research Institute Co., Ltd., etc., serving as the Company's main production and R&D base

## Report Scope

The time scope of this report covers January 1, 2025 to December 31, 2025. To enhance the comparability and completeness of information, certain contents may be appropriately retroactively referenced or extended. The organizational scope covers the Company and its subordinate subsidiaries.

## Compilation Basis

*Guidelines No. 14 of the Shanghai Stock Exchange for Self-Regulation of Listed Companies—Sustainability Report (Trial)* (hereinafter referred to as the "Guidelines")

*Guidelines No. 13 of the Shanghai Stock Exchange for Self-Regulation of Listed Companies on the STAR Market—Sustainability Report Preparation*

*Sustainability Reporting Standards by Global Reporting Initiative (GRI)* (GRI Standards)

*United Nations Sustainable Development Goals (UN SDGs)*

## Data Sources

All information and data disclosed in this report are sourced from official channels including the Company's internal documents, annual reports, financial data, original operational records and public government information. Unless otherwise specified, financial data is denominated in Renminbi (RMB). In case of any discrepancy with the financial report of the same period, the financial report shall prevail. The Company undertakes that there are no false records, misleading statements or material omissions in the contents of this report, and assumes full responsibility for the authenticity, accuracy and completeness of the information.

## Report Access

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

The Chinese and English electronic versions of the report are available for viewing and download via the official website of Sokan New Materials Group Co., Ltd. (<https://www.sokan.com.cn/>) and the Shanghai Stock Exchange website (<http://www.sse.com.cn>).

## Principles for Report Preparation

### Materiality

The Company has systematically identified material topics of high relevance to its business activities that are of concern to all stakeholders, and these topics serve as the core focus of this report. While disclosing material topics, full consideration is given to the characteristics of the industry in which the Company operates and main business of the Company. The complete process and evaluation results of the materiality analysis are detailed in the "Topic Materiality Assessment" chapter of this report.

### Accuracy

This report strives to ensure the accuracy of the information. For quantitative information, the data scope, calculation basis and assumptions are clearly specified to ensure that the range of calculation errors will not mislead information users. Relevant quantitative information and accompanying notes are detailed in the "Key Data Performance Table" chapter of this report. The Board of Directors assumes responsibility for the authenticity, accuracy and completeness of the contents of this report, and warrants the absence of any false records, misleading statements or material omissions.

### Balance

The contents of this report strictly adhere to the principle of objective and truthful disclosure, with an impartial presentation of both positive and negative information related to the Company. No undisclosed negative events that should have been disclosed were identified during the reporting period.

### Clarity

This report is simultaneously released in Simplified Chinese and English. It includes visual information such as tables and model diagrams as supplementary explanations to the textual content, facilitating stakeholders' better understanding of the report. To further improve the efficiency of information access, a complete table of contents and a Benchmark Index Table for ESG Standards are provided in this report.

### Quantification

This report focuses on the disclosure of key quantitative indicators and, to the fullest extent possible, relevant historical data, so as to intuitively present the changing trends of the Company's ESG performance and provide stakeholders with quantifiable references for decision-making.

### Comparability

The Company maintains consistency in the statistical scope and disclosure methods for the same quantitative disclosure items across different reporting periods. In the event of changes to data collection, measurement and calculation methods, relevant data will be retroactively adjusted, and the details of such adjustments and the reasons thereof will be fully explained in the report notes. This enables stakeholders to conduct meaningful vertical analysis and evaluate the development trends of the Company's ESG data performance.

### Completeness

Unless otherwise specified, the scope of this report is consistent with that of Sokan New Materials Group Co., Ltd.'s consolidated financial statements, ensuring the completeness of information disclosure and alignment with the scope of the financial report.

### Timeliness

As an annual report, this report covers the period from January 1, 2025 to December 31, 2025 and is released simultaneously with the Company's annual financial report, providing stakeholders with timely and effective information for decision-making.

### Verifiability

All cases and data disclosed in this report are sourced from the original operational records or financial reports of the Company. All data sources and calculation processes are traceable, which effectively supports the conduct and inspection of external assurance, audit and other related work.

## Message from the Chairman

Respected investors, partners, and friends from all sectors of society:

In 2025, facing the challenges of a complex and volatile macro environment and industrial transformation, Sokan has consistently integrated the concept of sustainable development deeply into its strategy and daily operations. While pursuing steady business development, we have actively fulfilled our responsibilities to the environment, society and all stakeholders.

In the new year, we have further deepened our ESG management. Under the supervision of the Board of Directors, we rely on a three-tier governance structure featuring executive implementation by the management and cross-departmental collaboration to ensure the effective achievement of sustainable development goals. We have continuously optimized the closed-loop system covering risk identification, assessment and control, and fully integrated the concept of responsibility into core links such as product safety, production and operation, and supply chain management.

**We strengthen compliance and transparency to consolidate the foundation for development.** The Company has continuously improved its governance structure. The Board of Directors and special committees have performed their duties diligently to ensure the scientificity and standardization of decision-making. We attach great importance to internal risk control and business ethics. Guided by the principle of "deepening refined management and enhancing executive efficiency", we continue to promote the standardized construction of the internal control system, strictly implement anti-fraud and integrity in employment systems, and work with supply chain partners to build an honest and upright business ecosystem. We also maintain active and transparent communication with investors through diverse channels to effectively safeguard the legitimate rights and interests of all shareholders.

**We adhere to the bottom line of compliance and advance green operations.** The Company strictly abides by national environmental protection laws and regulations, and all production units carry out their operations in accordance with the ISO 14001 Environmental Management System standards. Through a series of measures including the introduction of solvent recovery devices, optimization of equipment operation time, and implementation of refined energy management, we have effectively reduced resource consumption and carbon emissions. During the reporting period, the Company achieved a 100% compliance rate in the disposal of hazardous waste, and no environmental pollution accidents occurred. We are fully aware that addressing climate change is a long-term and arduous task, and we will continue to explore the application of energy conservation, emission reduction and clean technologies in the future.

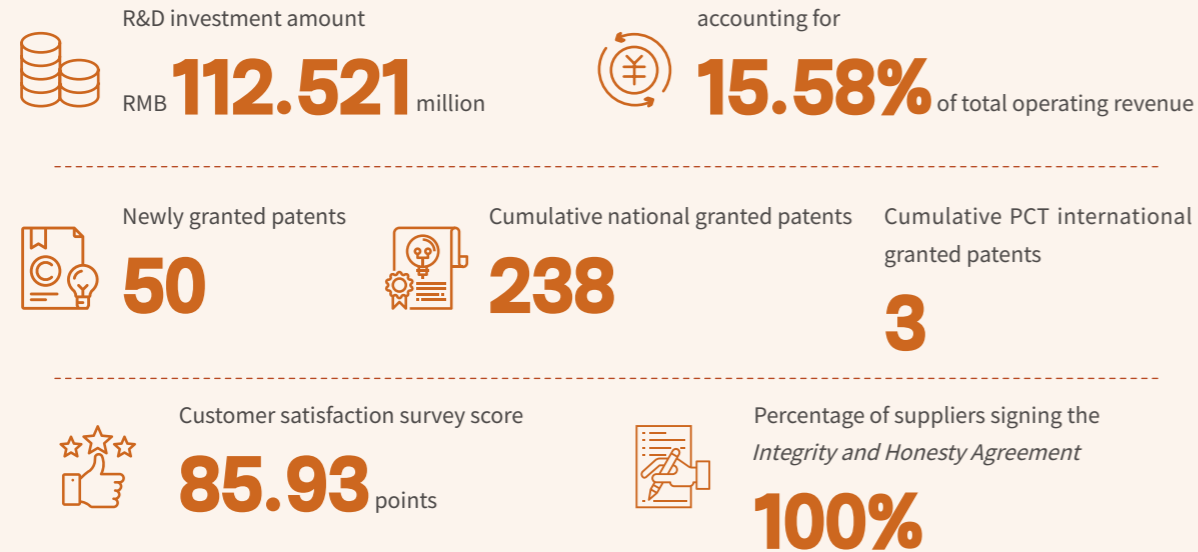
**We put our people first and drive progress through innovation.** The Company regards employees as its most valuable asset and has established an occupational health and safety management system in line with the ISO 45001 standards. We fully safeguard the safety and health of employees through risk identification, regular safety training, emergency drills, and comprehensive health check-ups for all employees. We also pay attention to employees' career development and provide competitive salary and welfare packages as well as career advancement channels. In terms of product quality and innovation, we adhere to an innovation-driven approach, continuously provide customers with high-reliability and green coating material solutions, and take the lead in or participate in the formulation of multiple industry standards, boosting the overall upgrading of the industrial chain.

Looking ahead, sustainable development is an endless journey. Sokan will stay true to its original aspiration and integrate ESG philosophy more deeply into enterprise management. Through continuous technological innovation and management improvement, it is committed to providing customers with greener and safer product solutions, creating a more valuable development platform for employees, delivering long-term and stable returns to shareholders, and working hand in hand with all stakeholders to contribute to the harmonious coexistence of society and the environment.

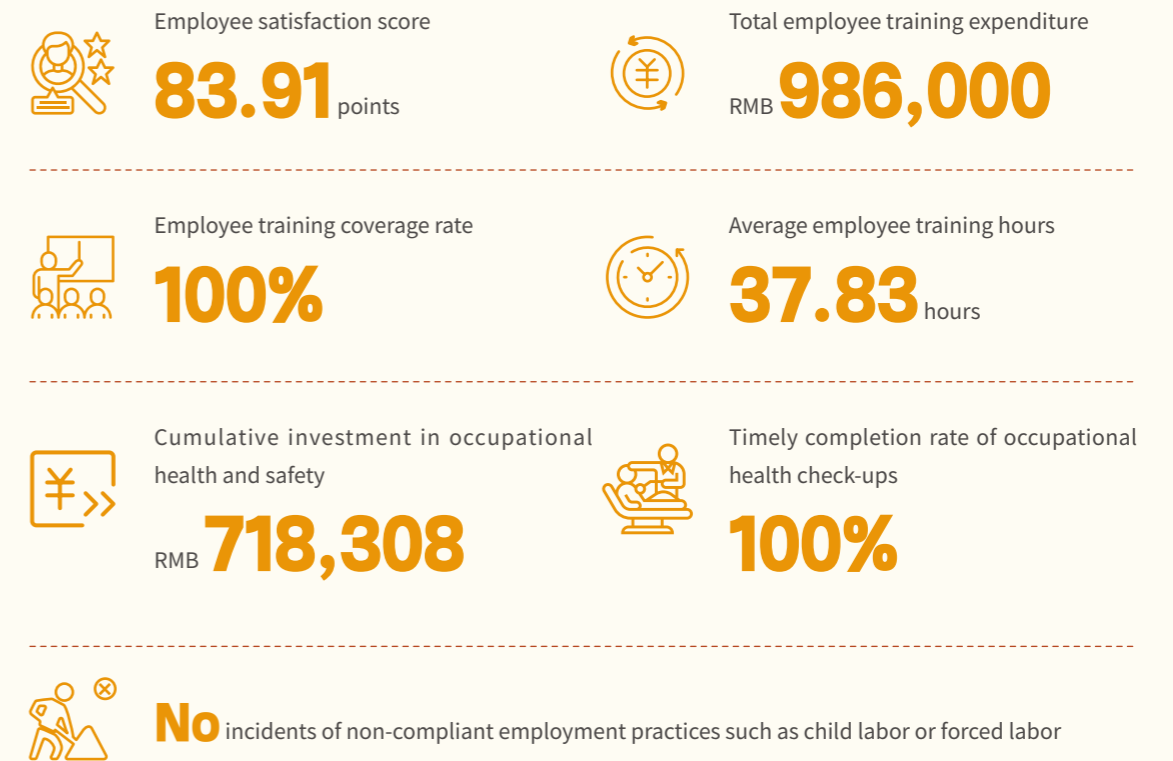
**Ling Yunjian**  
Chairman of the Board of Sokan

## 2025 ESG Highlight Performance

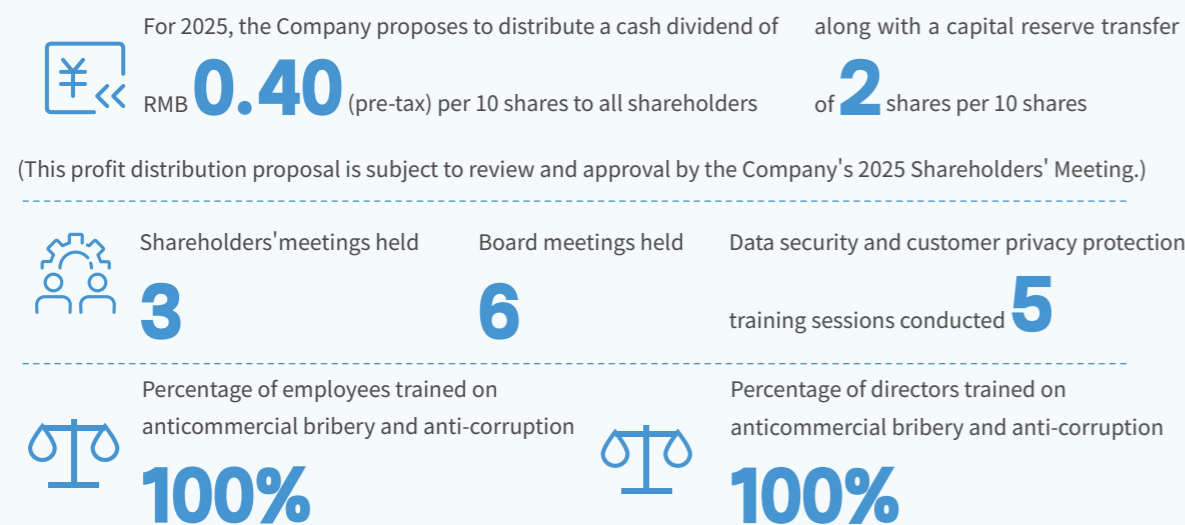
### Product and Service Performance



### Social Performance



### Governance Performance



### Environmental Performance



# About Sokan

## Company Profile

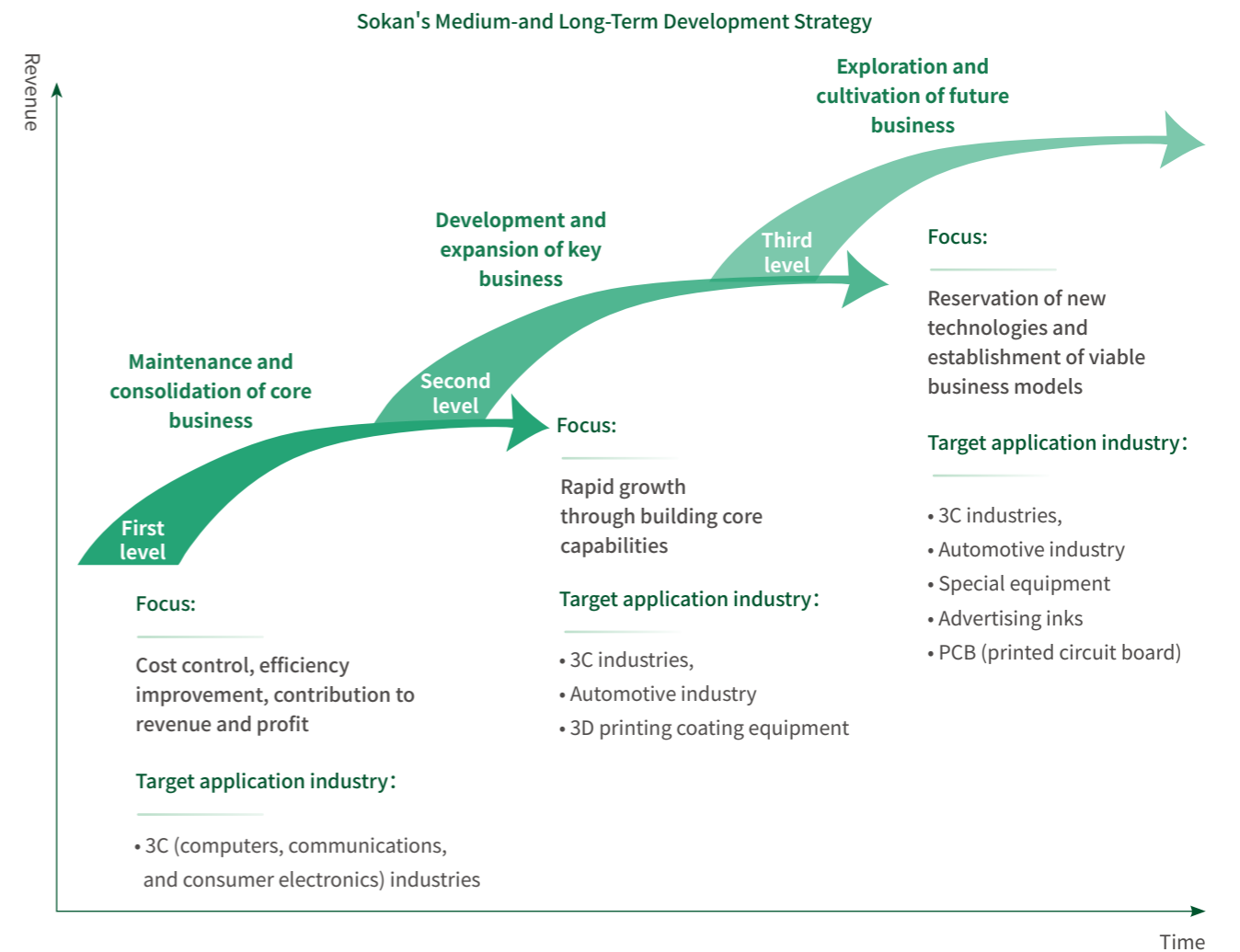
Founded in 2009, Sokan New Materials Group Co., Ltd. (Stock Abbreviation: Sokan, Stock Code: 688157) is a world-leading enterprise in the advanced functional coating materials industry. With high-end consumer electronics, passenger cars and special equipment as its target markets, the Company provides customers with systematic solutions for coatings, inks, adhesives and other categories through the models of "interactive" independent R&D and "customized flexible manufacturing". Listed in June 2020, the Company is the first A-share listed enterprise on the STAR Market of the Shanghai Stock Exchange with advanced functional coating materials as its main business.

## Corporate Honors and Qualifications



## Sokan Strategy

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



## Corporate Culture



### Corporate Mission

Continuously surpassing and creating exciting scenes



### Corporate Vision

To become a global leader in the field of new functional coating materials



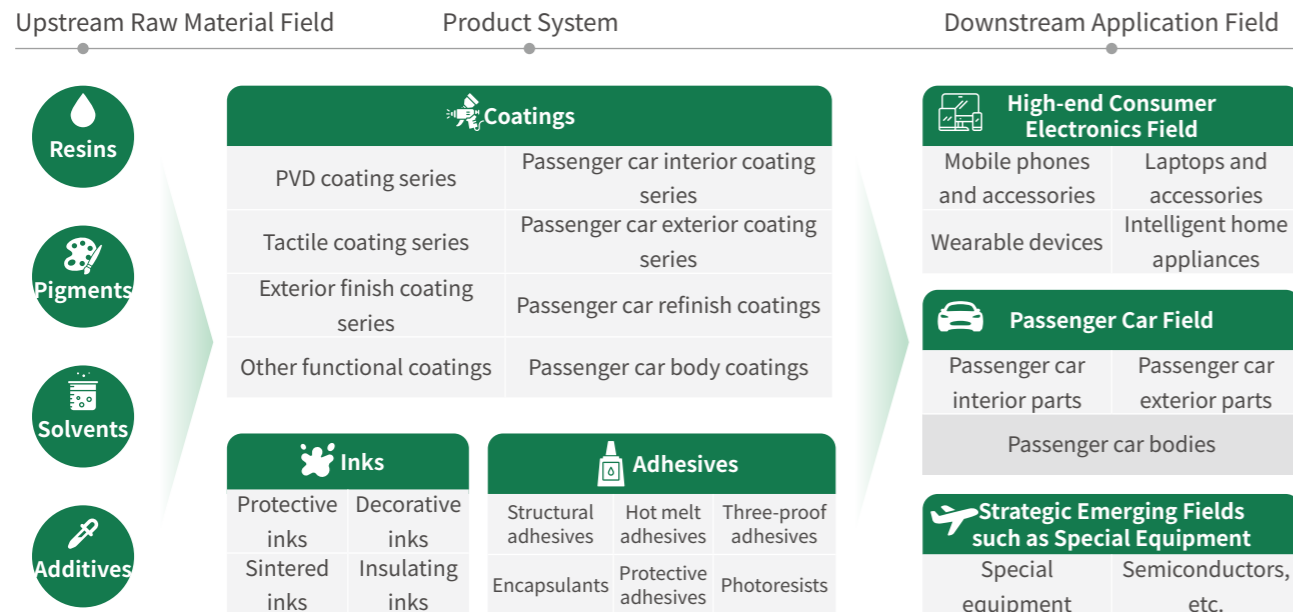
### Core Values

Customer centricity, common growth with employees, continuous innovation

## Main Business

Sokan focuses on the high-end consumer electronics, passenger car and special equipment fields. Through the models of "interactive" independent R&D and "customized flexible manufacturing", the Company provides customers with systematic solutions for advanced functional coating materials including coatings, inks and adhesives.

The Company's products are classified into three categories by property and application: coatings, inks and adhesives; cover thermosetting, UV-curable and electron beam-curable coating materials by curing method; and include solvent-based, water-based, high-solid and powder coating materials by solvent type. On the application side, the Company focuses on the high-end consumer electronics (mobile phones and accessories, laptops and accessories, wearable devices, intelligent home appliances) and passenger car interior and exterior component fields.



## Main Products

### High-end Consumer Electronics Field:

The Company's core products in the high-end consumer electronics field cover coating and ink series. Coatings include PVD coatings, tactile coatings, appearance coatings, and other functional coatings such as AF products, low-reflectivity PU coatings, low-resistance coatings, antibacterial coatings, photosensitive coatings, and thermosensitive coatings. The Company has also strategically positioned its water-based coating series, including water-based PU coatings, water-based tactile coatings, water-based UV coatings, and water-based high-temperature baking coatings. Inks include protective inks, decorative inks, and UV inkjet inks, while water-based screen printing inks and water-based spray inks are also under development, achieving lower VOC emissions and aligning with national industrial development directions.



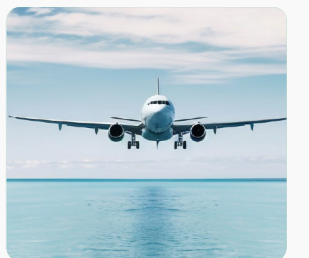
### Passenger Car Field:

Based on several years of technical reserves and accumulated brand reputation, the Company adopts a differentiated market strategy to continuously drive two-way breakthroughs in technology and market. At present, the Company has established supply or cooperation relationships with a number of well-known domestic and foreign complete vehicle and auto parts enterprises, with products applied to multiple key components of automotive interiors and exteriors. Products include coatings for interior/exterior trim parts, with aftermarket repair coatings and body coatings under steady development. The Company's automotive PVD coatings, which replace traditional electroplating, offer both multi-substrate adaptability and excellent performance while being more environmentally friendly. Ink products include protective inks, decorative inks, sintering inks, and UV insulating inks, meeting requirements for in-process protection, functional decoration, and insulation protection respectively, fully suitable for diverse automotive application scenarios.



### Strategic Emerging Fields such as Special Equipment

The Company focuses on the special equipment sectors such as rail transit, aerospace and marine equipment, taking cutting-edge technologies such as surface treatment, functional coatings and adhesives as its core R&D directions, and continuously carrying out technological breakthrough and application research. Adhesives are an important part of the Company's "three verticals and three horizontals" development strategy, boasting a wide range of application scenarios and a diverse portfolio of mature products; at the same time, the Company has built a high-performance and complete product system of photoresists, which can be customized and developed according to customers' process requirements. In the new energy battery sector, the Company's UV inkjet printing technology for cell insulation has achieved a breakthrough transformation in the end-of-line insulation protection process for cell manufacturing. Leveraging its accumulated expertise in UV digital printing technology, the Company has successfully launched an integrated solution of insulation frame printing equipment and materials for all-solid-state batteries, promoting to achieve process innovation and significant efficiency improvement in the industry.



# ESG Management

## ESG Governance Structure

Sokan has always regarded ESG governance as a core underpinning for achieving high-quality sustainable development, and deeply integrated the concept of sustainable development into the its overall strategic planning and the entire production and operation process. We have built a three-tier ESG governance structure featuring clear division of powers and responsibilities, vertical and horizontal coordination, and closed-loop management and control. With the Board of Directors as the decision-making core, the senior management as the management hub, and all departments, branches and subsidiaries as the implementation entities, this structure fully covers the entire ESG chain of strategic decision-making, system formulation, overall promotion, on-the-ground implementation, and supervision and management. It ensures that ESG management requirements are effectively transmitted to all links of the Company's operations, providing a solid governance guarantee for the systematic and standardized advancement of the Company's sustainable development initiatives.

ESG Governance Structure and Responsibilities of Sokan



## ESG Risk and Opportunity Management

Sokan regards the management of environment, social and governance (ESG) related risks and opportunities as a critical foundation for supporting the Company's sustainable development. Under the supervision and guidance of the Board of Directors, the Company has established a closed-loop ESG risk and opportunity management mechanism covering the entire process. Combining its actual operation, industry development trends and stakeholders' demands, the Company systematically conducts the full-cycle management of ESG risk and opportunity identification, assessment, prioritization, response strategy formulation, on-the-ground implementation, and monitoring and optimization. Relevant control measures and development plans are deeply integrated into the entire business operation process; the implementation and effectiveness of all work are guaranteed through a sound governance structure, and a regular tracking and monitoring mechanism is established to continuously optimize the management system. The Company effectively controls relevant risks, seizes sustainable development opportunities, and actively responds to the United Nations Sustainable Development Goals (UN SDGs). Ultimately, it collaborates with all stakeholders to create long-term sustainable value.



Impact Assessment of ESG-Related Risks and Opportunities on External Stakeholders

Risk/Opportunity Category	Impact of Risk/Opportunity on External Stakeholders	Impact Direction
Risk of tighter environmental regulations and "dual carbon" policies	Failure to timely adapt to new environmental and "dual carbon (carbon peaking and carbon neutrality)" regulations may result in compliance penalties and production restrictions, affecting customer delivery and investor returns, and posing potential negative impacts on the community ecology	Negative
Climate change-related physical and transition risks	Extreme weather may cause disruptions to production and logistics, affecting customer delivery and investor returns; transition policies may push up operating costs, weaken product competitiveness, and impact supply chain stability	Negative
Risk of elevated ESG access thresholds for core downstream customers	Failure to meet the ESG access requirements of leading customers may result in qualification downgrades and order losses, affecting investor returns and the stability of supply chain cooperation	Negative
Work safety and occupational health risks	Occurrence of work safety accidents may damage employees' health rights and interests, cause production disruptions and affect customer delivery, lead to regulatory penalties, and harm investor interests, brand reputation and community safety	Negative
Opportunity for synergetic sustainable development of the industrial chain	Establishing an ESG supply chain management system can drive the improvement of ESG performance of the upstream and downstream, ensure the safety and stability of the supply chain, provide customers with full-chain compliant products and services, boost long-term investor confidence, and promote the sustainable development of the industry	Positive
Opportunity for green and low-carbon product and technological innovation	New coating products with low VOC, degradable and low-carbon emission properties meet customers' green upgrading needs, help customers achieve carbon neutrality goals, create new growth drivers for investors, drive the green transformation of the supply chain, reduce environmental impacts, and gain recognition from regulators and the industry	Positive

Time Horizon of Impact	Corporate Value Chain Link Causing Impact	External Stakeholders Affected	Response Measures
Short-term, long-term	Production and manufacturing, waste disposal, R&D and design, supply chain management	Ecological and environmental regulators, customers, investors, community public, suppliers	Track policy dynamics on a regular basis; upgrade environmental governance facilities; promote cleaner production and low-carbon technological transformation; integrate "dual carbon" requirements into the entire value chain; conduct regular self-inspections and audits on environmental compliance
Medium term, long term	Production and manufacturing, logistics and transportation, raw material procurement, product sales, R&D and design	Customers, investors, suppliers, regulators, community public	Conduct investigation and assessment of climate change risks; formulate contingency plans for extreme weather; promote low-carbon technological transformation and the application of renewable energy; optimize supply chain resilience; incorporate climate response into long-term strategies
Short term, medium term	Product sales and customer service, supply chain management, production and manufacturing, R&D and design	Customers, investors, suppliers	Respond to customers' ESG needs on a regular basis; improve the management system by benchmarking against the standards of leading customers; incorporate ESG requirements into supplier management; disclose ESG performance regularly; ensure ESG compliance of the supply chain
Short-term, long-term	Production and manufacturing, warehousing and logistics, raw material procurement	Employees, work safety regulators, customers, investors, community public	Improve the work safety and occupational health management system; conduct regular safety training and emergency drills; upgrade safety protection facilities; carry out regular investigation and rectification of potential safety hazards; implement the full employee responsibility system for work safety
Medium term, long term	Raw material procurement, supply chain management, product sales and customer service, R&D and design	Suppliers, customers, investors, industry associations, regulators	Establish a supplier ESG access, assessment and empowerment mechanism; conduct ESG synergy training for the upstream and downstream; sign sustainable development cooperation agreements; jointly promote the green and compliant upgrading of the industrial chain
Medium term, long term	R&D and design, production and manufacturing, product sales and customer service, raw material procurement	Customers, investors, suppliers, regulators, community public, industry associations	Increase R&D investment in green and low-carbon products; build a green technology R&D platform; collaborate with the upstream and downstream to promote the low-carbon transformation of the entire industrial chain; participate in the formulation of industry green standards; build core competitiveness in green products

## Communication with Stakeholders

The Company has always paid close attention to the demands and expectations of all stakeholders, and maintained regular communication with internal and external stakeholders by establishing diversified communication channels. It proactively solicits opinions and expectations of all parties on the Company's sustainable development, and conducts targeted responses and interactions. During the reporting period, centering on key topics, the Company took the initiative to communicate relevant progress to stakeholders and solicit their feedback, and on this basis, continuously improved its management capabilities and sustainable value creation capacity.

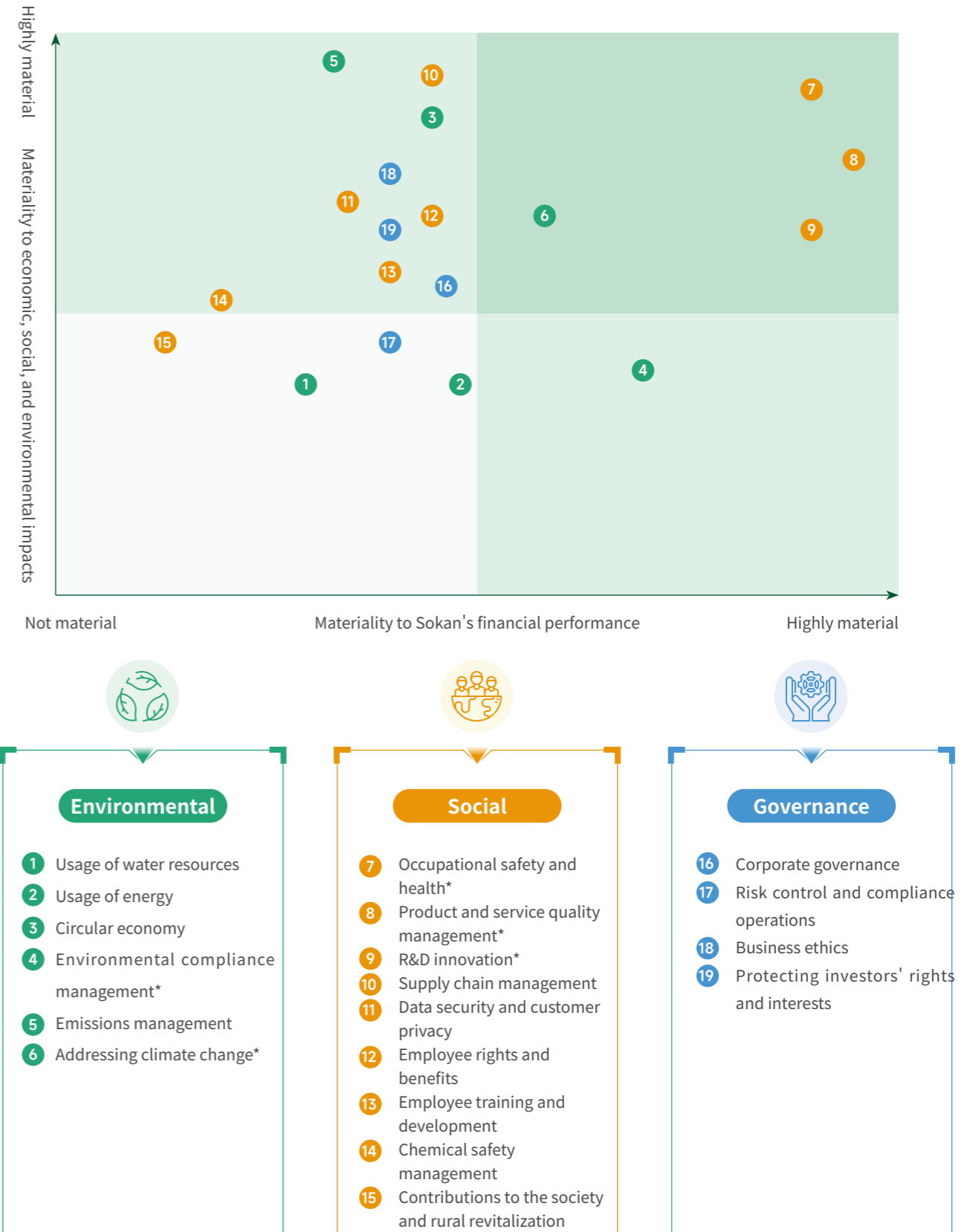
Stakeholders	Governments and Regulatory Authorities	Shareholders and Investors	Employees	Customers	Partners and Suppliers	Community and the Public
Concerned Topics	<ul style="list-style-type: none"> <li>● Environmental compliance management</li> <li>● Emissions management</li> <li>● Usage of energy</li> <li>● Usage of water resources</li> <li>● Addressing climate change</li> <li>● Quality management of products and services</li> <li>● Chemical safety management</li> <li>● Corporate governance</li> <li>● Business ethics</li> </ul>	<ul style="list-style-type: none"> <li>● Corporate governance</li> <li>● Protecting investors' rights and interests</li> <li>● Business ethics</li> <li>● Risk control and compliance operations</li> <li>● R&amp;D and innovation</li> <li>● Quality management of products and services</li> </ul>	<ul style="list-style-type: none"> <li>● Employee rights and benefits</li> <li>● Employee training and development</li> <li>● Occupational health and safety</li> <li>● Chemical safety management</li> <li>● Risk control and compliance operations</li> <li>● Business ethics</li> </ul>	<ul style="list-style-type: none"> <li>● R&amp;D and innovation</li> <li>● Quality management of products and services</li> <li>● Data security and customer privacy protection</li> <li>● Business ethics</li> </ul>	<ul style="list-style-type: none"> <li>● Supply chain management</li> <li>● Quality management of products and services</li> <li>● R&amp;D and innovation</li> <li>● Business ethics</li> </ul>	<ul style="list-style-type: none"> <li>● Usage of energy</li> <li>● Usage of water resources</li> <li>● Emissions management</li> <li>● Addressing climate change</li> <li>● Contributions to the society and rural revitalization</li> </ul>
Communication Channels	<ul style="list-style-type: none"> <li>● Filing or approval</li> <li>● Regular reporting</li> <li>● Compliance information disclosure</li> <li>● Special inspections</li> <li>● Meetings or exchange visits</li> <li>● Standard policy communication</li> </ul>	<ul style="list-style-type: none"> <li>● Shareholders' meeting</li> <li>● Company website</li> <li>● On-site research</li> <li>● Conference calls</li> <li>● Performance briefings</li> <li>● Brokerage strategy meetings</li> <li>● Roadshows and reverse roadshows</li> <li>● Periodic reports and interim announcements</li> <li>● Investor hotline</li> <li>● SSE e-interaction</li> </ul>	<ul style="list-style-type: none"> <li>● Professional title evaluation</li> <li>● Company official website and intranet</li> <li>● Management meetings and employee meetings</li> <li>● Employee care activities</li> <li>● Internal and external training</li> <li>● Whistleblowing and supervision channels</li> </ul>	<ul style="list-style-type: none"> <li>● Industry forums and exhibitions</li> <li>● Audit and factory inspections</li> <li>● Strategic cooperation</li> <li>● Interactive R&amp;D</li> <li>● Customer communication and complaint channels</li> <li>● Customer satisfaction survey</li> <li>● Whistleblowing and supervision channels</li> </ul>	<ul style="list-style-type: none"> <li>● Supply chain assessment and audits</li> <li>● Supplier conferences</li> <li>● Industry-university-research collaboration projects</li> <li>● Exchange visits</li> <li>● Strategic cooperation projects</li> <li>● Industry conference communications</li> <li>● Whistleblowing and supervision channels</li> </ul>	<ul style="list-style-type: none"> <li>● Environmental information disclosure</li> <li>● Community public welfare projects</li> <li>● Volunteer activities</li> <li>● Company official website</li> </ul>

## Topic Materiality Assessment

The identification of material topics is a fundamental work for the Company's ESG management, helping the Company focus on key areas and clarify its action direction. In strict compliance with the relevant requirements for materiality analysis of topics stipulated in the *Guidelines* issued by the Shanghai Stock Exchange, Sokan conducts the "Double Materiality Identification and Analysis". Combining industry characteristics and its own business reality, the Company comprehensively assesses the financial impacts of various topics on the Company in the short, medium and long term, as well as the actual and potential impacts of the Company's performance on various topics on the economy, society and the environment.



Matrix of Sokan's Topics with Double Materiality in 2025



# 01

## Governance Foundation, Upholding Integrity and Compliance

Improving Corporate Governance	21
Risk and Compliance Management	24
Protecting Investors' Rights and Interests	25
Compliance with Business Ethics	27
Information Security Assurance	31



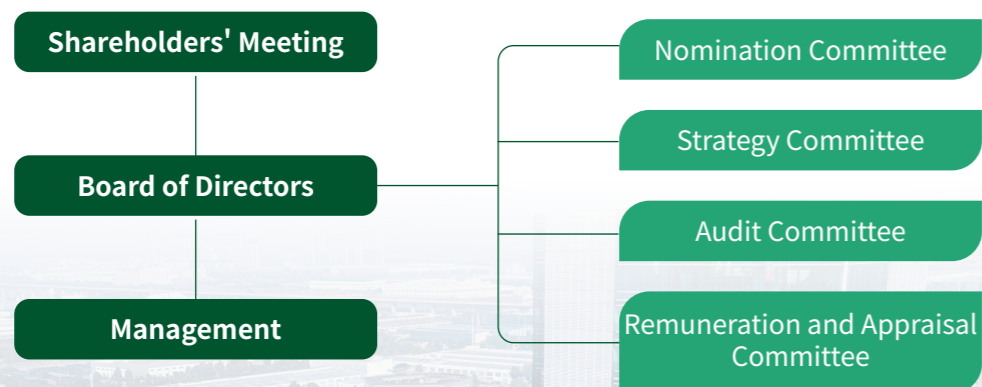
# Improving Corporate Governance

Sokan strictly complies with applicable laws, regulations, and regulatory requirements, including the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, and the *Code of Governance for Listed Companies*. The Company has established a robust governance framework consisting of the Shareholders' Meeting, the Board of Directors, and management, ensuring clearly defined roles and efficient operations among all governance bodies. By abolishing the Board of Supervisors, strengthening the functions of the Board of Directors and its specialized committees, and enhancing the independent director system, Sokan has developed a more streamlined, effective, and balanced modern corporate governance system. This structure better protects the rights and interests of all shareholders – particularly minority shareholders – and provides a solid foundation for the Company's long-term, stable development.

The Company proactively adapts to the latest capital market regulatory requirements. In accordance with the *Guidelines on the Articles of Association of Listed Companies*, the *Rules Governing the Listing of Stocks on the STAR Market of the Shanghai Stock Exchange*, and other relevant regulations, Sokan has completed a series of important institutional revisions and governance structure optimizations. It has also carried out comprehensive and systematic revisions and improvements to its corporate governance documents, including the *Articles of Association*, the *Rules of Procedure for the Shareholders' Meeting*, the *Rules of Procedure for the Board of Directors*, and the *Working Rules for Independent Directors*. In addition, the Company has newly established the *Policy on Preventing Capital Occupation by Controlling Shareholders and Their Affiliates* and the *Compensation Management Policy for Directors and Senior Management*, further strengthening its internal control and risk prevention framework.

The Board of Directors has established four specialized committees: the Nomination Committee, the Strategy Committee, the Audit Committee, and the Remuneration and Appraisal Committee. Each committee strictly performs its duties in accordance with relevant laws, regulations, and internal policies to ensure the Company's stable operations and standardized practices, thereby promoting a scientific and efficient approach to corporate governance.

Sokan's Organizational Structure



## Key Performance

During the reporting period, the Company

- Held **3** shareholders' meetings;
- Held **6** board meetings, reviewed and approved **42** items, with **100%** attendance rate of directors;
- Held **3** audit committee meetings, reviewed and approved **15** proposals;
- Held **5** remuneration and appraisal committee meetings, reviewed and approved **9** proposals;
- Held **2** nomination committee meetings, reviewed and approved **4** proposals;
- Held **1** strategy committee meeting, reviewed and approved **1** proposal.



## Diversity of the Board of Directors

Sokan places a strong emphasis on the diversity and balance of the composition of its Board of Directors. When selecting and nominating directors, the Company actively seeks qualified candidates from a wide range of backgrounds, considering factors such as gender, age, cultural and educational background, industry experience, skills, and knowledge. Members of the Company's Board of Directors bring professional expertise and industry experience across multiple disciplines, including materials science, chemical engineering, business management, and finance and accounting. This diversity enables the Board to evaluate corporate strategy, risks, and opportunities from multiple perspectives, thereby supporting more comprehensive and forward-looking decision-making – particularly in response to technological changes, market dynamics, and sustainability issues.

Composition of the Company's Board of Directors

Name	Gender	Age	Position	Education Background	Professional Background
Ling Yunjian	Male	55	Chairman	Master's degree	Industry background
Wang Weiguo	Male	52	Non-independent director	Master's degree	Industry background
Miao Peikai	Male	45	Employee representative director	Doctor	Industry background
Luo Jieyao	Male	35	Non-independent director	Bachelor's degree	Financial background
Ma Jinying	Female	58	Independent director	Doctor	Financial background
Lu Xiaoyan	Male	56	Independent director	Master's degree	Management background
Chen Zhuo	Male	46	Independent director	Doctor	Industry background

## Independence of the Board of Directors

Sokan places a high priority on the independence of decision-making by the Board of Directors and the effectiveness of its governance practices. Independent directors are selected and appointed in strict accordance with the Company's *Articles of Association* and regulatory requirements, ensuring that they maintain an independent relationship from the Company, its principal shareholders, and its ultimate controlling shareholders. Independent directors fully leverage their professional expertise and actively participate in corporate governance and major decision-making, effectively safeguarding the Company's overall interests as well as the legitimate rights and interests of minority shareholders. The Company has established a dedicated meeting mechanism for independent directors, providing a specialized platform and safeguards for the performance of their duties, communication, and review of specific matters. Independent directors submit annual performance reports to the Company's annual shareholders' meeting, detailing the execution of their duties.



### Working Rules for Independent Directors

Through clearly defined independence criteria, substantive special authorities and pre-approval rights, an independent dedicated meeting mechanism, and robust performance safeguards together with stringent duty requirements, these guidelines are designed to ensure that independent directors can effectively fulfill their critical balancing and oversight roles in the governance of the Board of Directors.



### Independence Level of the Board of Directors

As of the end of the reporting period, the Board of Directors of the Company comprised 3 independent directors, representing 42.86% of the Board of Directors. Independent directors accounted for 66.67% of the membership on each of the Board of Directors' Audit Committee, Remuneration and Appraisal Committee, and Nomination Committee, with independent directors serving as chairpersons of all three committees.

## Risk and Compliance Management

Guided by the principle of "deepening refined management and enhancing executive efficiency", Sokan continues to promote the standardized development of its internal control system. The Company strictly follows the *Basic Norms of Enterprise Internal Control*, the relevant evaluation guidelines, and applicable laws and regulations in conducting self-assessments of the design and operational effectiveness of its internal controls. In addition, the Company engaged an external third-party audit firm to conduct an independent audit of the effectiveness of its internal controls during the reporting period, and received an unqualified opinion on its internal control audit report.

### Key Performance

During the reporting period, the Company established and effectively implemented internal control systems for all its business activities and operations, achieved its internal control objectives, and identified **no** material weaknesses in its financial reporting internal controls.



To continuously enhance corporate governance and risk prevention capabilities, the Company maintains a high level of awareness of regulatory developments and promptly adjusts and improves its internal compliance policies as needed. The Company has clearly defined the compliance responsibilities and authorities of each department by developing and strictly implementing the *Authorization Manual of Sokan Group*. Through regular internal and external audits, we strengthen the monitoring and review of compliance policy implementation, thereby effectively identifying and addressing potential non-compliant behaviors and reducing the Company's overall compliance risk.

The Company places great emphasis on fostering a compliance culture. By enhancing employee compliance training and education, we comprehensively improve our employees' legal awareness and commitment to voluntary compliance, ensuring that compliance requirements are embedded into all aspects of daily operations and cultivating a positive compliance environment. In addition, by establishing and improving a compliance oversight mechanism, we promptly address and correct any identified violations to uphold the seriousness of the compliance culture.

### Key Performance

During the reporting period, the Company



- Established an internal control and risk management evaluation framework covering procurement management, engineering management, contract management, asset management, information systems, financial management, information dissemination and communication, sales operations, and capital activities; identified potential internal control risk points that may arise during these business activities and developed corresponding risk response measures. This lays the foundation for subsequent evaluations and improvements in internal control, promotes risk prevention across the Sokan Group, and supports the Group's sustainable and high-quality development.
- Conducted supplier risk management training for all supply chain personnel, reaching **120** individuals.

# Protecting Investors' Rights and Interests

The Company consistently prioritizes investor relations management, striving to enhance investors' understanding and trust through standardized, transparent, and efficient communication mechanisms, thereby safeguarding their legitimate rights and interests. The Company strictly complies with relevant laws, regulations, and regulatory requirements, actively builds long-term and stable investor relations, continuously improves corporate governance and intrinsic value, and ultimately achieves mutual growth and development for both the Company and its investors.

## Investor Communication Methods of Sokan

**Regular Communication and Maintenance**

Including online/offline investor communication, hosting on-site investor research, brokerage strategy meetings, roadshows, reverse roadshows, answering investor calls, replying through investor emails, and responding to SSE e-interaction inquiries.

**Performance briefings**

The Company has held 3 performance briefings and actively participated in collective performance briefings for investors in Hunan to enhance communication with investors.

**Special Activities**

Under the guidance of the Hunan Securities Regulatory Bureau and Shanghai Stock Exchange, the Company has collaborated with the Securities Association of Hunan Province, brokerages, and financial media to carry out the "I Am a Shareholder" event to enhance interaction and communication.



## Case Investor Research and Exchange: Transparent Communication for Value Delivery

In active response to the call for high-quality capital market development, and under the guidance of the Hunan Securities Regulatory Bureau and the Shanghai Stock Exchange, Sokan, in collaboration with the Securities Association of Hunan Province, jointly organized the "I Am a Shareholder" event in May 2025, inviting investors to visit the Company. The event attracted numerous investors through a hybrid online and offline format. Investors toured the Company's Industrial Ecosystem Innovation Center in person, gaining in-depth insights into our core technologies and application strategies in high-end consumer electronics, passenger vehicles, and specialty equipment. Through face-to-face discussions with management, they further deepened their understanding of our business strategy and industry innovation trends.

The event effectively established a communication bridge between the Company and the capital market, not only clearly conveying our R&D capabilities and industrial value to investors but also providing an important channel for us to listen to market feedback and optimize governance. Sokan will continue to deepen investor relations management with openness and transparency. Amid global competition and industrial upgrading, we will work hand in hand with investors, repay market trust with solid operational performance, and jointly promote the long-term healthy development of both the Company and the capital market.



Investors' Visit to the Company

## Shareholder Returns and Dividends

While continuously promoting its own steady development, the Company has always prioritized delivering returns to its shareholders. Since its listing in 2020, it has consistently implemented a prudent cash dividend policy. In 2025, the Company implemented the 2024 profit distribution plan as follows: A cash dividend of RMB 2.3211 (pre-tax) per 10 shares was distributed to all shareholders, a total of RMB 25.9352 million (pre-tax) of cash dividends was distributed. A capital reserve transfer of 4 shares per 10 shares was made to all shareholders (no bonus shares were distributed), resulting in a total share capital increase of 44,694,594 shares.

**Key Performance**

The cumulative cash dividends distributed from 2020 to 2024 amounted to approximately RMB **131** million. The annual cash dividend as a percentage of net profit attributable to shareholders of the listed company in the consolidated financial statements for each of those years exceeded **30%**.

The Company plans to implement the following 2025 profit distribution plan: A cash dividend of RMB 0.40 (pre-tax) per 10 shares is proposed to be distributed to all shareholders. Based on the Company's total share capital of 156,431,080 shares, the total cash dividend to be distributed would be RMB 6,257,243.20 (pre-tax). This amount represents 31.04% of the net profit attributable to shareholders of the listed company in the 2025 consolidated financial statements, and capitalized the capital reserve to issue 2 bonus shares for every 10 shares held by all shareholders, with a total of 31,286,216 shares newly issued as a result. (Note: This proposal is subject to review and approval by the 2025 Annual Shareholders' Meeting before implementation.)

## Information Disclosure

The Company places high importance on the standardization and effectiveness of information disclosure. We strictly comply with applicable laws and regulations, including the *Securities Law of the People's Republic of China* and the *Measures for the Administration of Information Disclosure by Listed Companies*, as well as relevant regulatory requirements and internal management policies such as the *Information Disclosure Management System and the Regulations on Standardized Information Disclosure and Internal Control Baselines* to ensure that disclosed information is truthful, accurate, and complete. These measures are designed to ensure investors are promptly informed of material matters and to safeguard the interests of the investors.

In 2025, the Company disclosed a total of 118 announcements and filed materials, including 53 interim announcements and 4 periodic reports. There were no incidents of regulatory penalties due to violations in information disclosure, nor any instances of selective disclosure or non-compliance with disclosure regulations.

## Compliance with Business Ethics

Sokan places high importance on employee integrity and strictly enforces internal management policies, including the *Management Measures for Internal Audit of Sokan Group*, the *Code of Professional Ethics Control Procedures*, and the *Employee Issue, Suggestion, Whistleblowing and Complaint Handling Procedures*. The Company has issued the "Four Strict Prohibitions" and enforces them in accordance with the *Employee Reward and Punishment System*.

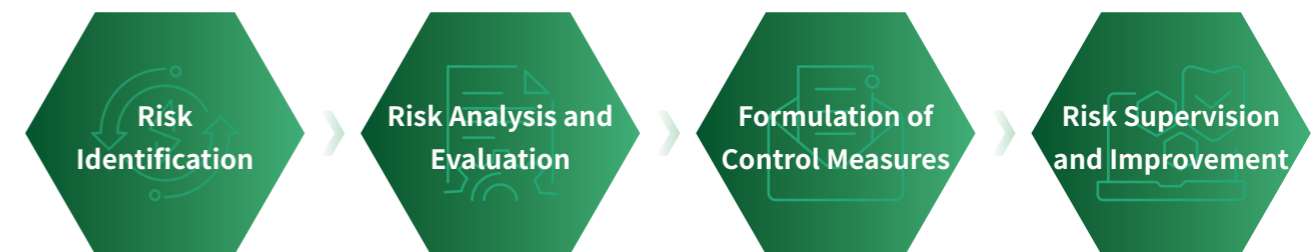
### Sokan's "Four Strict Prohibitions" Policy

- I** Strictly prohibit accepting any form of shopping cards, local specialty products, tobacco, alcohol, tea, gifts, cash gifts, payment cards, red envelopes, or similar items;
- II** Strictly prohibit accepting invitations from partners for meals, travel, gambling, or participation in high-expenditure entertainment or fitness activities;
- III** Strictly prohibit inviting external partners to weddings, funerals, or other celebratory or ceremonial events as a means of profiteering;
- IV** Strictly prohibit deliberately creating difficulties, extortion, bribery, or other misconduct by taking advantage of one's position.

The Company conducted a specialized risk assessment covering all positions to identify risks related to commercial bribery and corruption. In consideration of industry characteristics and the Company's actual operations, we identified potential risk points associated with commercial bribery and corruption within each position's responsibilities. We then analyzed and evaluated the identified risks using a combination of qualitative and quantitative methods to determine risk levels.

Based on risk levels and assessment results, the Company categorized positions into general-risk positions and key sensitive positions. For key sensitive positions, the Company further strengthened control measures by requiring relevant employees to sign the *Cooperation and Commitment Letter for Internal Audit of Key Positions*, clarifying their cooperation obligations and integrity commitments in internal audits and daily work, ensuring risk prevention responsibilities are assigned to individuals.

Sokan's Risk Management Process of Commercial Bribery and Corruption



Through this comprehensive business ethics risk assessment, the Company has established an important foundation for subsequent targeted business ethics training, enhanced audit oversight, and the improvement of internal control systems.

## Violation Reporting and Whistleblower Protection

The Company strictly enforces internal procedural documents such as the *Management Measures for Internal Audit of Sokan Group and the Integrity and Honesty Agreement*, continuously improving the employee violation reporting mechanism. We publish contact phone numbers and email addresses on multiple public channels, including the Company's official website, official public social media account, and supplier management system, to ensure that all employees and external partners are fully informed of the reporting channels and procedures.

In addition, the Company places a high priority on the confidentiality of the whistleblowing process and has adopted strict confidentiality measures to protect whistleblowers from any form of retaliation. All whistleblowing information will be handled exclusively by the designated personnel or departments within the Audit and Supervision Department, with whistleblowing contents thoroughly investigated and findings promptly communicated to the whistleblower. At the same time, the Company encourages employees to actively report violations, working together to uphold the Company's integrity and ethical culture.

## Business Ethics Oversight of Commercial Partners

Sokan regards integrity and ethical conduct as the foundation of supply chain cooperation and is committed to building a fair, transparent, and responsible business ecosystem. The Company systematically manages business ethics risks across the supply chain through a combination of institutional controls, education and training, and ongoing oversight.

### Supplier Integrity Supervision Measures

#### Institutional Constraints

The Company requires all suppliers to sign the *Integrity and Honesty Agreement* prior to cooperation, which specifies in writing the mutual responsibilities and codes of conduct for both parties in areas such as anti-bribery, anti-corruption, honest operation, and conflict of interest declaration. The agreement details prohibited acts (such as any form of bribery, improper gifts, concealment of related-party relationships, etc.), the supplier's proactive declaration obligations, and clear breach liabilities (including disqualification as a supplier, payment of liquidated damages, and compensation for losses), thereby establishing a clear legal and ethical red line for business dealings.

#### Awareness Reinforcement

To ensure that suppliers fully understand and internalize the Company's integrity requirements, the Company regularly conducts special integrity and honesty training sessions for suppliers. The training content is based on the *Integrity and Honesty Agreement* and the *Integrity and Honesty Requirements for Suppliers of Sokan*, with a focus on communicating the Company's anti-corruption policies, specific behavioral prohibitions, and reporting channels, effectively transmitting compliance requirements to business partners at the operational level.

#### Continuous Supervision

The Company has established a regular supervision mechanism, with the Audit and Supervision Department responsible for periodically reviewing suppliers' compliance with anti-corruption and business ethics regulations. If any violation such as corruption, fraud, or benefit transfer is discovered during reviews or through reporting channels, the Company will immediately initiate an investigation in accordance with the terms of the *Integrity and Honesty Agreement* and take measures including but not limited to terminating cooperation and pursuing economic and legal liabilities depending on the severity of the violation, thereby safeguarding the integrity of the supply chain and the Company's legitimate rights and interests through rigorous corrective actions.

By continuously strengthening business ethics oversight of our commercial partners, the Company not only reduces our own compliance and reputational risks but also encourages partners to collectively raise ethical standards, laying a solid foundation for sustainable supply chain cooperation.

#### Key Performance

During the reporting period,

- The proportion of management personnel covered by anti-bribery and anti-corruption training was **100%**;
- The proportion of employees covered by anti-bribery and anti-corruption training was **100%**;
- The number of personnel dismissed, disciplined, or investigated by competent authorities due to corruption-related violations was **0**;
- The number of contract terminations or non-renewals with business partners due to corruption-related violations was **0**.

## Anti-unfair Competition

The Company resolutely prohibits monopolistic and unfair competition practices. We strictly comply with laws and regulations such as the *Anti-Monopoly Law of the People's Republic of China* and the *Anti-Unfair Competition Law of the People's Republic of China*, and have revised the *Anti-Bribery, Anti-Corruption, and Anti-Money Laundering Policy* to strengthen anti-unfair competition requirements. We explicitly prohibit all anti-competitive conduct or any violation of applicable competition or antitrust laws. We also enhance employee training and awareness on anti-monopoly and anti-unfair competition matters, foster a culture of compliance, improve employees' ability to conduct business in accordance with legal requirements, and help maintain a fair competitive order in the industry.

#### Key Performance

During the reporting period,

the Company **did not experience** any litigation or material administrative penalties arising from unfair competition practices.

# Information Security Assurance

Sokan adheres to the information security management system policy of "all-staff participation, risk control; active prevention, continuous improvement." The Company places high importance on information security and customer privacy protection, regarding them as key safeguards for maintaining the Company's core assets and enhancing customer trust. Based on international standards such as ISO/IEC 27001:2022, the Company has developed the *Information Security Management System Manual* and ensures the system's effectiveness and adaptability through continuous operation, monitoring, and improvement. In addition, the Company has established an information security and privacy protection management structure led by the General Manager to ensure that information security efforts align with the Company's business development needs.

## Sokan's Organizational Structure for Information Security System

The top management of Sokan continuously demonstrates leadership and commitment to information security by providing resources, clarifying responsibilities, and participating in reviews. A cross-departmental information security team has been established to oversee daily management, coordination, and supervision, ensuring the effective implementation of information security policies and objectives.

ISO/IEC 27001 Information Security Management System Certification Certificate of the Company



In accordance with the *Information Security Risk Management Procedures*, the Company has established a risk assessment mechanism that combines periodic and dynamic approaches. We conduct systematic identification and risk assessment of information assets annually, formulate response plans based on risk levels, and strictly manage information security risks through strategies such as risk control, avoidance and transfer, ensuring that risks remain at an acceptable level.

Based on risk assessment results and business needs, the Company has developed a comprehensive set of control procedures and management systems covering physical security, access control, network security, system development, supply chain management, incident response, and other areas. Through documents such as the *Document Control Procedure*, *Access Control Procedure*, and *Information Security Incident Management Procedure*, we ensure the standardized implementation of all control measures.

## Information Security Risk Assessment Process



### Risk Identification

The Company identifies all assets and asset owners, quantifies the confidentiality, integrity, availability, and importance level of each asset, and forms the *List of Critical Assets*.



### Risk Analysis and Evaluation

The risk level is calculated based on the value and vulnerability severity of critical assets, as well as the frequency of occurrence of each threat and the ease with which a vulnerability can be exploited by a threat. Based on the risk level, the priority of risk handling is determined.



### Risk Handling

Based on the results of the risk assessment, the Company develops the *Information Security Risk Handling Plan*, which specifies the responsible department for risk handling, the responsible person, the handling method, and the start, completion date.

In addition, the Company regularly conducts information security awareness education and training for all employees to ensure they fully understand the information security policy, their individual responsibilities, and the consequences of violations, thereby collectively maintaining a secure information environment.

## Key Performance

During the reporting period,

- the Company conducted a total of **5** data security and customer privacy protection training sessions and **1** information security emergency drill.
- The number of confirmed data security incidents was **0**.

## Key Performance

During the reporting period,

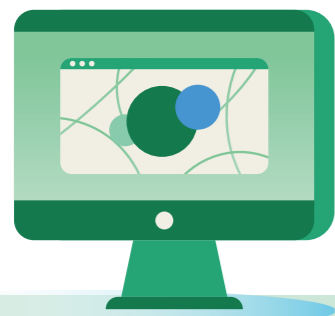
there were **0** incidents of information security breaches involving the Company or its clients.

The Company continuously evaluates the performance and effectiveness of its information security management system through daily inspections, internal audits, management reviews, and other performance evaluation means. For any identified non-conformities or potential improvement opportunities, we strictly implement corrective and preventive actions in accordance with the *Continuous Improvement Control Procedure* to drive ongoing optimization of the system and address evolving internal and external threats as well as changes in the technological environment.

# 02

## Environment as the Base, Committing to Green Development

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# Addressing Climate Change\*



Sokan regards addressing climate change as a critical issue for the Company's sustainable development. We have established a climate change governance framework and dedicated policies, deeply integrating climate management into operational decision-making. The Company not only identifies climate-related risks but also actively pursues development opportunities arising from the energy transition and low-carbon product markets. Through concrete measures such as advancing product carbon footprint accounting, developing bio-based eco-friendly coatings, and implementing energy-saving initiatives in our operations, we are reducing our carbon footprint and enhancing climate resilience.




## Governance




To strengthen our climate change management mechanism, the Company has developed the *Greenhouse Gas Control Management System* and the *Energy Resource Management System*, which define the processes for monitoring and controlling greenhouse gas emissions and energy consumption. The Company's EHS department is responsible for identifying and assessing climate change-related risks and opportunities, developing climate response strategies focused on energy conservation, energy efficiency improvement, and low-carbon products, and ensuring their effective implementation.

## Strategy

In line with industry trends and the Company's business characteristics, we regularly organize cross-departmental collaboration and incorporate external expert opinions to conduct climate change-related risk and opportunity assessments. The findings are then integrated into the Company's strategic decision-making framework.

List of Climate Change-related Risks for Sokan				
Risk Category	Risk Description	Likelihood of Occurrence	Potential Financial Impact	Impact Period
 <b>Acute Physical Risks</b>	Extreme weather incidents (such as floods and extreme heat) may cause damage to factory equipment and raw material storage facilities, and disrupt supply chain logistics.	Medium	Decreased operating revenue; Increased operating costs	short term
 <b>Chronic Physical Risks</b>	The Company may face risks to normal production and operations due to chronic climate disasters such as rising temperatures and sea levels.	Low	Decreased operating revenue; Increased operating costs	long term

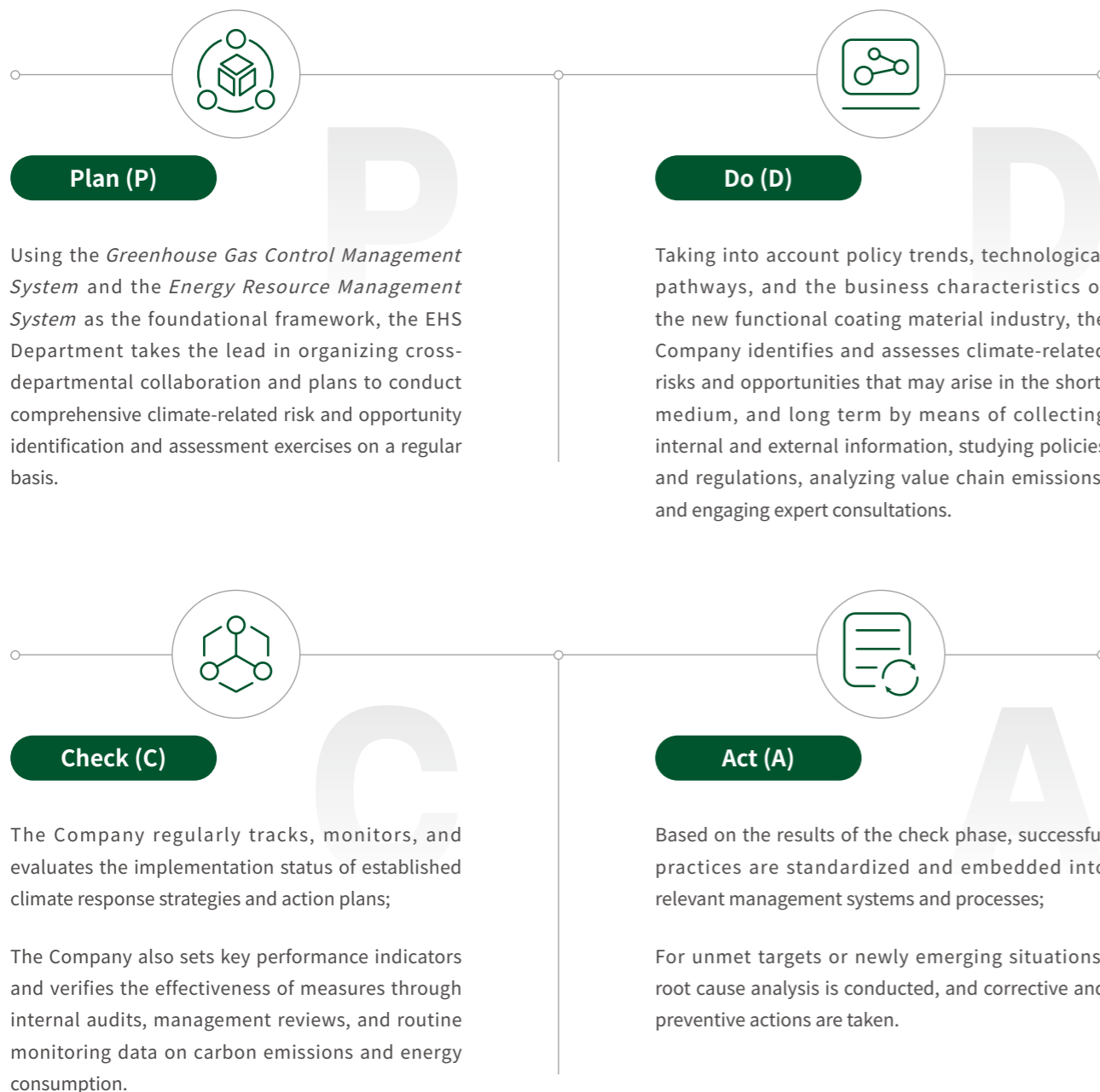
List of Climate Change-related Risks for Sokan				
Risk Category	Risk Description	Likelihood of Occurrence	Potential Financial Impact	Impact Period
 <b>Legal Risks</b>	As the national carbon emissions trading market matures and potentially expands its industry coverage, energy consumption and process emissions related to coating material production may be brought within the scope of mandatory carbon emissions reporting and compliance.	High	Increased operating costs	short term medium term
 <b>Market Risks</b>	The growing demand for low-carbon coatings is squeezing the market for traditional solvent-based products. If an enterprise fails to launch environmentally friendly coating materials such as water-based, bio-based, or low-VOC options, it may be replaced by competitors.	High	Decreased operating revenue	short term medium term long term
 <b>Reputation Risks</b>	If the Company or its suppliers use high-carbon emission materials, it could trigger a brand trust crisis.	Medium	Decreased operating revenue	short term medium term

List of Climate Change-related Opportunities for Sokan				
Opportunity Category	Opportunity Description	Likelihood of Occurrence	Potential Financial Impact	Impact Period
 <b>Energy Transition Opportunities</b>	With the growth in capacity of clean energy technologies such as photovoltaics and biomass energy and the gradual maturation of low-cost technological routes, adopting clean energy in the long term can reduce traditional energy expenses.	High	Reduced operating costs	long term
 <b>Market Opportunities</b>	The carbon peaking and carbon neutrality goals are driving a surge in demand for coatings in wind power and new energy vehicles. Early layout of a low-carbon product line can seize market opportunities.	High	Increased operating revenue	short term medium term long term
 <b>Adaptability Opportunities</b>	Real-time monitoring of climate risks in raw material sourcing locations enhances supply chain resilience; collaborating with research institutions to develop climate-adaptive resin materials can reduce the long-term physical risk impact.	High	Increased operating revenue; Reduced operating costs	medium term long term

## Impact, Risk, and Opportunity Management

Sokan has established and continuously operates a mechanism for identifying, assessing, and managing climate-related risks and opportunities. This mechanism follows the PDCA (Plan-Do-Check-Act) cycle to achieve closed-loop management and continuous improvement.

Sokan's Climate Change-related Risk and Opportunity Identification Management Process



### Emergency Response Mechanism

Closely monitor meteorological warnings and inspect the stability and safety of production facilities and emergency equipment in advance; In the event of a disaster, initiate the emergency response mechanism, promptly activate the preliminary disposal plan, report to the relevant local departments, and proceed with handling the situation.

### Greenhouse Gas Emission Management

**Product Carbon Footprint Analysis:** Promote carbon emission accounting throughout the product lifecycle and control key raw materials most sensitive to carbon footprint, such as resins and solvents;  
**Internal Carbon Audit:** Complete preliminary data collection on greenhouse gas emissions to lay the foundation for conducting a comprehensive internal carbon audit and establishing a regular data collection, accounting, and disclosure mechanism.

### R&D of Environmentally Friendly Coatings

Focus on developing low-carbon materials such as water-based, high-solid, and bio-based coatings. The Company has seven bio-based coatings certified by UL for bio-based content.

### Energy Conservation and Consumption Reduction in Production and Operations

Reduce energy consumption and carbon emissions by implementing intelligent upgrades and precise control for high-energy-consuming equipment, standardizing employee electricity usage, and taking other measures

### Industrial Collaboration

Actively collaborate with research institutions and upstream and downstream partners to jointly advance low-carbon transformation.

### Sokan's Key Measures to Address Climate Change

## Indices and Goals

The Company continuously tracks greenhouse gas emission metrics and dynamically optimizes its management mechanisms based on implementation progress.

Sokan's Greenhouse Gas Emissions in 2025

Index	Unit	2025
Total Greenhouse Gas Emissions (Scope 1 + Scope 2)	tCO <sub>2</sub> e	9,512.15
Scope 1 Greenhouse Gas Emissions	tCO <sub>2</sub> e	79.44
Scope 2 Greenhouse Gas Emissions	tCO <sub>2</sub> e	9,432.71

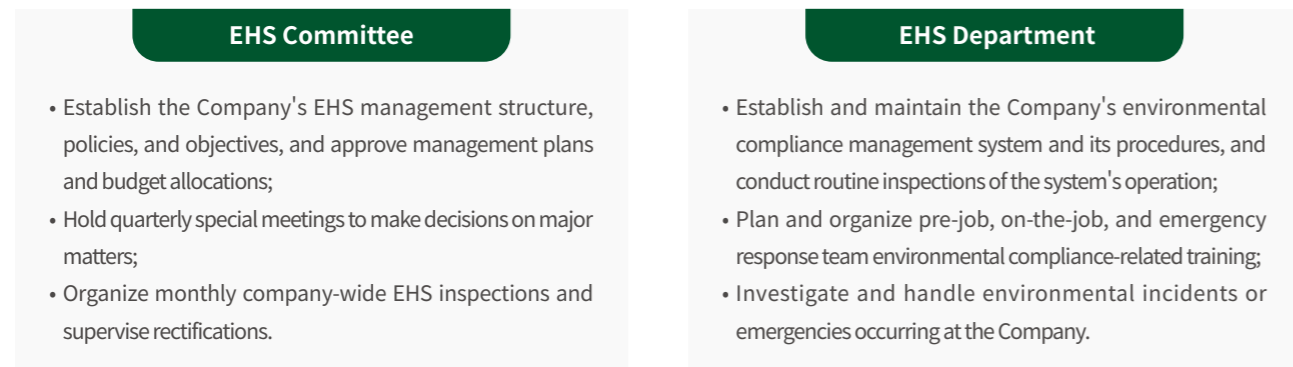
# Environmental Compliance Management\*

Sokan adheres to the environmental policy of "energy conservation and emission reduction, lawful operation; pollution prevention, continuous improvement" and has established a comprehensive environmental management system. We identify and manage relevant risks and opportunities, and continuously strengthen our employees' compliance awareness and execution through comprehensive emergency drills, organization-wide environmental training, and the setting and achievement of management goals such as "zero pollution incidents".

## Governance

The Company holds the national Green Factory certification and has established an EHS Committee chaired by senior management, with an EHS Department reporting to it. We have formulated and implemented a series of internal policies, including the *Environmental Factors Identification and Evaluation Control Procedure*, *Environmental Protection Operation Control Procedure*, and *Environmental Management Material Control Standards*, to ensure that environmental compliance management is carried out in a standardized manner.

Sokan's Environmental Management Structure



## Environmental Management System Certification

During the reporting period, Sokan and Songrun New Materials completed the renewal of their ISO 14001 Environmental Management System certifications.

ISO 14001 Environmental Management System Certification Certificate of the Company



## Strategy

The Company's EHS Department leads the identification and assessment of risks and opportunities related to environmental compliance. Through internal and external factor analysis, we conduct extensive scans of regulatory, market, social, and operational risks and opportunities.

List of Environmental Compliance Management Risks for Sokan

Risk Category	Risk Description	Likelihood of Occurrence	Potential Financial Impact	Impact Period
<b>Legal Compliance Risks</b>	Domestic and international environmental regulations are becoming increasingly stringent, including the implementation of new environmental laws and workplace safety laws, heightened customer environmental requirements (e.g., RoHS), and intensified government enforcement.	Medium	Increased costs for compliance upgrades and management	long term
<b>Emission Risks</b>	Improper control of pollutant emissions such as exhaust gases, wastewater, and noise may lead to non-compliance with standards and result in fines.	Medium	Increased operating costs due to fines.	long term
<b>Physical Risks</b>	Power rationing during high-temperature seasons, if not properly managed, may impact the Company's production.	Medium	Reduced production capacity leading to decreased operating revenue.	short term

List of Environmental Compliance Management Opportunities for Sokan

Opportunity Category	Opportunity Description	Likelihood of Occurrence	Potential Financial Impact	Impact Period
<b>Community and Employee Opportunities</b>	Personnel in the community and local residents expect that the Company's production processes will not cause environmental harm to the outside world.	Low	Increased employee satisfaction and social reputation, leading to higher operating revenue.	long term
<b>Transition Opportunities</b>	As environmental regulations become stricter and market demands evolve, the development of the Company's water-based and low-VOC products is not only a response to compliance risks but also an opportunity to seize market leadership.	Medium	Increased operating revenue	long term

## Impact, Risk, and Opportunity Management

The Company has established a standardized process covering the identification, assessment, and management of risks and opportunities. First, based on the SWOT framework, the Company uses the *Internal and External Factors Identification, Analysis, Monitoring and Review Form* to identify internal and external factors related to environmental compliance, and makes a preliminary judgment of their nature (strengths, weaknesses, opportunities, threats). Subsequently, the identified internal and external factors, particularly threats (T) and weaknesses (W), are further input into the Risk and Opportunity Management Form for quantitative assessment.

In addition, the Company requires each business and functional department to comprehensively identify the environmental aspects associated with their activities. Significant environmental aspects are determined through a unified evaluation method and ultimately consolidated into a corporate-level *List of Significant Environmental Aspects*. Core environmental aspects are incorporated into the standardized management and control track centered on internal systems and various emergency response plans, thereby effectively reducing environmental risks.

### Sokan's Process for the Identification, Assessment, and Management of Environmental Compliance Risks

#### Risk and Opportunity Identification

- Identification of internal factors: including VOC emissions from major products, compliance control of production emissions, etc.;
- Identification of external factors: including regulatory pressure, supply chain and market drivers, social and community oversight, etc.

#### Risk Assessment

- The assessment uses the Risk Priority Number (RPN) method, scoring from three dimensions and calculating the RPN value ( $RPN = \text{Severity} \times \text{Occurrence} \times \text{Detection}$ ):
- Severity (SOO): assesses the seriousness of the consequences of the risk;
- Occurrence (COO): assesses the probability of the risk event occurring;
- Detection (ATD): assesses the ability of existing control measures to detect the risk before it occurs.

#### Risk Management and Response

- For all identified and assessed risks, a "risk reduction" strategy is adopted, with corresponding specific measures developed, including technological upgrades, process compliance control, emergency safeguards, etc., and a "responsible department" is designated to clarify the accountable entity;
- The management of each risk is linked to the corresponding "process control document" (procedure document or management system), forming standardized support.

To effectively address environmental risks, the Company has established an emergency management system with the General Manager taking overall responsibility. It has developed the *Emergency Response Plan for Environmental Incidents* and the *Emergency Preparedness and Response Control Procedure*, and formed an emergency rescue team to carry out risk prevention and emergency management activities. Through regular environmental management meetings, on-site inspections, and specialized training, the Company strengthens routine preventive controls. At the same time, it organizes emergency drills to enhance the team's practical response capabilities, ensuring rapid and efficient response and handling when incidents occur.

### Sokan's Environmental Compliance Management Measures

#### Emergency Management

- The Company defines clear roles and responsibilities ranging from the General Manager, EHS Department, and Quality Management Department to each executing department, and manages them through a complete closed-loop process of "identifying emergency situations - developing plans - reviewing and approving - training and drilling - emergency response - post-incident summary and plan updates";
- The Company develops specific emergency response plans for various identified risks, and strictly requires that at least one comprehensive or specialized drill be organized each year and at least one on-site response plan drill be organized every six months, while integrating emergency training into routine management.

#### Regular Inspection

- The Company conducts a company-wide environmental compliance inspection once a month, and coordinates and supervises relevant departments to promptly rectify identified issues and potential hazards.

### Case Comprehensive Desktop Emergency Drill Conducted to Validate the Effectiveness of Emergency Plans

In March 2025, the Company organized and conducted a comprehensive desktop emergency drill covering twelve types of accident scenarios, including hazardous waste leakage, production wastewater leakage, solvent poisoning, and flood control. A total of 49 participants from the Company's emergency response team and heads of relevant departments took part. The entire process strictly followed the standardized procedure of "incident reporting - plan activation - emergency response - emergency termination". The drill effectively validated the feasibility of the plans and strengthened the coordination and response capabilities among the various emergency response teams. Following the drill, identified deficiencies were addressed, thereby reinforcing the foundation for operational risk management.



Comprehensive Desktop Emergency Drill

**Case** Thematic Environmental Protection Training Conducted to Strengthen the Foundation for Compliant Operations

In March 2025, the Company organized mandatory compliance training on *Environmental Protection* and *Occupational Health* for all employees based at the Ningxiang headquarters. The training systematically explained the core provisions of the *Environmental Protection Law*, the *Law on the Prevention and Control of Atmospheric Pollution*, and the *Law on the Prevention and Control of Environmental Pollution by Solid Wastes*, and provided cautionary education through real penalty cases recently handled by local enforcement authorities regarding unorganized VOC emissions and non-compliant hazardous waste management. The training and assessment effectively enhanced the environmental compliance awareness and practical capabilities of all employees, laying a solid foundation for preventing environmental risks and achieving standardized operations.



Environmental Protection Training

**Indices and Goals**

The Company has established clear annual environmental compliance management targets, assigned responsibilities to each department, and strengthened dynamic monitoring of compliance through a normalized supervision and inspection mechanism, thereby preventing and reducing the occurrence of environmental pollution incidents.

Sokan's 2025 Environmental Compliance Management Targets		
Index	Goals	Achievement
Environmental pollution accident	0	0 (Achieved)
Compliance rate of environmental monitoring results	100%	100% (Achieved)
Compliance disposal rate of hazardous waste	100%	100% (Achieved)
Number of penalties from EHS-related administrative authorities	0	0 (Achieved)
Number of EHS complaints from relevant parties	0	0 (Achieved)
EHS fund allocation adequacy rate	100%	100% (Achieved)
Completion rate of EHS training plan	100%	100% (Achieved)

**Efficient Resource Utilization**

Sokan adheres to the principles of resource conservation and circular utilization. Through a series of internal systems and measures, the Company implements refined management and control over electricity, steam, and water resources, and has set clear targets for reducing consumption and water usage. It promotes waste minimization and resource recovery, achieving a win-win situation for both economic and environmental benefits.

**Energy Management**

The Company is a low-energy-consumption enterprise, and its primary energy sources are purchased electricity and purchased steam. The Company has established a series of internal systems, including the *Energy and Resource Management System* and the *Energy Management System for the Science and Innovation Building*, which define energy management responsibilities at various levels. An energy-saving team led by management has been formed to study energy-saving measures, develop implementation plans, and supervise execution. Through monthly meetings and other mechanisms, the Company ensures the continuous progress and closed-loop management of energy-saving efforts. A comprehensive supporting reward and penalty mechanism has been established, including the *Employee Reward and Penalty System*, and regular inspections are conducted on the shutdown status of electrical equipment and overall electricity usage across departments.

The Company integrates energy-saving management into daily operations, implementing energy conservation and consumption reduction through a combination of technical optimization and behavioral management. It has established energy utilization indicators and targets to effectively track and measure the effectiveness of energy-saving efforts. During the reporting period, the Company launched a systematic energy-saving and emission-reduction special initiative at the Ningxiang Park, achieving significant results.

Sokan's 2025 Energy Management Targets



Energy-Saving and Emission-Reduction Special Initiative

Energy-Saving Measure		Specific Content
Charging Pile Management		Implement time-of-use pricing (peak/off-peak electricity rates) to regulate usage through economic means to reduce overall electricity consumption.
Control of Low-Power Equipment		For idle floors, while ensuring normal operation of surveillance systems, shut down all other low-power equipment to reduce standby energy consumption.
Air Conditioning Management Strategy	Temperature-Triggered Control	Establish temperature standards for turning on air conditioning (e.g., turn on only when the office/workshop temperature exceeds 33° C) to reduce unnecessary consumption.
	Time-Based Scheduled Shutdown	Automatically shut down air conditioning in the Science and Innovation Building after work hours, with a set restart interval limit; strictly limit the daily operation periods for air conditioning in specific locations.
Production and Office Optimization	Production Mode Change	Change the production mode of high-energy-consumption product from "make-to-order" to "make-to-stock" to reduce the operation duration of constant temperature and humidity environments.
	Centralized Office	Consolidate office floors to achieve centralized office work, reducing the area covered by air conditioning, lighting, etc.
Enhanced Electricity Patrol Inspections		The EHS Department security team is responsible for inspections and announces implementation statuses in group chats, forming a supervision mechanism.

Sokan's 2025 Energy Consumption

Index	Unit	2025
Total energy consumption	Ton(s) of standard coal	2,231.69
Comprehensive energy consumption intensity	Ton(s) of standard coal/ RMB 1 million	3.09
Direct energy consumption	Ton(s) of standard coal	41.17
Indirect energy consumption	Ton(s) of standard coal	2,190.52
Including: electricity	MWh	17,232.00
Including: steam	Ton(s) of standard coal	72.71

## Water Resource Management

The Company's operational water use is primarily sourced from municipal water supply, used for office and production processes. In terms of water use management, the Company strictly complies with national laws and regulations such as the *Water Law of the People's Republic of China* and the *Law on the Prevention and Control of Water Pollution of the PRC*, and has developed internal rules including the *Leakage and Spillage Control System* and the *Rainwater Management System* to regulate water use practices.

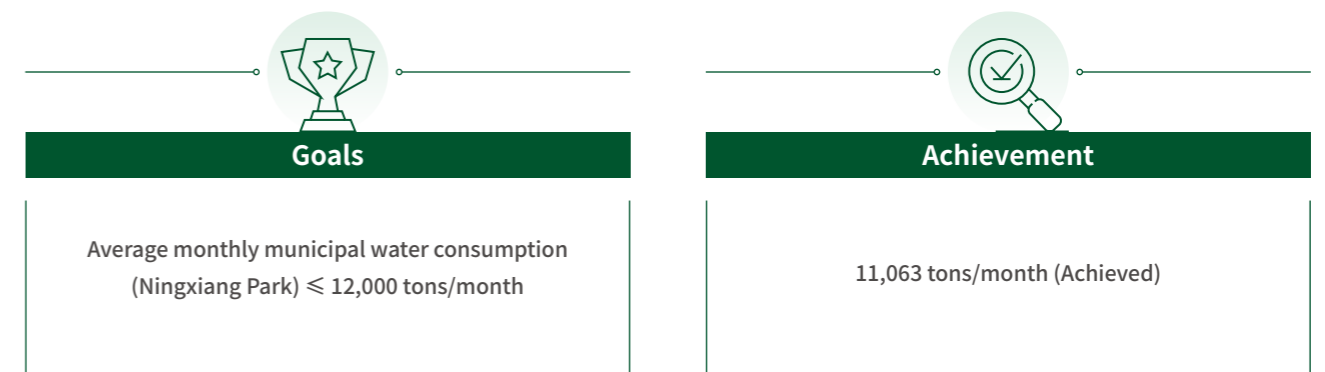
At the same time, the Company actively promotes water conservation practices, including the adoption of water-efficient equipment and process designs, continuous water conservation publicity and education, and ongoing efforts to enhance employees' awareness of water conservation, thereby minimizing water consumption across various business and operational activities.

Main Water Conservation Measures in 2025

Water Conservation Measure	Specific Content
Water Conservation Promotion	Post water-saving slogans next to faucets in office buildings, employee dormitories, etc.
Leakage Prevention	Conduct daily inspections of water outlets and regularly check water meter pressure.
	Immediately investigate any abnormal water flow detected during monitoring to eliminate leakage risks at the source.

To effectively track the effectiveness of water conservation efforts, the Company has established annual water resource utilization targets.

Sokan's 2025 Water Resource Utilization Targets



Sokan's 2025 Water Resource Utilization

Index	Unit	2025
Total water consumption	m <sup>3</sup>	7,543
Net freshwater consumption	m <sup>3</sup>	6,543
Total water intake	m <sup>3</sup>	170,983
Including: municipal water supply	m <sup>3</sup>	169,983
Including: rainwater	m <sup>3</sup>	1,000
Total water discharge	m <sup>3</sup>	163,440

## Circular Economy

The Company has deeply integrated the concept of circular economy into its entire operational chain, striving to establish a development model featuring high resource efficiency and waste reduction. It has built a system for classified recycling and resource utilization covering the whole production process, and strengthened product life cycle management to enhance environmental attributes such as recyclability at the design stage.

### Case Constructing a Solvent Recovery Unit to Support Circular Economy

In 2025, the Company constructed and put into operation a solvent recovery unit, which uses physical purification technology to recover and regenerate waste solvents generated during the production process. As of the end of the reporting period, the unit had recovered approximately 12 tons of solvents. This practice not only directly reduces raw material procurement and hazardous waste disposal costs through resource recycling, but also reduces carbon emissions and environmental risks throughout the product lifecycle at the source. It represents a concrete example of the Company's commitment to developing a circular economy and promoting cleaner production.

## Pollution Prevention and Control Management

Sokan strictly complies with national and local environmental protection laws and regulations. Based on internal systems such as the *Waste Gas Management System*, *Wastewater Management System*, and *Solid Waste Management System*, the Company integrates emissions and waste management into daily operations. The EHS Department is responsible for centralized supervision, while each business department is responsible for implementation.

### Key Performance

- During the reporting period, the Company set and achieved the target of a **100%** compliance rate for wastewater, waste gas, and noise monitoring results, with all pollutants discharged in compliance with standards.
- **No** major environmental pollution incidents occurred, and the Company did not receive any major administrative penalties from ecological and environmental authorities for issues related to emissions.

## Pollutant Discharge

The main pollutants generated from the Company's operations are industrial waste gases, primarily volatile organic compounds (VOCs), and domestic wastewater. The Company adopts a full-process control strategy covering "source, process, and endpoint".

Sokan's 2025 Emission Management Measures

### Waste Gas Control Measures

- **Source and Process Control:** Low-VOC raw materials such as water-based resins and high-solid coatings are used. All operations that generate organic exhaust gases shall be carried out with the ventilation and purification system functioning normally. Sealed management of raw material packaging shall be implemented.
- **End-of-Pipe Treatment:** Exhaust gases are treated by efficient facilities, including "adsorption concentration + RCO incineration", before discharge. In 2025, the Company strengthened daily inspections and treatment efficiency assessments of the treatment facilities.

### Wastewater management

- Domestic sewage from the Company is pre-treated before being discharged into the sewage treatment plant.
- A strict rainwater and wastewater diversion system is implemented within the plant area.

To ensure compliant emissions in accordance with laws and regulations, the Company has established a regular environmental monitoring and information disclosure mechanism. Each month, it commissions a qualified third-party professional institution to monitor the rainwater, waste gas, and noise emissions from its facility, ensuring that all indicators comply with national and local standards such as the *Emission Standard of Air Pollutants for Paint, Ink, and Adhesive Industry*. All monitoring reports are promptly uploaded to the "National Pollutant Discharge Permit Management Information Platform - Enterprise Portal" and the "National Pollution Source Monitoring Information Management and Sharing Platform" as required, actively accepting public oversight.

Sokan's 2025 Pollutant Emission Data		
Index	Unit	2025
Air pollutant emissions		
Total exhaust emission	10,000 m <sup>3</sup>	65,250
Total volatile organic compounds (VOCs) emissions	kg	3,094.92
Water pollutant emissions		
Total wastewater discharged	m <sup>3</sup>	17,828

## Waste Management

The Company has defined the organizational structure and responsibilities for waste management, and has established and implemented the *Solid Waste Management System* to carry out standardized management across the entire process of waste classification, collection, storage, transfer, and disposal. In 2025, the Company revised the *Solid Waste Management System*, adding requirements such as due diligence on waste treatment contractors, signing of treatment contracts, and targets for waste landfill transfer rates.

### Sokan's Waste Management Structure and Responsibilities

EHS Department	President's Office	Central Procurement Department	Production and Operational Departments
As the department for supervision and management, be responsible for organizing waste identification, entrusting qualified units for the disposal of hazardous waste and recyclable waste, and coordinating related data analysis and supplier audits.	Be responsible for the disposal management of kitchen waste and non-recyclable waste.	Be responsible for signing contracts with various waste disposal suppliers based on the supplier list provided by the EHS Department.	Be responsible for the daily classification and management of waste within their respective areas of jurisdiction.

The Company's EHS Department organizes all departments annually to comprehensively identify solid wastes generated from production, experiments, and other activities, and prepares and updates the *Solid Waste Inventory*. Wastes are strictly classified into three categories for management: hazardous waste, recyclable waste, and non-recyclable waste. The Company conducts a statistical analysis of the disposal volume of various types of solid waste each month, calculates the "waste landfill transfer rate" on a quarterly basis, and reports to key customers annually.

### Sokan's Waste Management Measures



#### Collection and Internal Transfer

- ◎ All departments shall set up classified containers on-site and post uniform labels;
- ◎ Hazardous waste must be packaged and affixed with a dedicated label containing detailed information;
- ◎ For the internal transfer of hazardous waste, dedicated tools shall be used, measures such as leak prevention shall be taken, and the waste shall be transported to the centralized storage site along designated routes.



#### Centralized Storage of Hazardous Waste

- ◎ The Company has a dedicated hazardous waste warehouse, and its construction and management strictly comply with the requirements of the *Standard for Pollution Control on Hazardous Waste Storage*. Comprehensive anti-leakage, fire-fighting, and other facilities are equipped. Hazardous waste is stored in separate zones, and the storage period does not exceed one year;
- ◎ All storage sites are marked with environmental protection graphic signs as specified by national standards.



#### Transfer and Disposal

- ◎ General solid waste is sent to the Park's waste treatment plant for recovery and disposal.
- ◎ All hazardous waste is entrusted to licensed units for disposal, with electronic manifests processed according to law before transfer;
- ◎ New disposal units must be audited before introduction, and existing cooperative units shall undergo at least one on-site supervisory audit annually;
- ◎ All outsourced disposal activities must be contractually documented, and records shall be retained.

Sokan's 2025 Waste Treatment Volume		
Index	Unit	2025
Total waste generated	Ton(s)	718.31
Including: hazardous waste	Ton(s)	694.11
Including: non-hazardous waste	Ton(s)	24.2
Total recycled/reused waste	Ton(s)	395.07
Waste recycling rate	%	55

# 03

## Value Co-Creation, Empowering the Industrial Ecosystem

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# Innovation-Driven Development\*

Sokan adheres to the development path of "Sokan of Technology," continuously increasing R&D investment, strengthening platform construction and the cultivation of high-level teams, and constantly stimulating the organization's innovation momentum. At the same time, guided by an innovation model that prioritizes "interactive" independent research and development, supplemented by collaborative R&D, the Company deeply cultivates the field of new functional coating materials such as paints, inks, and adhesives, solidly advancing the deep integration of technological innovation and industrial development, thereby laying a solid foundation for the Company's sustainable and high-quality development.

## Governance

Centered on customer needs, the Company has established a research, development, and innovation management organizational structure with clear authority and responsibilities, collaborative and efficient operations, defined boundaries of responsibilities at each level, and coordination mechanisms. It strictly implements internal systems such as the *Product Design and Development Control Procedure*, *Design and SMIE Change Control Procedure*, *R&D Process Management System*, and *R&D Investment Accounting Management System*, thereby laying a solid governance foundation for the standardized conduct of R&D and innovation work.

R&D and Innovation Management Organizational Structure



## Division of Responsibilities Among R&D Team Members

### Product Development Engineer (PD)

- Be responsible for new product development




### Product Application Engineer (PA)

- Be responsible for providing technical support for customer market projects

## Strategy

By comprehensively examining technology development trends and market dynamics, and taking into account the Company's development strategy as well as its R&D and innovation capabilities, the Company continuously identifies potential risks and development opportunities under the theme of innovation-driven initiatives, forming a dynamically updated risk and opportunity list.

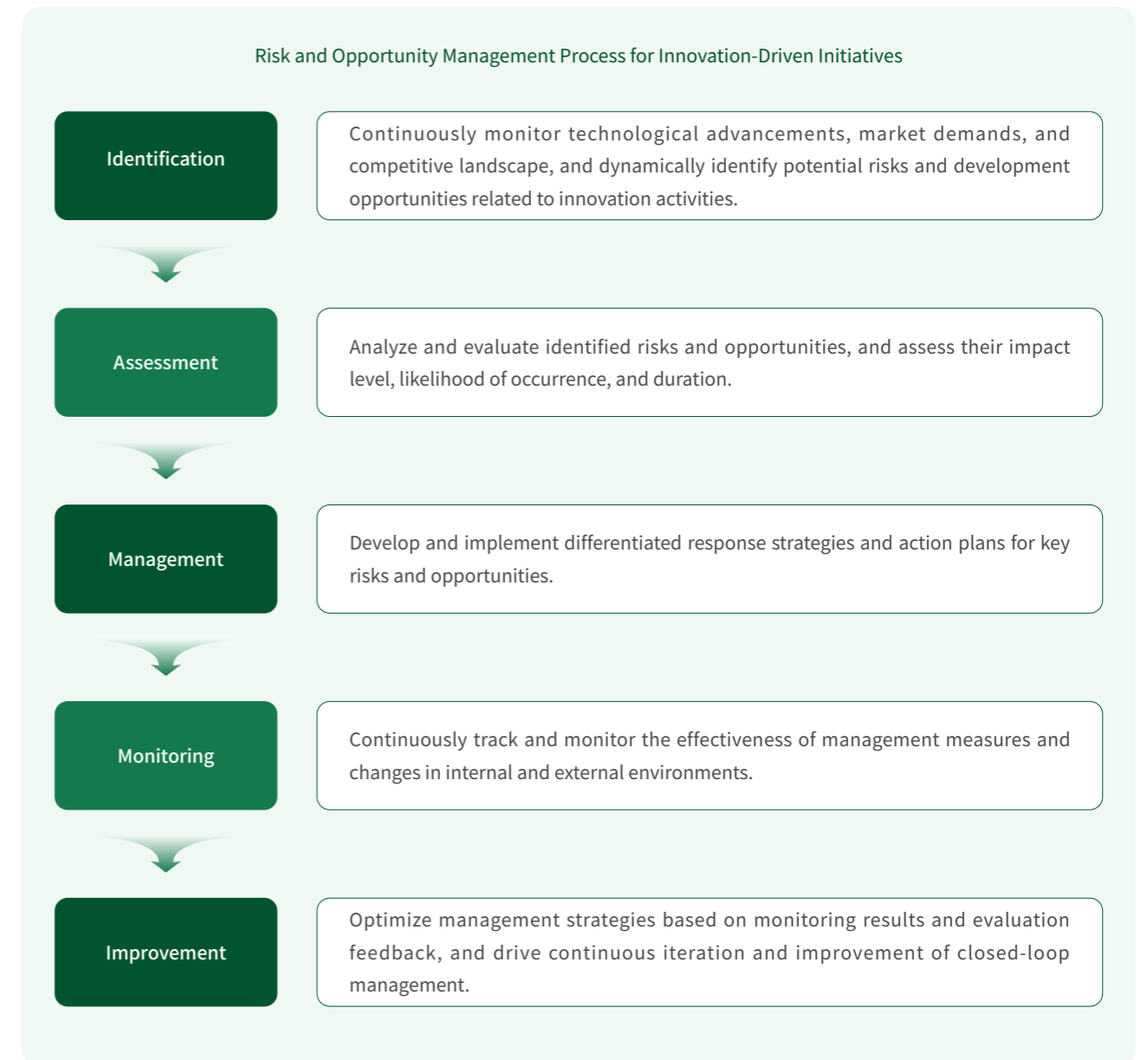
Risk List for Innovation-Driven Initiatives

Risk Category	Risk Description	Likelihood of Occurrence	Potential Financial Impact	Impact Period
 New Technology and New Product Development Risk	If the Company fails to master innovative technologies in a timely manner or launch differentiated products that meet customer needs, its market competitiveness may weaken; R&D activities themselves involve uncertainty, and the development of new technologies or products may not meet expectations.	Low	This may result in unrecoverable R&D investments, delayed product iteration, and consequently affect revenue growth and profitability.	short term, medium term, long term
 Key Technical Personnel Turnover Risk	The loss of key technical personnel may affect the progress of ongoing R&D projects and the confidentiality of existing intellectual property, posing a threat to the continuity of technological innovation.	Low	This may cause R&D project delays or interruptions, increase talent replacement costs, and affect the expected benefits from technological innovation.	short term, medium term
 Intensifying Market Competition Risk	Facing competition from internationally renowned chemical groups and increasingly intense competition in the domestic market, if the Company lacks sufficient technological innovation or fails to keep pace with industry technology upgrades and iterations, it may face the risk of declining market share.	Medium	This may lead to pressure on product selling prices, shrinking market share, and consequently affect revenue and overall profitability.	medium term, long term

Opportunity List for Innovation-Driven Initiatives				
Opportunity Category	Opportunity Description	Likelihood of Occurrence	Potential Financial Impact	Impact Period
 <b>High-end Market and Emerging market Expansion Opportunity</b>	Leveraging differentiated innovative processes and leading technological advantages, the Company continues to deepen cooperation with renowned domestic and international key customers in the high-end consumer electronics and passenger vehicle sectors, promoting the implementation of new processes and continuously expanding product categories; The Company actively expands into strategic emerging markets such as power batteries, solid-state batteries and aerospace, scientifically grasps new quality productive forces, and drives significant progress in key strategic R&D projects.	High	This may lead to sustained growth in core business, increase the proportion of high-value-added products, expand market share, and enhance economies of scale; It may open up new business growth curves, establish technological leadership, and generate new revenue sources.	medium term, long term
 <b>Domestic Substitution Opportunity</b>	As one of the few domestic companies capable of directly competing with international giants in niche segments and achieving domestic substitution, the Company occupies a pivotal position in the field of new functional coating materials by virtue of its deep technological expertise and industry influence. As the demand for self-controllable industrial chains increases and the pace of domestic substitution accelerates, the Company is expected to capture import substitution demand in more key niche segments.	High	This may expand market share, enhance brand premium, and generate incremental revenue.	short term, medium term, long term
 <b>Green Demand Growth Opportunity</b>	As environmental regulations tighten and downstream customers' preference for green products increases, market demand for environmentally friendly coating materials continues to rise; The Company has made forward-looking arrangements in relevant fields and continuously iterates its related product systems, enabling it to effectively capture market demand.	High	This may drive revenue growth through increased sales of environmentally friendly products, while leveraging technological premium to improve product profit margins, expand into high-end customer groups, and further increase market share.	medium term, long term

## Impact, Risk, and Opportunity Management

The Company has established an influence, risk, and opportunity management mechanism covering the entire process of innovation activities, ensuring precise direction control, effective resource allocation, and continuous strategy optimization in a dynamic environment.



To systematically address the uncertainties in the technological innovation process and fully unleash the long-term value driven by R&D, the Company continuously advances the construction of its R&D system, deepens R&D process management, strengthens training and exchange mechanisms, and establishes and improves R&D innovation incentive mechanisms, thereby enhancing the Company's R&D and innovation level in all aspects.

R&D System Construction

<p><b>High-intensity R&amp;D Investment</b></p>	<p><b>High-level Talent Team</b></p>	<p><b>Three Regional R&amp;D Platforms</b></p>
<p>Since its listing, the Company has continuously maintained R&amp;D investment at over 10% of its operating revenue.</p>	<p>The R&amp;D team comprises 286 people, accounting for 33.14% of the total workforce, and brings together outstanding talents including domestic and international doctoral and postdoctoral researchers, selectees of the National Special Talent Support Program, and high-level talents from Changsha.</p>	<p>Research institutes have been established in Shanghai, Guangdong, and Hunan, forming three core R&amp;D technology platforms in "East China—South China—Central China".</p>
<p><b>Digital-driven R&amp;D Efficiency Improvement</b></p>	<p><b>Multi-level Product Planning System</b></p>	<p><b>Full-chain R&amp;D Facility Support</b></p>
<p>The Company continuously promotes the development of digital systems to comprehensively enhance R&amp;D efficiency.</p>	<p>The Company has established a R&amp;D product planning system covering strategic emerging fields such as high-end consumer electronics, passenger vehicles, and special equipment.</p>	<p>The Company has formula development laboratories, color centers, CNAS-certified laboratories, and solution design departments, with a complete set of R&amp;D testing equipment and digital systems across the functional coatings industry, providing full-process support from project initiation to industrial application.</p>

**Case Strengthened Training Conducted to Promote Standardized Development of R&D Processes**

In 2025, the Company issued a special training and enhanced implementation notice for the newly revised *Project Management Procedure for End Customers/ODM/T1 and Pure Mold Manufacturers and the APQP Control Procedure*. In January 2025, the Company organized centralized online and offline training covering all employees of the Coating R&D Application Center, Ink Application R&D Center, and Central Research Institute. In February, an offline closed-book examination was conducted. Employees who did not participate in the training or failed to meet the required standards faced performance penalties. Through the enhanced training and examination, the full-process management of R&D projects was standardized, ensuring that product development work is carried out in a programmed and standardized manner.



The Company Conducting Specialized R&D Innovation Training

**Case Annual Technology Conference Held to Stimulate Innovation Vitality**

In 2025, the Company successfully held its second annual technology conference under the theme "Technological Innovation · Applied for the Future." The conference showcased the Company's technological breakthroughs and creative achievements in the field of new functional coating materials. Through keynote reports, achievement exhibitions, and honorary commendations, it effectively stimulated the innovation enthusiasm of R&D personnel, promoted cross-departmental technical collaboration, and injected innovation momentum into the Company's continuous deep cultivation of core technology areas and enhancement of competitiveness.



The Second Annual Technology Conference of Sokan

**R&D Innovation Incentive Mechanism**

To promote the Company's technological innovation and improve the success rate and efficiency of new product development and upgrade projects, the Company has established and continuously improved the *R&D Job Family Incentive Scheme*. This scheme defines incentive standards for different R&D positions, research topics, and product types, and fully stimulates the motivation and creativity of R&D personnel through substantial bonuses.

**Green Design**

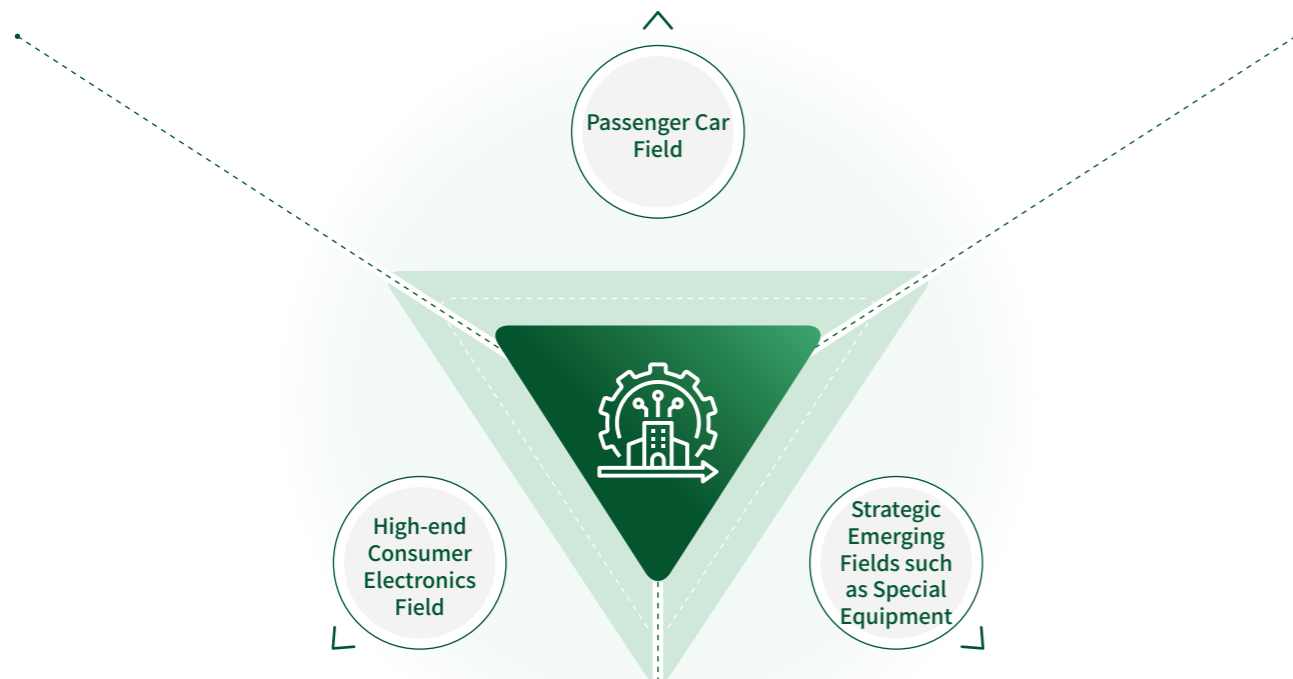
Driven by both tightening environmental policies and downstream industrial upgrading, the Company integrates green design concepts throughout the entire product R&D process.

In terms of coating systems, the Company focuses on the development of water-based coatings, solvent-free technology, and PVD coating solutions, achieving near-zero VOC emissions and avoiding the generation of heavy metals and wastewater at the source. It actively introduces bio-based materials, leveraging their degradable characteristics to meet the needs of the circular economy. Meanwhile, the Company continuously promotes process innovation, developing environmentally friendly excimer screen printing technology and advancing the application of UV/PU dual-cure topcoats and hydrolysis-resistant PU tactile coatings in automotive interiors and other fields. By replacing traditional technologies with more energy-efficient and high-performance processes, the Company effectively meets the market's dual demands for environmental friendliness and lightweighting.

## R&D Innovation Progress and Achievements

During the reporting period, relying on its mature R&D system and comprehensive R&D process management, the Company achieved multiple product and process innovations in strategic emerging fields such as high-end consumer electronics, passenger vehicles, and special equipment, resulting in a series of technological outcomes and continuously driving product performance upgrades and application expansion.

- Key performance indicators for products such as PVD dual coating, low-reflection matte black paint, high-weatherability flocking paint, and interior excimer coatings have achieved significant improvements, fully meeting the stringent standards of leading automotive manufacturers.
- A full series of primer, basecoat, and clearcoat products suitable for mainstream bumper substrates have been developed, with water-based bumper basecoats successfully launched.



- Successfully developed water-based PU+UV dual-cure system coatings, which have been applied in wearable products;
- The excimer technology product system has been continuously refined and upgraded;
- Overcame the technical bottleneck of silicone coatings on HNBR substrates and achieved mass production, providing a reliable coating material solution for demanding application scenarios.
- High-performance UV insulating inks and insulating adhesive series for solid-state battery electrodes have been continuously iterated and upgraded, establishing high technical barriers and achieving customer deliveries.
- In the aerospace field, following the receipt of RFI confirmation, some coating projects have completed product development and trial production as required by customers.
- In the low-altitude economy sector, coating solutions for low-altitude aircraft have completed application validation with end customers and have been recognized by multiple eVTOL manufacturers.

## Industry Development

The Company actively participates in industry development and is deeply involved in the formulation of multiple industry standards, promoting standardized industry development through technological innovation. At the same time, the Company actively integrates into academic societies and other exchange platforms, exploring cutting-edge trends with industry peers, and continuously contributing its professional expertise to the construction of a healthy industrial ecosystem.

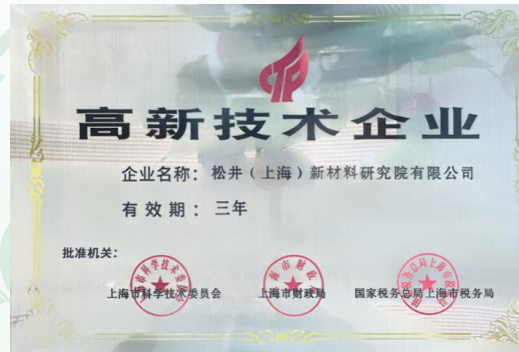
- 01** As the lead drafter, it formulated the group standard *Technical Requirements for Light-curing Coatings for Power Battery Cell Insulation (UV)*, which has been published.
- 02** Under the leadership of the Technical Committee for Standardization of Paints and Pigments, the Company co-authored the pre-research report for the industry standard *UV Curable Coatings for Power Batteries and Energy Storage Batteries*. As the lead drafter, it prepared the final draft for approval of the same standard. The standard has entered the industry pre-research stage.
- 03** Led the drafting of the enterprise standard *Technical Requirements for Coating of Low-Altitude Aircraft Skins (Q/SJY 002-2025)* for Sokan New Materials Group Co., Ltd.
- 04** Formulated and released four enterprise standards, including *Fingerprint-Resistant Coatings and Fluorosilicone Coatings for Elastomers*.

### Case Company Experts Appointed to National-Level Societies, Enhancing Industry Technological Influence

In November 2025, at the 10th General Assembly (Election Session) of the Coatings, Finishing, and Surface Protection Technology Professional Committee of the Chinese Society for Corrosion and Protection, two core R&D personnel were respectively elected Chairperson and Committee Member of the committee. This election signifies that the Company's technical expertise in corrosion protection and coatings technology has been highly recognized by the industry, further enhancing its participation and voice in industry standard setting and technological development.

### Key Honors

Shanghai Research Institute Recognized as a High-Tech Enterprise



Shanghai Research Institute Selected for the 2025 Qingpu District (Third Batch) Innovative Small and Medium-Sized Enterprise List, Shanghai



### Indices and Goals

The Company's indices and goals for the Innovation-Driven topic are as follows:

#### Key Performance

During the reporting period,

the Company's R&D investment amounted to RMB **112.521** million, accounting for **15.58%** of its operating revenue. R&D personnel accounted for **33.14%** of the total workforce.

The Company was granted **50** national patents, including **29** invention patents and **21** utility model patents. As of the end of the reporting period, the Company held **3** PCT international patents, **149** domestic invention patents, **85** utility model patents, and **1** software copyright.

## Product and Service Quality\*

Sokan always adheres to its core value of "customer centrality". In quality management, it upholds the quality policy of "Source Control, Process Monitoring, and Continuous Improvement", continuously driving process optimization and quality enhancement, and is committed to providing customers with safe and reliable products and professional and efficient services.

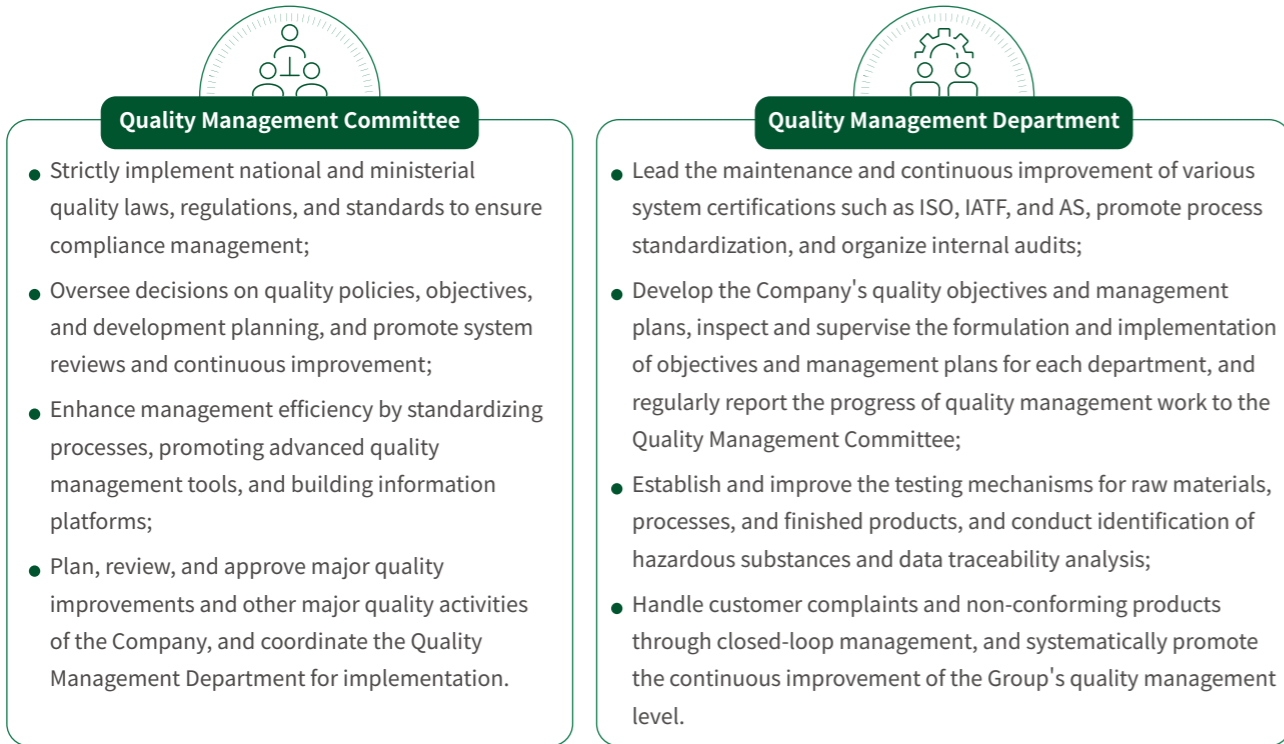
### Governance

The Company strictly complies with management system standards such as ISO9001, IATF 16949, EN/AS9100 and QC080000. It has built a quality control system covering the entire product lifecycle, comprehensively standardizing key activities including production process control, non-conforming product handling, and customer complaint response, ensuring stable and reliable product quality and effective closed-loop management of customer feedback. Concurrently, the Company continuously optimizes its quality management organizational structure, clarifying responsibilities at each level, forming a full-chain closed-loop management mechanism from strategic decision-making to implementation.

#### Full-Lifecycle Quality Control System



Product and Service Quality Management Organizational Structure



## Product Quality and Customer Service Performance Management Mechanism

The Company continuously optimizes its product quality and customer service performance management mechanism. Core indicators such as mass production success rate, first-pass yield, and number of customer complaints are incorporated into the KPI assessment systems of R&D, production, and quality management departments. This deeply links key performance indicators to employee compensation incentives, guiding all roles to continuously focus on product quality and customer feedback, thereby ensuring the enhancement of product service levels and customer satisfaction.

## Strategy

By continuously monitoring and evaluating internal and external factors related to product and service quality, the Company systematically identifies potential risks and development opportunities, and conducts in-depth analysis of their potential impacts, providing effective support for scientifically formulating response plans.

### Risk Register for Product and Service Quality

Risk Category	Risk Description	Likelihood of Occurrence	Potential Financial Impact	Impact Period
Product Quality Defect Risk	If products exhibit quality defects such as substandard performance or application issues during production, it may lead to customer complaints, claims, or even loss of customer qualification.	Low	It may lead to reduced market share and revenue; It may result in the Company bearing corresponding compensation costs.	short term, medium term, long term
Product Compliance Risk	If products contain hazardous substances exceeding customer requirements or regulatory limits, they may be rejected or removed from sale by customers, or the Company may face penalties from regulatory authorities.	Low	It may lead to product recalls, inventory write-offs, fine payments, and loss of market access due to non-compliance, resulting in decreased revenue.	short term, medium term

### Opportunity Register for Product and Service Quality

Opportunity Category	Opportunity Description	Likelihood of Occurrence	Potential Financial Impact	Impact Period
Customer Stickiness Opportunity	In the high-end consumer electronics and passenger vehicle sectors, customers generally do not easily switch suppliers after qualification due to their high dependence on product quality stability. Leveraging its excellent product quality and stable delivery capabilities, the Company is deeply integrated into the supply chains of globally renowned end-brand customers.	High	It may ensure stable revenue growth through consistent and stable orders and provide priority cooperation opportunities in customers' new project development, further increasing market share and profitability.	short term, medium term, long term

## Impact, Risk, and Opportunity Management

The Company fully integrates the impacts, risks, and opportunities related to product and service quality into its routine management. By establishing systematic mechanisms for identification, response, and improvement, it continuously enhances the foresight and effectiveness of quality management. On this basis, it promotes collaboration across all functions, continuously strengthens quality assurance capabilities, and supports the ongoing optimization of product and service quality.

### Risk and Opportunity Management Process for Product and Service Quality

#### Identification and Analysis



Regularly identify internal and external factors affecting product and service quality, analyze potential risks and opportunities, assess their impact, and develop response plans.

Based on identification and analysis results, formulate and implement targeted response measures, clarify responsible parties and resource guarantees to ensure effective implementation of strategies.

#### Response



#### Monitoring and Improvement



Continuously track the execution effectiveness and quality performance of measures, evaluate response outcomes through data monitoring and feedback analysis, and promote closed-loop management and continuous optimization.

The Company focuses on full lifecycle product management, continuously optimizing product quality testing mechanisms, strictly implementing closed-loop handling of non-conforming products, and continuously improving product quality through multi-dimensional collaborative efforts.

### Key Measures to Enhance Product Quality

#### Full Lifecycle Product Management

Implement comprehensive quality management, building a quality control system covering full employee participation and the entire lifecycle.



#### Optimizing Product Quality Testing Mechanism

Continuously improve quality testing capabilities, covering key stages such as raw materials, new product R&D, manufacturing, finished products, shipping, and application.



#### Closed-Loop Handling of Non-Conforming Products

Strengthen the quality issue handling mechanism to ensure efficient closed-loop response and resolution of anomalies.



## Quality Testing

The Company's testing center laboratory has obtained multiple authoritative certifications, demonstrating comprehensive testing capabilities and technical expertise. Based on this, the Company continuously improves its quality testing system, defining testing procedures at each stage and standardizing operating procedures. Through full-process monitoring and measurement of raw and auxiliary materials, production processes, and finished products, it ensures stable and controlled product quality to meet customer requirements and legal regulations.



## Hazardous Substance Control

The Company implements an HSF (Hazardous Substance Free) policy throughout the product lifecycle, ensuring that hazardous substances are "not received, not used, not produced, and not transferred" through source control, process monitoring, and continuous improvement.

During the incoming inspection stage, quality inspectors conduct testing of raw and auxiliary materials based on hazardous substance risk levels and testing frequency requirements. Materials are only accepted into inventory after it is confirmed that the test results comply with environmental standards. For production processes and finished products, the Company implements comprehensive monitoring and measurement. Hazardous substance levels are defined before production operations, and testing of hazardous substances is conducted before finished product delivery to ensure product safety and compliance.

### Case Improving Pigment Paste Process to Reduce Costs and Increase Efficiency

In 2025, the Production Technology Department initiated a process improvement project in collaboration with multiple departments to address issues with a specific pigment paste, such as excessively high grinding temperatures and low filtration efficiency. After systematically analyzing the root causes, alternative pigment pastes were screened and validated. Laboratory and small-scale production trials confirmed that the alternatives were superior to the original in terms of color difference, performance, and stability, effectively resolving the original process deficiencies. Consequently, production work orders, operating instructions, and PFMEA documents were comprehensively updated. This improvement significantly enhanced production efficiency and product stability, providing strong support for subsequent product quality control and cost optimization.

## Quality Training


During the reporting period, the Company invited internal and external trainers to organize tiered and targeted quality management system training. This aimed to enhance company-wide quality awareness, ensure employees accurately understand and skillfully apply quality standards, and integrate quality management requirements into daily operating procedures, providing a solid foundation for the continuous improvement of product and service quality.

Quality Management System Training	Course Objective
APQP Control Procedure	Enable cross-functional teams to master APQP.
FMEA	Master key points of DFMEA and PFMEA.
Control Plan Training	Master the logic and methods of control plans.
DOE Training	Master the logic and methods of DOE.
Change Management	Master key points of change management.
Training for QC080000 Hazardous Substance Process Management System Internal Auditors	Ensure that relevant hazardous substance managers understand the hazardous substance management system, and product-related personnel comprehend customer hazardous substance standards.
Training for Hazardous Substance Management Requirements	Ensure that product-related personnel comprehend customer hazardous substance standards.

## Non-Conforming Product Control


Based on the *Non-Conforming Product Control Procedure* and the *Corrective and Preventive Action Control Procedure*, the Company has established mechanisms for identifying, evaluating, handling, and improving non-conforming products. This ensures that non-conforming products are not used unintentionally, implements recall procedures for risks associated with delivered products, and prevents recurrence through root cause analysis and corrective actions.

### Non-Conforming Product Control Mechanism




**Identification and Isolation**

Upon discovery of non-conforming raw materials, semi-finished products, or finished goods, immediately label them, notify the relevant departments, and transfer them to the designated non-conforming product area for segregated storage.




**MRB Review and Disposition**

Initiate the Material Review Board (MRB) process to develop solutions such as return, rework, concession acceptance, or scrap. Products with harmful substance or exceeding VOC limits shall not be released.




**Product Recall**

When quality risks are identified in delivered products, promptly notify the customer, initiate a recall, and trace the root cause of the issue.



**Root Cause Analysis and Corrective Actions**

- Use methods such as 5W1H to analyze the root cause and develop and implement corrective actions
- Non-conformities found at customer sites or after product shipment shall be handled by the Quality Management Department in accordance with the *Customer Complaint, Return, and Quality Claim Handling Procedure*, traced as required by the *Identification and Traceability Control Procedure*, and resolved according to the relevant procedures.



**Measure Verification and Standardization**

Track the effectiveness of measures and incorporate effective improvements into operational documents or technical specifications to achieve closed-loop management.


## Customer Service

The Company consistently upholds its core cultural value of "customer centricity" and is committed to building an efficient and professional customer service system. A Customer Success Department has been established, with full-time personnel responsible for routine customer maintenance and complaint handling, ensuring timely responses to customer needs. Simultaneously, the Company has implemented a field engineer mechanism to provide on-site technical support for customers. It has formulated and implemented the *Customer Complaint, Return, and Quality Claim Handling Procedure*, ensuring efficient closed-loop resolution of customer issues through a rapid response mechanism and continuously improving customer satisfaction.

## Indices and Goals

The Company's indices and goals for the Product Quality Service topic are as follows:

Key Performance



During the reporting period, the Company had no product recalls. The customer satisfaction survey result was

85.93

points.

## Responsible Supply Chain

Sokan has formulated the *Supplier Development and Management Control Procedure*, clearly defining the procurement responsibilities of the Central Procurement Department, Application R&D Center, Quality Management Department, and other functions. It integrates the product lifecycle management concept into supply chain development, standardizing a full-process management mechanism covering all supplier categories, including production materials and construction services. Through strict access control, signing long-term agreements, and developing backup resources, the Company ensures that suppliers continuously meet quality and delivery requirements, effectively reduces supply interruption risks, strengthens the supply chain foundation, and ensures stable and efficient production operations.

### Raw Material Quality Control Measures



#### Raw Material Introduction

Periodic evaluations and dynamic management are implemented through rigorous supplier admission processes (including physical verification and second-party audits), comprehensive incoming quality inspections, and statistical analysis of supplier material quality.



#### Storage and Transportation

For temperature-sensitive paint raw materials, the Company uses constant-temperature vehicles during transportation, implements full-process temperature monitoring, and stores them in constant-temperature warehouses upon arrival, effectively preventing material deterioration through full-chain temperature management and ensuring stable raw material performance.

## Preventing Supply Chain Interruptions

By implementing tiered and classified supplier management, the Company has built multiple lines of defense to prevent supply chain interruption risks, effectively reducing reliance on single sources, enhancing supply chain resilience and risk resistance, and providing strong support for stable and efficient production operations.

Suppliers meeting the criteria of achieving annual procurement targets for key raw materials, having domestic production bases and R&D laboratories, and maintaining an "A" performance rating for three consecutive years are classified as the Company's strategic suppliers. The Company establishes long-term, stable, mutually trusting, and win-win deep partnerships with them. Through joint R&D, information sharing, and risk sharing, it ensures the continuous and stable supply of key raw materials, solidifying the supply chain foundation at the source.

For non-strategic suppliers, the Company ensures they continuously meet requirements for quality, cost, delivery, etc., through strict qualified supplier access and performance evaluations, forming a stable and reliable routine supply assurance system. For special circumstances such as technological monopolies, patent restrictions, or emergencies, the Company maintains temporary supplier procurement channels as an emergency supplement, explicitly prohibiting the use of temporary supplier materials for aviation products to balance risk and need.

## Supply Chain Sustainability Management

The Company places great importance on suppliers' performance in occupational health, environmental protection, and integrity, and is committed to building a sustainable supply chain.

Regarding occupational health and environmental protection, the Company sends the *Notice on Environmental Protection / Occupational Health and Safety to Relevant Parties* to suppliers, advocating for work safety and green operations. It requires suppliers to sign the *Environmental Quality Agreement* to ensure that hazardous substance content in supplied products complies with the Company's *Hazardous Substance Control Standards*. Regarding integrity, the Company signs the *Integrity and Honesty Agreement* with suppliers, explicitly prohibiting commercial bribery and unfair competition, and stipulating breach of contract liabilities, to jointly build an honest and compliant cooperation environment.

## Conflict Minerals Management

The Company recognizes that raw materials such as pearlescent pigments involve the use of conflict minerals. To systematically mitigate conflict minerals risks, the Company strictly complies with relevant international organization and industry regulations, explicitly prohibiting the procurement and use of conflict minerals originating from the Democratic Republic of the Congo and its surrounding countries and regions. The Company has formulated and strictly implements the *Management Measures for the Control of Conflict Minerals*, requiring suppliers to trace the origin of metals such as gold, tantalum, tin, and tungsten, and to submit a *Commitment to Not Use Conflict Minerals and a Conflict Minerals Survey Form*, ensuring their sources align with internationally recognized frameworks such as the Responsible Minerals Initiative (RMI) and the OECD's *Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict Affected and High-Risk Areas*.

If an investigation reveals that a supplier uses conflict minerals from the aforementioned regions, the Company will immediately suspend relevant procurement, require the supplier to provide a written explanation, and select compliant mineral sources. The supplier must provide valid evidence demonstrating that the new sources meet conflict-free mineral requirements, while simultaneously formulating and implementing corresponding corrective and preventive measures to ensure the supply chain continuously meets international compliance standards.

### Key Performance

During the reporting period,

● the supplier assessment coverage rate was **100%** and the supplier assessment pass rate was **100%**

● The percentage of suppliers signing the Code of Conduct was **100%**, the percentage of suppliers signing contracts including environmental and labor requirements clauses was **100%** and no suppliers with actual or potential significant negative environmental impacts were identified.

# 04

## Caring for Employees, Contributing to a Better Society

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# Employee Rights and Benefits

## Compliant Employment

The Company 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 the laws and regulations of its business locations. It implements standardized management in all aspects of recruitment, employment, termination, working hours, and compensation, strictly adhering to the principles of fair distribution according to work and equal pay for equal work, and comprehensively protecting employees' legal rights and interests. To further enhance the scientific and collaborative efficiency of human resource management, the Company has formulated a series of internal policies, including the *Human Resource Management Procedures*, *Recruitment Management System*, and *Protected Employee Management System*.

The Company fully implements compliant employment requirements, strictly prohibiting the recruitment of child labor, prison labor, and minor workers (for hazardous chemical enterprises). It standardizes the processes for labor dispatch and outsourcing, conducts legal compliance assessments of cooperative recruitment suppliers, and prohibits non-compliant agency recruitment of frontline production employees. During the reporting period, the Company further refined its recruitment principles, implementing strict age verification mechanisms and comprehensive background checks (covering core sensitive roles such as mid-to-senior management, R&D, and marketing) to eliminate child labor and involuntary labor at the source. The Company adopts a direct employment model, signing clear written labor contracts with all employees, and pays social insurance and housing provident funds in full for employees in accordance with the law, effectively protecting every employee's legal rights and interests and building harmonious and stable labor relations.

### Key Performance

During the reporting period,

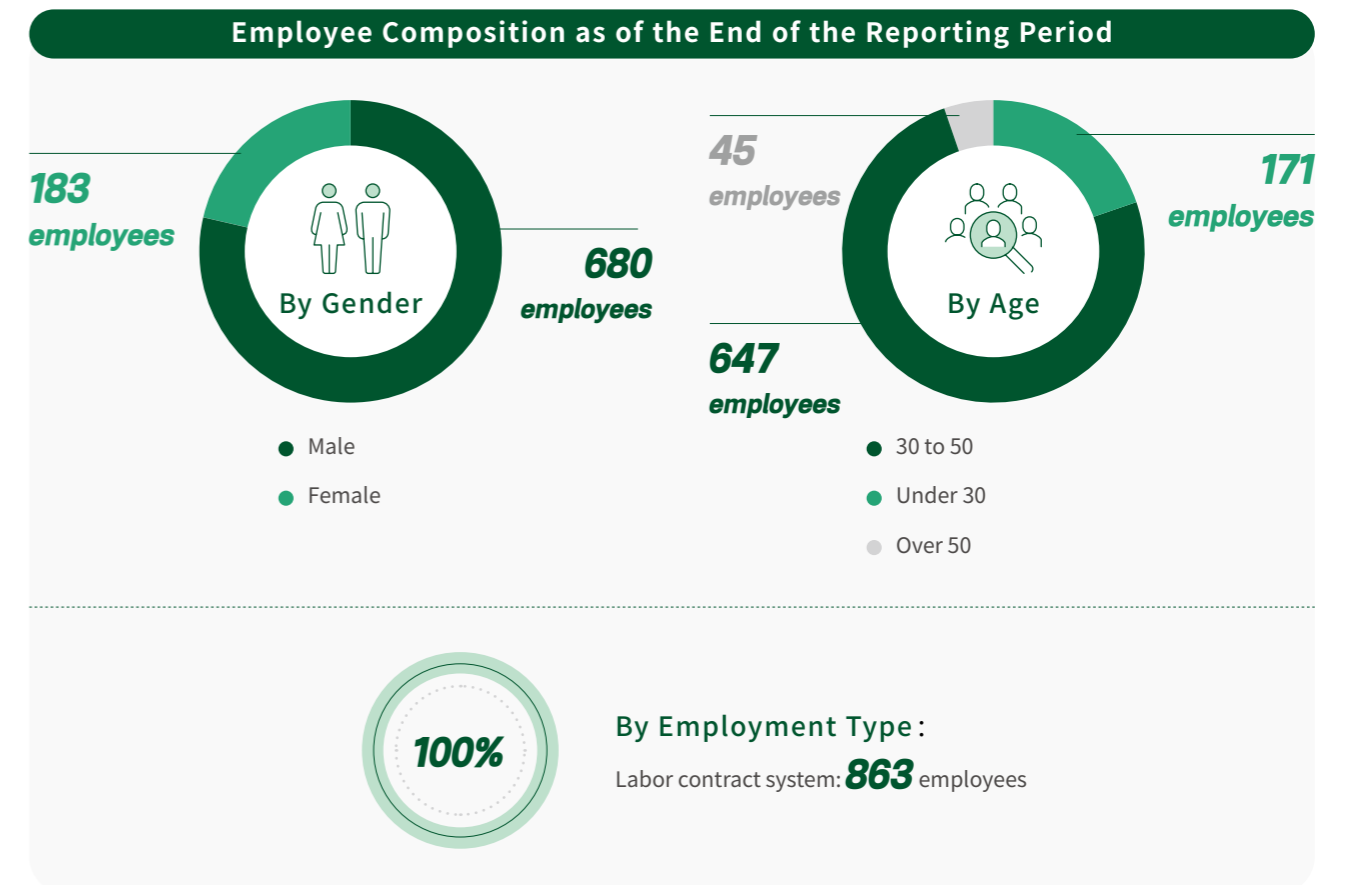
- the labor contract signing rate was **100%** and the social security coverage rate for employees was

**100%**

- No incidents of child labor or forced labor occurred. No incidents of employee discrimination or harassment occurred.

## Anti-Discrimination and Diversity

The Company is committed to building a diverse, equitable, and inclusive workplace. It strictly complies with laws and regulations in its business locations, explicitly prohibiting discrimination based on any legally protected status, including age, disability, ethnicity, gender, marital status, pregnancy, nationality, race, religion, sexual orientation, gender identity, or trade union membership throughout the entire process of recruitment, hiring, and promotion. Concurrently, through the *Protected Employee Management System*, the Company provides targeted protection for groups such as minor workers, female employees, and foreign employees, ensuring the legal rights and professional dignity of all employees through institutionalized inclusive management.



## Rights Protection

The Company insists on building a solid foundation for employee rights protection through institutionalization. It strictly complies with national laws and regulations, establishing a standardized management system covering attendance, leave, overtime, rewards, and penalties. The Company explicitly prohibits forced labor and strictly controls the weekly working hours within 60 hours. Concurrently, through the *Employee Reward and Punishment System*, it defines behavioral norms and reward/penalty standards, supported by a fair and just appeal mechanism, safeguarding employees' rights to information and appeal during the reward and punishment process, continuously fostering a simple, happy, and mutually respectful workplace atmosphere.

## Employee Communication

Sokan places high importance on employee communication and democratic management. During the reporting period, the Company signed labor contracts with all its employees in accordance with the law, achieving a 100% contract signing rate and safeguarding employees' legal rights and interests at the institutional level. The Company continuously improves its collective consultation mechanism. Throughout the year, it held five employee representative meetings, engaging in full consultations with employee representatives on core topics such as compensation and benefits, occupational safety, and the protection of female employees' rights, and formally signed the *Collective Wage Agreement*, *Collective Contract*, and *Collective Contract for the Protection of Female Employees' Rights*. Through institutionalized and regular communication mechanisms, the Company effectively safeguards employees' rights to information, participation, and expression, continuously building harmonious and stable labor relations and promoting mutual progress and long-term win-win outcomes between the Company and its employees.



Site of Employee Representative Meeting

## Employee Complaints and Whistleblower Protection

The Company is committed to building an open and transparent communication environment. Through the *Employee Issue, Suggestion, Whistleblowing and Complaint Handling Procedures*, it provides employees with channels to file complaints or suggestions on over 20 matters, including personal rights and workplace fairness. Employees can provide feedback anonymously or by name through various methods, including the A8 system, dedicated email addresses, hotlines, physical suggestion boxes, and annual communication meetings.

During the reporting period, the Company formally established a team for receiving suggestions, complaints or reports, with the head of the Enterprise Management Center as the team leader. The Human Resources Department was designated as the responsible department, with the Trade Union collaborating on complaints involving employees' legal rights. A rapid response mechanism was established for significant core issues such as sexual harassment and ethical violations, with the head of Human Resources Department directly accepting such cases, ensuring sensitive matters are handled seriously and prudently. The Company strictly requires that the handling person complete investigation and feedback within 10 working days and provides strict confidentiality protection for whistleblowers. The Company explicitly prohibits any form of retaliation, imposing severe penalties on violators. Simultaneously, if employees are unsatisfied with the handling results, they may appeal to senior management or apply for labor arbitration, forming a multi-level closed-loop rights protection system.

## Compensation, Benefits, and Care

Sokan adheres to its core value of "growing together with employees", building a compensation and benefits system that is both market-competitive and internally equitable. The Company strictly follows the principles of fair distribution according to work and equal pay for equal work, eliminating discrimination based on any identity factors such as race, age, gender, or religious belief in compensation and benefits decisions. Using job evaluation tools, the Company has established a scientific job level structure and compensation grades, ensuring compensation levels are deeply linked to job value, employee performance, and Group development. In addition to the statutory social insurance and housing provident fund, employees enjoy comprehensive benefits including meal subsidies, housing allowances, high-temperature allowances, holiday benefits, and paid leave. By optimizing allowance standards for overseas personnel, meal subsidies, and vehicle allowances, the Company recognizes the contributions of employees in different regions and roles with more human-centric compensation design.

### Employee Benefits of Sokan



#### Compensation Incentives

- Base Salary
- Overtime Pay
- Performance Bonuses

1. Monthly: Sales commissions, profit-sharing bonuses, mileage bonuses, cafeteria performance bonuses;
2. Every two months: Special technical bonuses for R&D roles;
3. Quarterly: Floating calculation based on performance scores for functional roles;
4. Annually: Special bonuses for cost savings, recruitment rewards, dangerous goods transport safety, etc.

- Fixed Allowances

1. General: Confidentiality allowance, seniority allowance, education allowance, skill allowance;
2. Special: Internal trainer subsidy, docent subsidy, high-temperature allowance, overseas/difficult post allowance.



#### Statutory Benefits

- Five Social Insurances & One Housing Fund



#### Paid Leave

- Statutory Holidays
- Paid Annual Leave
- Marriage/Bereavement Leave
- Parental Leave

1. Prenatal check-ups;
2. Maternity leave;
3. Paternity leave;
4. Breastfeeding leave.

- Family Care Leave

1. Parental leave;
2. Only-child care leave.

- Medical/Injury Leave

1. Work-related injury leave;
2. Sick leave.

- Compensatory Time Off



Lifestyle Care

- **Daily Work/Life Subsidies**
- **Holiday and Birthday Care**
  1. Birthday gifts;
  2. Holiday benefits.
- **Congratulations and Condolence Payments**
  1. Congratulations for employee marriage, childbirth, children's university admission;
  2. Condolence payments for hospitalization or death of immediate family members.
- **Health Protection**

One free annual health check-up for all active employees.
- **Team Building**

Team activity funds.
- **Special Overseas Benefits**
  1. Assignment allowances;
  2. Hardship allowances;
  3. Eligible employees may receive reimbursement for travel and accommodation for family visits.



Special Incentives

- **Year-End Incentives**
- **Talent Referral Rewards**
- **Intellectual Property Rewards**
  1. Special reward for invention patents;
  2. Special reward for utility model / design patents;
  3. Special reward for software copyrights;
  4. Special reward for patent / trademark management.

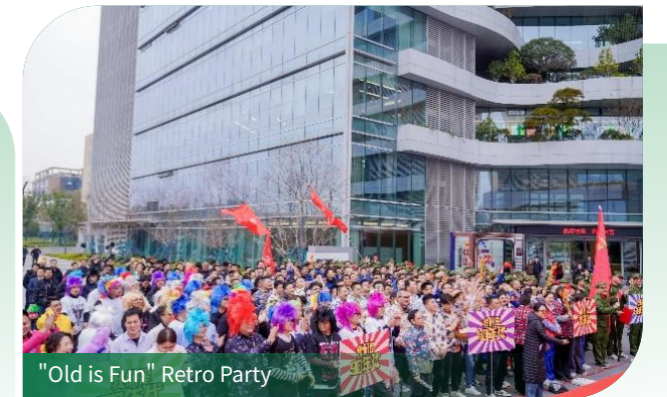
Key Performance

During the reporting period,

- the Company's investment in employee work-related injury insurance was RMB **704,700** and the investment in work safety liability insurance was RMB **13,608**.
- The work-related injury insurance coverage rate for employees was **100%**.

## Employee Care

The Company has provided recreational facilities including indoor badminton courts, a cinema, and a gym. It has established seven themed sports associations (badminton, basketball, running, etc.) and regularly hosts events such as the "Old is Fun" retro party, the "Wisdom Creates the Future, Craftsmanship Leads to Excellence" Sokan Science and Technology Workers and Craftsmanship Day, the "Decode Happiness · Energize Family" Sokan Group's 4th Family Day, the "Night Forward" hiking activity, as well as badminton, billiards, and fishing competitions, enriching employees' cultural life outside of work. Additionally, a mutual aid fund has been established to provide financial support to employees facing difficulties due to illness, disability, etc., and to their families, effectively alleviating their hardships and continuously creating a warm and supportive workplace environment.



Key Performance 

During the reporting period,

- the charity mutual aid fund assisted **13** employees and their families who were ill, distributing a total of **RMB 52,700** in assistance.

Sokan has established and implemented the *Protected Employee Management System* to create a comprehensive protection system for female employees' rights. The Company strictly enforces labor protection regulations for female employees, including restrictions on labor during menstruation, pregnancy, and breastfeeding. For employees who are pregnant and unable to perform their original work, the Company reduces their workload or adjusts their position accordingly. Female employees who are pregnant for over seven months or breastfeeding (with a child under 1 year old) are prohibited from working overtime or night shifts, and are provided with dedicated breaks and one hour of paid breastfeeding time per day. The Company also strictly adheres to maternity leave and prenatal check-up leave policies, fully protecting female employees' physical and mental health and legal rights.

## Employee Communication

The Company conducts annual employee satisfaction and engagement surveys through questionnaires, discussions, and other methods to gather comprehensive feedback on various aspects of the Company, work, and workgroups. Based on survey results, management measures are continuously optimized. During the reporting period, 35 departments participated in the survey. The results show that employee satisfaction has remained stable, with engagement and departmental scores consistently improving.

Year	2023	2024	2025
Employee Satisfaction Survey	81.67 points	81.85 points	83.91 points



# Employee Growth and Empowerment

## Employee Training

During the reporting period, Sokan revised and improved the *Training Management System* to continuously enhance the job competence of all employees, providing talent support and capability assurance for the Company's high-quality development.

### Employee Training Management Structure



#### Top-level Management: Human Resources Department

As the competent department for training, the Human Resources Department is responsible for planning the Company's overall training system, organizing and implementing company-wide training, guiding and supervising departmental training, coordinating and approving annual training plans, managing external training agencies, and building the internal trainer system.



#### Departmental Responsibility: Department Heads

Department heads are the primary responsible parties for improving employee competence within their departments. They are responsible for developing the department's annual training plan, implementing it, and conducting monthly reviews. Each department designates a part-time HRBP or training organizer to implement the training, including tasks like notifying employees about training, liaising with trainers, managing attendance, and tracking the training effectiveness.



#### Specialized System Collaboration: Quality Department, EHS Department, Human Resources Department, and Other Departments

Each department is responsible for the planning and implementation of specialized training for quality, EHS, and LHR systems, ensuring that these training programs comply with management system standards such as ISO 9001, IATF 16949, AS 9100D, QC 080000, as well as customer-specific requirements such as hazardous material control.



#### Trainer System Support

The Company has established a five-tier internal trainer system, including reserve trainers, junior trainers, intermediate trainers, senior trainers, and honorary trainers. Standards for trainer selection, grading, compensation, and courseware development have been defined. Additionally, a mechanism for selecting and managing external training agencies has been established, creating a combined internal and external trainer support system.



#### Performance Evaluation Management

A rigid assessment mechanism has been established to measure the execution rate of annual training plans and the employee participation rate. Departments failing to meet targets will have the relevant managers' performance scores deducted.

The Company has developed a systematic training framework consisting of "Four Core Courses", which covers employees throughout their entire career lifecycle, including all positions and job stages.

Employee Training System



**Admittance-Type: Special Job/Process Certification Training**

For mandatory national certification positions and internal specialized processes, the Company conducts certification training, covering areas like hazardous cargo transportation, forklift operation, electrical work, welding, high-altitude operations, fire safety operations, and radiation safety, as well as internal processes such as grinding and color matching. External training, recertification, and assessments are strictly organized in accordance with national regulations to ensure that all personnel in these positions are 100% certified.



**Adaptation-Type: Onboarding Training for New and Transferred Employees**

For new hires, a standardized onboarding training system is implemented, covering corporate culture, quality awareness, LHR system standards, three-level EHS safety education, basic quality management system knowledge, and product knowledge. Specialized EHS training courses are provided for employees handling hazardous chemicals. For employees transferring to new roles, customized training is provided on job responsibilities, EHS requirements, equipment/instrument operation, and specialized skills to ensure a smooth transition to the new position.



**Consolidation-Type: Mandatory Skills Training for On-the-Job Employees**

Regular skills enhancement training is provided for all job categories. This includes modules on EHS and quality management systems, labor rights, marketing, R&D, quality assurance, production, PMC, finance, corporate management, etc. The training focuses on essential areas such as customer RSS and EQS standards for hazardous substance control, updates to system documents, job skill upgrades, and the implementation of new customer requirements, ensuring continuous compliance and alignment with business development needs.



**Development-Type: Employee Advancement and Development Training**

To support career progression, the Company offers diverse training opportunities, including degree enhancement, management development, technical specialization, and external professional training. Various learning formats are provided, such as mentoring, book clubs, project experience sharing, and skills competitions. For key positions like R&D, color matching, and sales, an incentive mechanism is in place to encourage mentorship, facilitating both career skill improvement and personal development.

**Key Performance**

As of the end of the reporting period,

● the Company's total employee training duration amounted to **32,644** hours, with an average of **37.83** hours per employee;

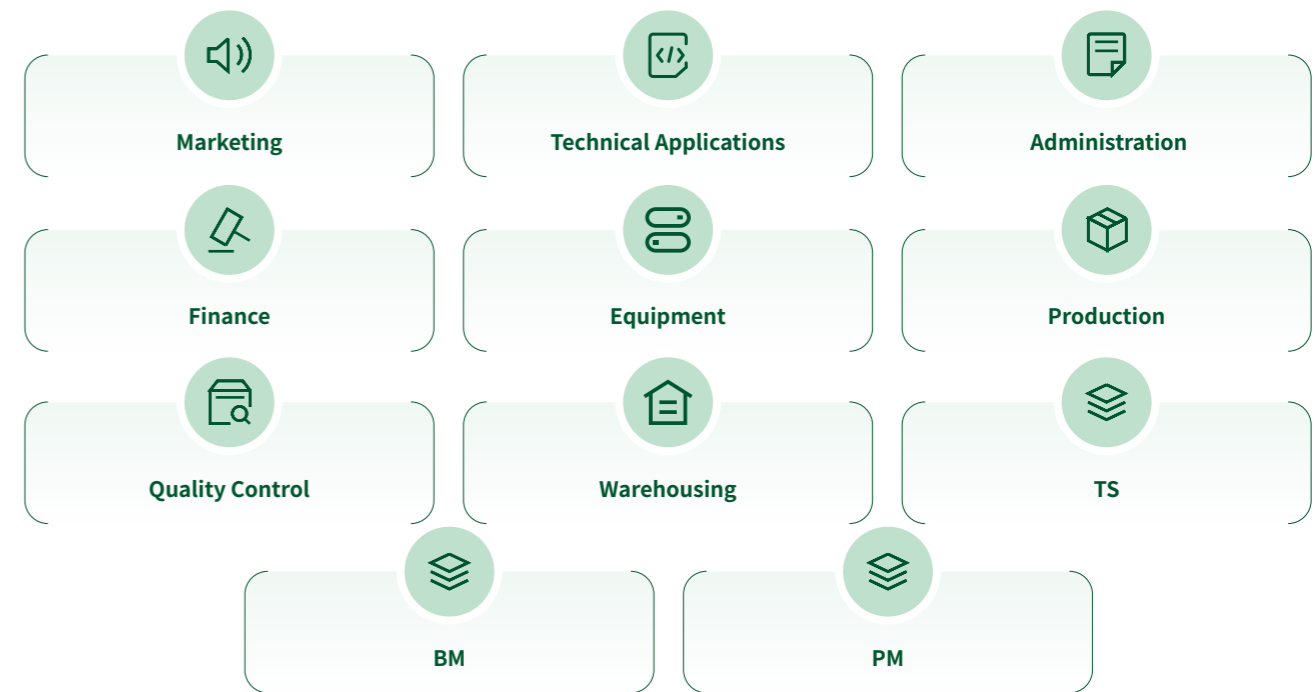
● The training coverage rate was **100%**, with a total training expenditure of RMB **986,000**.

## Employee Development

The Company adheres to a healthy personnel management philosophy, which states that "the excellent are promoted, the mediocre are demoted, and those who violate rules are punished; promotion or demotion is possible in the Management, and employees can join or leave as needed". This is the foundation of the Company's human resources management system, which is centered on rewarding hard work. By strictly enforcing the *Performance Management System*, *Employee Promotion and Demotion Management System*, and *Employee Reward and Punishment System*, the Company has established a corresponding dynamic adjustment mechanism. The Company continues to optimize its job classification and salary incentive structure, ensuring that resources are directed towards high-performing, high-potential individuals, thereby providing a solid talent foundation for sustainable development.

The Company has created a dual-track career development pathway for employees, focusing both on management and professional/technical roles. It has established professional/technical title assessment standards covering all job levels, providing employees with diverse growth opportunities through vertical promotions or lateral cross-track development. Adhering to the principle of internal priority for job vacancies, professional/technical employees are given an annual opportunity for promotion, ensuring ample space for internal talent development.

Sokan's Employee Promotion Job Families



The Company has established a scientific and standardized promotion management mechanism, adhering to the principles of balancing morality, ability, and performance, as well as combining gradual and skip-level promotions. A professional review committee, consisting of the Company's vice presidents, Human Resources Department, and department heads, has been formed to oversee the entire promotion process. The promotion system includes personal application, departmental preliminary review, review by Human Resources Department, committee evaluation, and public announcement of results. Employees' performance, professional abilities, potential, and personal qualities are comprehensively assessed. Those who pass the review will have their compensation and benefits adjusted accordingly, ensuring a deep connection between employee capability improvement, value creation, career development, and reward incentives.

## Equity Incentives

Sokan actively practices its core value of "growing together with employees", aiming to build a long-term incentive and restraint mechanism based on shared interests. The Company implements an equity incentive plan with a three-year cycle, designed to deeply bind the interests of key employees with the long-term development of the Company.

In 2025, the Company successively launched two employee stock ownership plans, further improving its diversified incentive system. The first employee stock ownership plan, based on the Company's repurchased shares, was implemented for core technical and key employees, with performance and individual appraisal metrics tied to the plan. The underlying shares are scheduled to vest over a three-year period. The second employee stock ownership plan, funded through a combination of employee self-financing and the Company's incentive fund, covers the Company's directors, senior management, core technical personnel, and key employees. The plan is self-managed by the Company with corresponding lock-up and duration periods. Both plans adhere to the principles of legal compliance, voluntary participation, and assumption of risk. They effectively enable the sharing of benefits and risks between the Company and its employees, stimulate talent vitality, and promote the coordinated and sustainable development of both the Company and its employees.

Index	Unit	2025
Number of employees holding shares	Person(s)	13
Proportion of employees holding shares to total employees	%	1.51
Number of shares held by employees	Ten thousand shares	448.03
Proportion of employee shares to total share capital	%	2.86

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



## Occupational Health and Safety\*

Sokan adheres to the occupational health and safety policy of "people-oriented, safety first; prevention-focused, comprehensive management, ensuring occupational health and labor safety". The Company has established a comprehensive management system to identify and control major risks in production operations, strictly enforcing special work permits and safety training systems. Additionally, through emergency drills, health monitoring, and insurance, the Company ensures a safe and healthy working environment for all employees, fostering harmonious development between the enterprise and its people.

### Governance

The Company strictly complies with relevant laws and regulations and has established 17 procedural documents, such as the Occupational Health *Operation Control Procedures* and the *Work Safety Operation Control Procedures*, 8 management systems, including the *Protected Employee Management System* and the *Work Injury Handling Measures*, and 51 operational documents such as the *Work Safety Management System* and the *Contractor Safety Management System*. These documents form an occupational health and safety management system covering equipment safety, hazardous operations, chemical management, occupational health protection, and emergency management, continuously advancing the work safety system. In 2025, the Company revised 15 of these documents and issued 3 new operational documents, including the *Precursor Chemical Safety Management System*.

In addition, the Company has established an emergency management system, fully overseen by the General Manager, and follows standardized emergency management procedures as outlined in the *Emergency Preparedness and Response Control Procedures*. Emergency leadership teams are formed based on the type of emergency event.

Sokan's Occupational Health and Safety Management Structure		
Institution	Member	Responsibilities
 EHS Committee	Chaired by the Chairman, with members including vice presidents, department heads, dedicated EHS managers, and employee representatives.	The highest leadership and coordination body for EHS management, being responsible for implementing regulations and customer requirements, promoting safety culture, making decisions on major matters through quarterly meetings and monthly company-wide EHS inspections, and supervising corrective actions to achieve closed-loop management.
 EHS Department	Safety engineers, HE engineers, and other professionals	Be responsible for the daily management and supervision of work safety, environmental protection, occupational health, fire safety, and security, ensuring the effective implementation of all EHS systems and measures.

### Occupational Health and Safety Management System Certification


The Company continuously advances the construction and improvement of its occupational health and safety management system. In 2025, Sokan and its subsidiary Songrun New Materials successfully completed the ISO 45001 Occupational Health and Safety Management System certification renewal.



ISO 45001 Occupational Health and Safety Management System Certification Certificate of the Company







### Strategy

The Company has identified and assessed occupational health and safety risks and opportunities in daily operations and production processes. It has conducted a comprehensive analysis of various hazards and their potential impacts and prepared documents such as the *Risk and Opportunity Management Form*, the *Hazard Identification and Risk Classification and Control List*, and the *List of Major Risks*.

Sokan's Occupational Health and Safety Management Risks				
Risk Category	Risk Description	Likelihood of Occurrence	Potential Financial Impact	Impact Period
 <b>Safety Accident Risk</b>	Inadequate identification of safety risks or failure to effectively implement management requirements leads to employee injury incidents.	Medium	This may result in compensation for injury or death, production interruptions, rectification costs, regulatory fines, increased operating costs.	medium term, long term

Sokan's Occupational Health and Safety Management Risks				
Risk Category	Risk Description	Likelihood of Occurrence	Potential Financial Impact	Impact Period
 <b>Legal Compliance Risk</b>	New regulations, such as the revised <i>Work Safety Law</i> , impose stricter occupational health and safety requirements on businesses, with more stringent enforcement.	High	This will result in administrative penalties, increased rectification costs, potential impact on business licenses, higher operating costs, reduced revenue.	medium term, long term
 <b>Employee Employment Risk</b>	Company employees expect a hazard-free work environment that meets occupational health and safety requirements. Failure to meet these expectations will impact satisfaction, retention, and employer branding.	Medium	This may lead to talent loss, increased recruitment costs, reduced productivity, and decreased revenue.	medium term, long term

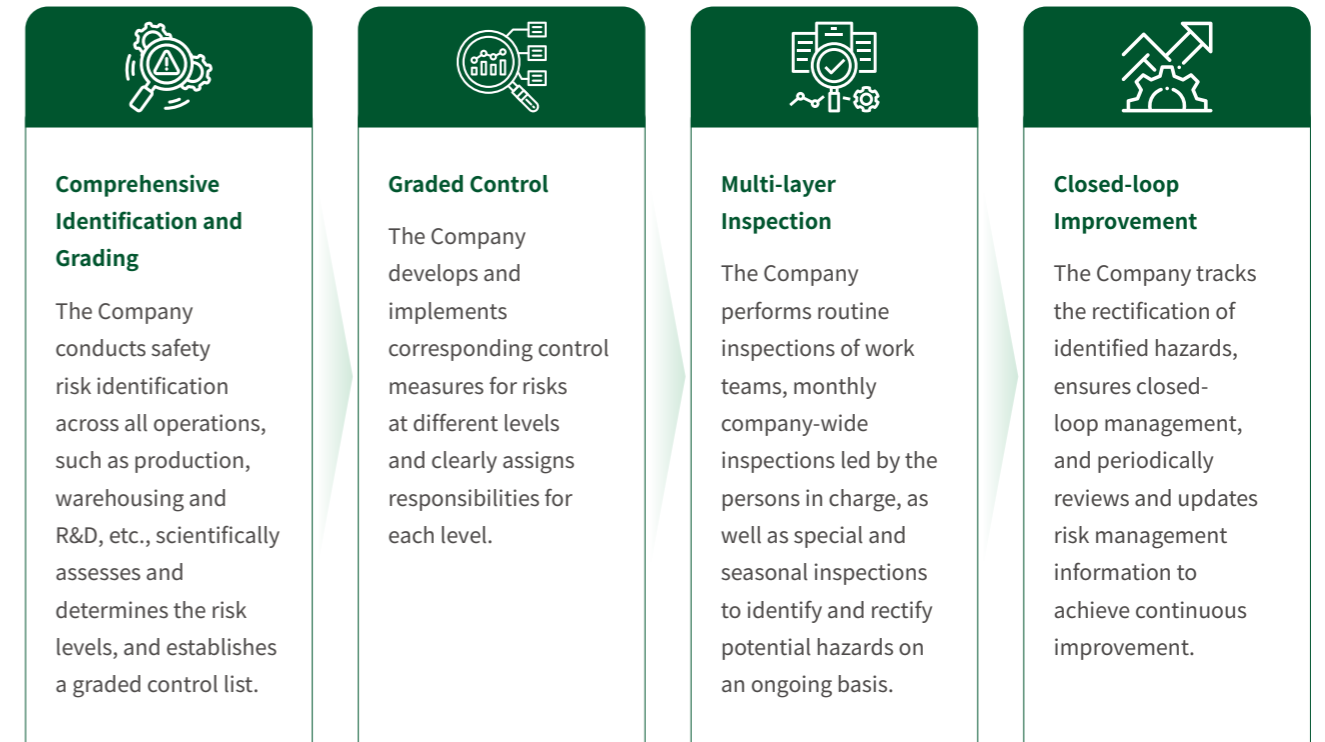
Sokan's Occupational Health and Safety Management Opportunities				
Opportunity Category	Opportunity Description	Likelihood of Occurrence	Potential Financial Impact	Impact Period
 <b>Market Opportunity</b>	Passing stringent customer EHS audits may open up opportunities in the high-end market.	Medium	Increased operating revenue	short term, medium term, long term
 <b>Reputation Opportunity</b>	External pressure from governments and residents drives the Company to establish a forward-looking, systematic occupational health and safety risk management system.	Medium	Avoidance of production stoppages and fines, improved corporate reputation, increased revenue.	short term, medium term, long term

Sokan's List of Major Risks for Work Safety			
Risk Category	Potential Incident and Consequences	Control Level	Risk Control Measures
 <p>Filling Operation</p>	Fire, object strikes, other injuries, mechanical injuries	Company level (Level 1)	<ul style="list-style-type: none"> <li>Personnel management and emergency preparedness: Develop job safety procedures and conduct training, provide full personal protective equipment, and prepare specialized emergency response plans.</li> <li>Engineering controls and explosion-proof measures: Install combustible gas alarms and static electricity dissipation devices (e.g., static bonding, grounding clamps), use explosion-proof tools, and implement daily inspections.</li> <li>Equipment safety and interlocks: Install pressure monitoring, gas source regulation, and emergency stop buttons on filling equipment.</li> </ul>
 <p>Confined Space Work, Hot Work Above Level I, Level IV High-Altitude Work, Level I Hoisting Work</p>	Fire, object strikes, burns, electric shock, poisoning and asphyxiation, explosions, falls from heights, lifting injuries, vehicle-related injuries	Company level (Level 1)	<ul style="list-style-type: none"> <li>Systems and plans: Establish specialized safety management systems, and develop and approve construction technical plans and safety measures for specific operations.</li> <li>Personnel and qualifications: Provide safety training for all employees, and ensure that supervisors, special operations personnel, and special equipment operators are all trained and certified before assuming their positions.</li> <li>Process control: Before operations, special work permits (such as hot work or confined space entry permits) must be applied for and issued in accordance with the system.</li> <li>Areas and facilities: Implement comprehensive safety management for work areas and specialties, and ensure that all relevant safety protection facilities and emergency equipment are fully equipped as required.</li> </ul>

## Impact, Risk, and Opportunity Management

The Company uses the *Internal and External Factors Identification, Analysis, Monitoring and Review Form*, along with the SWOT analysis framework, to identify and analyze occupational health and safety risks and opportunities. Based on this analysis, the Company has developed the *Risk and Opportunity Management Form*. In addition, the Company follows the "dual prevention mechanism" requirements, establishing a standardized risk control process for work safety.

### Work Safety Risk Management and Control Process



In terms of capability building and emergency preparedness, the Company strictly implements a "three-level safety education" program for new employees, requiring no less than 72 hours of training, and an annual re-training plan of at least 20 hours for on-the-job employees. The Company also develops an annual *Safety Training Plan*, ensuring that all personnel involved in special operations or handling special equipment are certified. Moreover, the Company regularly conducts emergency drills based on the registered *Emergency Response Plan for Work Safety Accidents*, to enhance practical response capabilities.



Health and Safety Knowledge Lecture



Emergency Response Plan and Emergency Rescue Training

**Case Conducting Regular Training to Strengthen Emergency Rescue Capabilities**

In December 2025, the Company organized specialized training on "Emergency Rescue Team Responsibilities and Basic Skills Enhancement". This training covered all members of the emergency rescue team (49 people in total), focusing on emergency management regulations and basic knowledge, the Company's emergency response system, and the responsibilities of each emergency team. The training emphasized standardized handling procedures and safety precautions for over ten types of emergency scenarios, including fires, leaks, and confined space accidents. The training effectively enhanced the team's risk awareness and collaborative capabilities, helping the Company build a "prevention-first, ready-to-respond" emergency management system.



Emergency Rescue Team Training

To improve the risk protection mechanism, the Company legally pays for work injury insurance for all employees and has subscribed to work safety liability insurance, fortifying the safety protection network for employees. For employees working in positions exposed to hazardous chemicals, volatile organic compounds, and other occupational health risks, the Company strictly enforces pre-employment, annual (during employment), and post-employment occupational health check-ups, achieving 100% coverage for employee health monitoring. These measures help prevent and reduce occupational health risks.

**Indices and Goals**

The Company has established a safety target management system, setting clear annual safety management targets and indicators at the beginning of each year. These targets are effectively implemented through regular risk control and hazard identification processes.

**Key Performance**

In 2025,

- the Company's occupational health and work safety training<sup>1</sup> totaled **9,249** hours, with an average of **28.72** hours of training per employee. The Company conducted **7** safety drills, including fire and toxic gas leakage exercises.
- There were **no** work-related fatalities or occupational disease cases.

2025 Occupational Health and Safety Management Targets of Sokan

	Index	Goals	Unit	Achievement
<b>Work Safety Indicators</b>	Minor injury incidents <sup>2</sup>	≤ 1	Case(s)	1 (Achieved)
	Work injury accidents	0	Case(s)	0 (Achieved)
	Chemical leakage accidents	0	Case(s)	0 (Achieved)
	Annual inspection pass rate for special equipment	100	%	100% (Achieved)
	Certification rate for special operations personnel	100	%	100% (Achieved)
<b>Occupational Health Indicators</b>	Diagnosed occupational disease cases	0	Case(s)	0 (Achieved)
	Timely completion rate of occupational health check-ups	100	%	100% (Achieved)
	Pass rate of occupational disease hazard factor detection	100	%	100% (Achieved)
On-time Completion Rate of EHS Hazard Rectifications		100	%	100% (Achieved)

<sup>1</sup>The statistical scope of training hours for occupational health and work safety covers only the Group's Ningxiang headquarters.

<sup>2</sup>One recordable minor injury incident occurred during the reporting period, which was confirmed through investigation to be non-work-related. Details: A cafeteria worker accidentally slipped and was injured within the work area. This incident has been duly incorporated into the minor injury management process. Its nature is not related to the Company's production operations.

# Chemical Safety

The Company primarily uses flammable liquid hazardous chemicals as raw materials, with the largest volume of solvents stored in dedicated tank areas. Following an assessment, it was determined that these do not constitute major hazards. As a hazardous chemical manufacturing enterprise, the Company and its subsidiaries have obtained the necessary work safety licenses and hazardous chemical usage registration certificates. All products are accompanied by chemical safety technical data sheets and safety labels, ensuring traceability of safety information throughout the product lifecycle.

To prevent and control safety and environmental risks associated with hazardous chemicals during production, storage, usage, and disposal, the Company has established the *Hazardous Chemical Management System*, which covers the entire lifecycle of chemicals. The system defines the core responsibilities of each functional department and establishes specific control measures for every stage of the chemical process.

## Sokan's Chemical Safety Management Requirements



### Admission Assessment and Information Management

- All new chemicals must undergo a risk assessment organized by the EHS Department before introduction;
- The Company establishes and maintains a comprehensive chemical list and compatibility matrix, requires all chemicals to be accompanied by easily accessible Chinese MSDS, and mandates that properly formatted safety labels be affixed to containers to manage risks at the source.



### Storage and Operational Safety

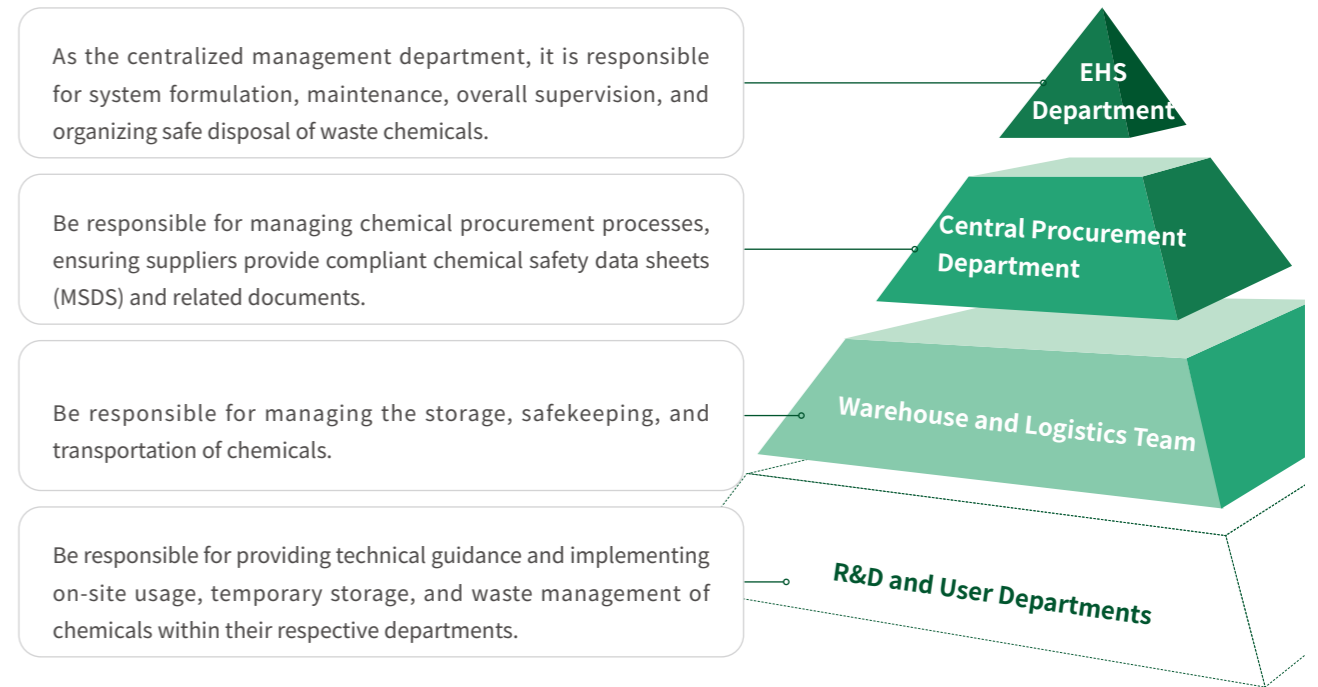
- Hazardous chemicals are stored in dedicated warehouses, strictly zoned and categorized according to the compatibility matrix, with secondary containment meeting capacity standards;
- The warehouses are equipped with explosion-proof, fire-proof, leak-proof, and emergency response facilities, and regular temperature/humidity monitoring and safety inspections are performed;
- On-site usage should not exceed 24-hour consumption in principle, and operators must receive specialized training and wear prescribed personal protective equipment.



### Transportation and Waste Disposal

- The transportation of chemicals is outsourced to qualified carriers;
- All waste hazardous chemicals are treated as hazardous waste and entrusted to qualified units for compliant disposal in accordance with the *Solid Waste Management System*, achieving closed-loop harmless treatment.

## Sokan's Chemical Safety Management Structure



Additionally, the Company organizes at least one chemical safety training session and one chemical leak emergency drill each year to strengthen its accident emergency response capabilities. These drills also assess the feasibility, effectiveness, and compliance of the Company's hazardous chemical leak emergency response plans.

## Case Conducting Hazardous Chemical Leak Emergency Drill to Enhance Employee Handling Capabilities

In May 2025, the Company organized a hazardous chemical leak emergency drill. The drill simulated a leak scenario in the storage and logistics process, covering the full emergency response process, with coordinated responses from the emergency team. It adhered to the principles of "controlling impact, preventing spread, and safe disposal". The evaluation indicated that the emergency response plan was feasible and effective, though some areas of initial response procedures were identified for optimization. These improvements have been incorporated into subsequent training. The drill involved 110 key staff members, further clarifying emergency responsibilities and collaborative procedures, while enhancing initial response and rescue capabilities.



Hazardous Chemical Leak Drill

**Case** Conducting Specialized Training to Cultivate Employee Awareness of Standard Operating Procedures

In May 2025, the Company organized a specialized training session on "Hazardous Chemical Safety". This training, delivered through in-person lectures, covered basic knowledge of hazardous chemicals, their classification and characteristics, storage and usage standards, accident case studies, and the entire emergency rescue process. The training focused on materials the company uses, such as flammable liquid and precursor chemicals. Over 500 employees participated in the training, with an online exam afterward to reinforce their knowledge. This training clarified safety responsibilities and operational standards for employees involved in chemical management, improving their regulatory awareness and risk prevention capabilities.



Specialized Training on Hazardous Chemical Safety

## Social Contribution Practice

The Company consistently upholds the concept of sustainable development, actively fulfills its responsibilities as a corporate citizen, integrates social value creation into its daily operations and management practices, and continuously focuses on supporting public welfare initiatives. Focusing on key areas such as charitable donations, community co-development, and science, education, and culture, the Company steadily explores effective paths for social contribution based on its actual capabilities and resources. It encourages employees to participate in voluntary services, helping to enhance community well-being and public cultural services. In the field of rural revitalization, the Company actively responds to national strategic calls, closely monitors rural development needs, and explores diverse empowerment methods such as industrial assistance and technical support to promote coordinated urban-rural development. The Company continuously optimizes its social contribution mechanisms, demonstrating the responsibility and commitment of a listed company through concrete actions.



## Appendix

### Key Data Performance Table

Environmental Performance				
Disclosure Item	Unit	2023	2024	2025
<b>Environmental Compliance Management</b>				
Total environmental protection investment	RMB 10,000	275.81	190.10	207.46
Penalty amount for major administrative sanctions imposed by ecological environment and other relevant authorities due to environmental incidents	RMB 10,000	0.00	0.00	0.00
<b>Addressing Climate Change</b>				
Total greenhouse gas emissions (Scope 1 + Scope 2) <sup>3</sup>	tCO <sub>2</sub> e	7,111.44	8,713.34	9,512.15
-Scope 1 greenhouse gas emissions	tCO <sub>2</sub> e	0.00	0.00	79.44
-Scope 2 greenhouse gas emissions	tCO <sub>2</sub> e	7,111.44	8,713.34	9,432.71
Greenhouse gas emission intensity per unit of revenue	tCO <sub>2</sub> e/RMB 1 million of revenue	12.06	11.59	13.17
<b>Resource Utilization</b>				
Total energy consumption	Ton(s) of standard coal	1,630.44	1,997.90	2,231.69
Direct energy consumption <sup>4</sup>	Ton(s) of standard coal	/	/	41.17
-Gasoline	Liter(s)	/	/	26,489
-Diesel	Liter(s)	/	/	8,799
Indirect energy consumption	Ton(s) of standard coal	1,630.44	1,997.90	2,190.52
Purchased electricity	MWh	13,241.10	16,219.49	17,232.00
Purchased steam	Ton(s) of standard coal	/	/	72.71

Disclosure Item	Unit	2023	2024	2025
Comprehensive energy consumption intensity per unit of revenue	Ton(s) of standard coal/RMB 1 million	2.76	2.68	3.09
Total water intake	m <sup>3</sup>	135,368.00	136,450.71	170,983.00
-Municipal water supply	m <sup>3</sup>	134,368.00	135,450.71	169,983.00
-Rainwater collection and storage	m <sup>3</sup>	1,000.00	1,000.00	1,000.00
Total drainage volume (via sewer system)	m <sup>3</sup>	128,599.00	129,628.10	163,440.00
Total water consumption <sup>5</sup>	m <sup>3</sup>	6,769.00	6,822.61	7,543.00
Water consumption intensity per unit of revenue	m <sup>3</sup> /RMB 1 million of revenue	11.48	9.15	10.45
<b>Pollutant Emission and Waste Disposal<sup>6</sup></b>				
Total exhaust emission	10,000 m <sup>3</sup>	64,125.00	65,250.00	65,250.00
-Total volatile organic compounds emissions	kg	4,688.64	3,311.40	3,094.92
Total wastewater discharged <sup>7</sup>	m <sup>3</sup>	14,890.00	16,951.00	17,828.00
Total hazardous waste <sup>8</sup>	Ton(s)	348.08	481.82	694.11
Total non-hazardous waste	Ton(s)	18.60	19.20	24.20
Recycled waste volume	Ton(s)	-	0.3 <sup>9</sup>	395.07

<sup>3</sup>Scope 2 greenhouse gas (GHG) emissions consist of indirect GHG emissions from purchased electricity and purchased steam. The emission factor for purchased electricity is the national average carbon dioxide emission factor for electricity of 0.5366 tCO<sub>2</sub>/MWh, as published in the Announcement on Publishing 2022 Electricity Carbon Dioxide Emission Factors issued by the Ministry of Ecology and Environment and the National Statistics Bureau in December 2024. The emission factor for purchased steam is sourced from the Guidelines on Accounting Methods and Reporting of Greenhouse Gas Emissions of Enterprises in Other Sectors of Industry (Trial) (2015) issued by the National Development and Reform Commission (NDRC) of China.

<sup>4</sup>In the Company's operations, direct energy use primarily relates to transportation activities. During 2023-2024, the main types of energy used by the Company were diesel and gasoline, but the volumes were minimal and have not yet been included in the statistical scope.

<sup>5</sup>[Calculation Method] Total water consumption = Total water withdrawal – Total water discharge.

<sup>6</sup>The statistical scope for pollutant emissions and waste disposal data covers the Ningxiang Park.

<sup>7</sup>No industrial wastewater is discharged externally from the production processes at the Ningxiang Park. The total wastewater discharge figure comprises only domestic wastewater.

<sup>8</sup>The hazardous waste generated by the Company mainly includes waste activated carbon, waste packaging drums, waste paint buckets, and coating waste.

<sup>9</sup>The Company's 2024 waste recycling volume only includes carbon black extracted from waste tires, resulting in a significant difference from the current year's data.



Social Performance

Disclosure Item	Unit	2023	2024	2025	
<b>R&amp;D and Innovation</b>					
Number of R&D personnel	Person(s)	241	268	286	
Proportion of R&D personnel	%	31.75	32.56	33.14	
R&D investment	RMB 10,000	9,028.59	10,544.50	11,252.10	
Proportion of R&D investment in main business revenue	%	15.31	14.14	15.58	
Number of patent applications during the reporting period	Item(s)	65	59	45	
Including: Number of invention patent applications	Item(s)	45	45	38	
Number of patents granted during the reporting period	Item(s)	24	52	50	
Including: Number of invention patents granted	Item(s)	18	19	29	
Number of valid patents during the reporting period	Item(s)	143	195	238	
Number of invention patents applied to main business	Item(s)	142	194	232	
<b>Product and Service Quality</b>					
Amount involved in major safety and quality liability accidents related to products and services during the reporting period	RMB 10,000	0	0	0	
<b>Data security and customer privacy protection</b>					
Amount involved in data security incidents	RMB 10,000	0	0	0	
Amount involved in customer privacy leakage incidents	RMB 10,000	0	0	0	
<b>Employee Employment and Rights</b>					
Total employees	Person(s)	759	823	863	
By gender	Male employees	Person(s)	598	655	680
	Female employees	Person(s)	161	168	183

Disclosure Item		Unit	2023	2024	2025
By age	Employees aged above 50	Person(s)	30	42	45
	Employees aged 30-50	Person(s)	584	611	647
	Employees aged below 30	Person(s)	145	170	171
Employee turnover rate <sup>10</sup>		%	14.03	13.50	13.40
<b>Employee Training and Development</b>					
Employee training coverage rate <sup>11</sup>		%	100	100	100
Average employee training duration <sup>12</sup>		Hour(s)	15.29	35.70	37.83
Employee training expenditure		RMB 10,000	133.21	71.00	98.60
Number of employee training sessions		Time(s)	305	340	307
<b>Employee Occupational Health and Safety</b>					
Proportion of employees covered by work injury insurance <sup>13</sup>		%	100	100	100
Proportion of employees covered by work safety liability insurance <sup>14,15</sup>		%	38.21	35.24	56.08
Investment in employee work injury insurance		RMB 10,000	37.74	42.92	70.47
Investment in employee work safety liability insurance		RMB	15,120	13,608	13,608
<b>Contributions to the Society and Rural Revitalization</b>					
Amount of investment in rural revitalization		RMB 10,000	1.83	4.72	-
Amount of charitable donations		RMB 10,000	0	1.30	-

<sup>10</sup>[Calculation Method] Employee turnover rate = Number of employee departures during the reporting period / Total number of employees at the end of the reporting period × 100%.

<sup>11</sup>[Calculation Method] Employee training coverage rate = Number of employees participating in training during the reporting period / Total number of employees at the end of the reporting period × 100%.

<sup>12</sup>[Calculation Method] Average employee training hours = Total employee training hours during the reporting period / Total number of employees at the end of the reporting period.

<sup>13</sup>[Calculation Method] Employee work-related injury insurance coverage rate = Number of employees covered by work-related injury insurance / Total number of employees × 100%.

<sup>14</sup>[Calculation Method] Employee work safety liability insurance coverage rate = Number of employees covered by work safety liability insurance / Total number of employees × 100%.

<sup>15</sup>Work safety liability insurance covers all employees of the Company's subsidiaries involved in the production and operation of hazardous chemicals.

 <b>Corporate Governance</b>					
Disclosure Item		Unit	2023	2024	2025
<b>Business Ethics</b>					
Proportion of employees receiving anti-commercial bribery and anti-corruption training <sup>16</sup>		%	100	100	100
Proportion of directors receiving anti-commercial bribery and anti-corruption training <sup>17</sup>		%	100	100	100
Proportion of management personnel receiving anti-commercial bribery and anti-corruption training <sup>18</sup>		%	100	100	100
Amount involved in litigation or major administrative penalties due to the Company's unfair competition practices during the reporting period		RMB 10,000	0	0	0

<sup>16</sup>[Calculation Method] Percentage of employees covered by anti-commercial bribery and anti-corruption training = Number of employees covered by anti-commercial bribery and anti-corruption training / Total number of employees × 100%.

<sup>17</sup>[Calculation Method] Percentage of directors covered by anti-commercial bribery and anti-corruption training = Number of directors covered by anti-commercial bribery and anti-corruption training / Total number of board members × 100%.

<sup>18</sup>[Calculation Method] Percentage of management employees covered by anti-commercial bribery and anti-corruption training = Number of management employees covered by anti-commercial bribery and anti-corruption training / Total number of management employees × 100%.

## Report Index Table

Report Framework	Guidelines No. 14 of Shanghai Stock Exchange for Self-regulation of Listed Companies - Sustainability Report (Trial) <sup>19</sup>	Global Reporting Initiative (GRI) Sustainability Reporting Standards (GRI Standards)
About this Report		GRI 2: General Disclosures (2-1, 2-2, 2-3, 2-5)
<b>Chapter I About Sokan</b>		GRI 2: General Disclosures (2-1, 2-6)
<b>Chapter II ESG Management</b>		
ESG Governance Structure		GRI 2: General Disclosures (2-12, 2-13, 2-14, 2-17, 2-18, 2-22)
ESG Risk and Opportunity Management	Due Diligence	
Communication with Stakeholders	Stakeholder Engagement	GRI 2: General Disclosures (2-12, 2-13, 2-16, 2-25, 2-26, 2-29)
Topic Materiality Assessment		GRI 3: Material Topics 2021 (3-1, 3-2, 3-3)
<b>Chapter III Governance Foundation, Upholding Integrity and Compliance</b>		
Improving Corporate Governance		GRI 2: General Disclosures (2-8, 2-9, 2-10, 2-11, 2-15, 2-19, 2-20)
Compliance with Business Ethics	Anti-commercial Bribery, Anti-corruption, and Anti-unfair Competition	GRI 205: Anti-corruption 2016 (205-1, 205-2, 205-3) GRI 206: Anti-competitive Behavior 2016 (206-1)
Risk and Compliance Management	Due Diligence	
Protecting Investors' Rights and Interests		
Information Security Assurance	Data Security and Customer Privacy Protection	GRI 418: Customer Privacy 2016 (418-1)
<b>Chapter IV Environment as the Base, Committing to Green Development</b>		
Addressing Climate Change	Addressing Climate Change	GRI 201: Economic Performance 2016 (201-2)
Environmental Compliance Management	Environmental Compliance Management	
Efficient Resource Utilization	Energy Utilization, Water Resource Utilization, and Circular Economy	GRI 302: Energy 2016 (302-4, 302-5) GRI 303: Water and Effluents 2016 (303-1, 303-2)

<sup>19</sup> ① *Ethics of Science and Technology: The Company's main business is the R&D, production, and sales of new functional coating materials. It is not directly involved in scientific research, technology development, or other activities in science and technology ethics-sensitive fields such as life sciences or artificial intelligence. Therefore, this report does not disclose the Company's basic compliance status with respect to ethics of science and technology during the reporting period.*

② *Equal Treatment to Small and Medium-Sized Enterprises (SMEs): The Company treats SMEs on an equal basis and has no overdue payments to SMEs or similar circumstances.*

③ *Biodiversity Protection: The Company's business activities have not had any material adverse impact on biodiversity or endangered species. In accordance with the requirements of the SSE Guidelines, the topic of "Ecosystem and Biodiversity Protection" is not material to the Company and has therefore not been included as a material topic for disclosure in this report.*

Report Framework	Guidelines No. 14 of Shanghai Stock Exchange for Self-regulation of Listed Companies - Sustainability Report (Trial) <sup>19</sup>	Global Reporting Initiative (GRI) Sustainability Reporting Standards (GRI Standards)
Pollution Prevention and Control Management	Pollutant Discharge and Waste Treatment	GRI 305: Emissions 2016 GRI 306: Waste 2020 (306-1, 306-2)
<b>Chapter V Value Co-Creation, Empowering the Industrial Ecosystem</b>		
Innovation-Driven Development	Innovation-driven Development	
Product and Service Quality	Safety and Quality of Products and Services	GRI 2: General Disclosures (2-6) GRI 416: Customer Health and Safety 2016 (416-1, 416-2) GRI 417: Marketing and Labeling 2016 (417-1, 417-2)
Responsible Supply Chain	Supply Chain Security	GRI 2: General Disclosures (2-6, 2-8) GRI 308: Supplier Environmental Assessment 2016 (308-2) GRI 414: Supplier Social Assessment 2016 (414-2)
<b>Chapter VI Caring for Employees, Contributing to a Better Society</b>		
Employee Rights and Benefits	Employees	GRI 2: General Disclosures (2-7) GRI 401: Employment 2016 (401-1, 401-2) GRI 405: Diversity and Equal Opportunity 2016 (405-1) GRI 406: Non-discrimination 2016 (406-1) GRI 408: Child Labor 2016 GRI 409: Forced or Compulsory Labor 2016 (409-1) GRI 202: Market Presence 2016
Employee Growth and Empowerment	Employees	GRI 2: General Disclosures (2-19) GRI 404: Training and Education 2016 (404-2)
Occupational Health and Safety	Employees	GRI 403: Occupational Health and Safety 2018 (403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8)
Social Contribution Practice	Rural Revitalization and Social Contribution	GRI 203: Indirect Economic Impacts 2016 (203-1, 203-2)
<b>Appendix</b>		
Key Data Performance Table	Addressing climate change, pollutant discharge, waste treatment, environmental compliance management, energy utilization, water resource utilization, circular economy, innovation-driven development, safety and quality of products and services, data security and customer privacy protection, employees, rural revitalization, social contribution, anti-commercial bribery, anti-corruption, and anti-unfair competition.	GRI 201: Economic Performance 2016 (201-1) GRI 205: Anti-corruption 2016 (205-1) GRI 302: Energy 2016 (302-1, 302-2, 302-3) GRI 303: Water and Effluents 2018 (303-3, 303-5) GRI 305: Emissions 2016 (305-1, 305-2, 305-4, 305-7) GRI 306: Waste 2020 (306-3, 306-4) GRI 308: Supplier Environmental Assessment 2016 (308-1) GRI 401: Employment 2016 (401-1) GRI 404: Training and Education 2016 (404-1) GRI 414: Supplier Social Assessment 2016 (414-1)
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Reader Feedback Form		

## Reader Feedback Form

Dear Readers,

Hello!

Thank you very much for taking the time to read the *2025 Environmental, Social and Governance Report of Sokan New Materials Group Co., Ltd.* In order to provide you and other stakeholders with more valuable information and effectively promote the Company's ability and level of fulfilling corporate social responsibility, we sincerely look forward to your opinions and suggestions.

### Multiple choice questions (please tick the corresponding box)

1. Your overall evaluation of this report is:

Excellent  Good  Average  Poor  Very Poor

2. How well does the report respond to and disclose issues of concern to stakeholders?

Excellent  Good  Average  Poor  Very Poor

3. How do you think Sokan performs in terms of economic responsibility?

Excellent  Good  Average  Poor  Very Poor

4. How do you think Sokan performs in terms of environmental responsibility?

Excellent  Good  Average  Poor  Very Poor

5. How do you think Sokan performs in terms of safety management?

Excellent  Good  Average  Poor  Very Poor

6. How do you think Sokan performs in terms of employee responsibility?

Excellent  Good  Average  Poor  Very Poor

7. How do you think Sokan performs in terms of community responsibility?

Excellent  Good  Average  Poor  Very Poor

8. Are the information, indicators, and data disclosed in the report clear, accurate, and complete?

Excellent  Good  Average  Poor  Very Poor

9. Do you think the content arrangement and layout design of this Report are convenient to read?

Yes  No

### Open Question

Do you have any opinions or suggestions on Sokan's fulfillment of social responsibility and this Report?

